Investing in rural people

Islamic Republic of Pakistan

National Poverty Graduation Programme

Final project design report

Main report and appendices

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Currency equivalents

Currency Unit	=	PKR
US$1.0	=	107 PKR

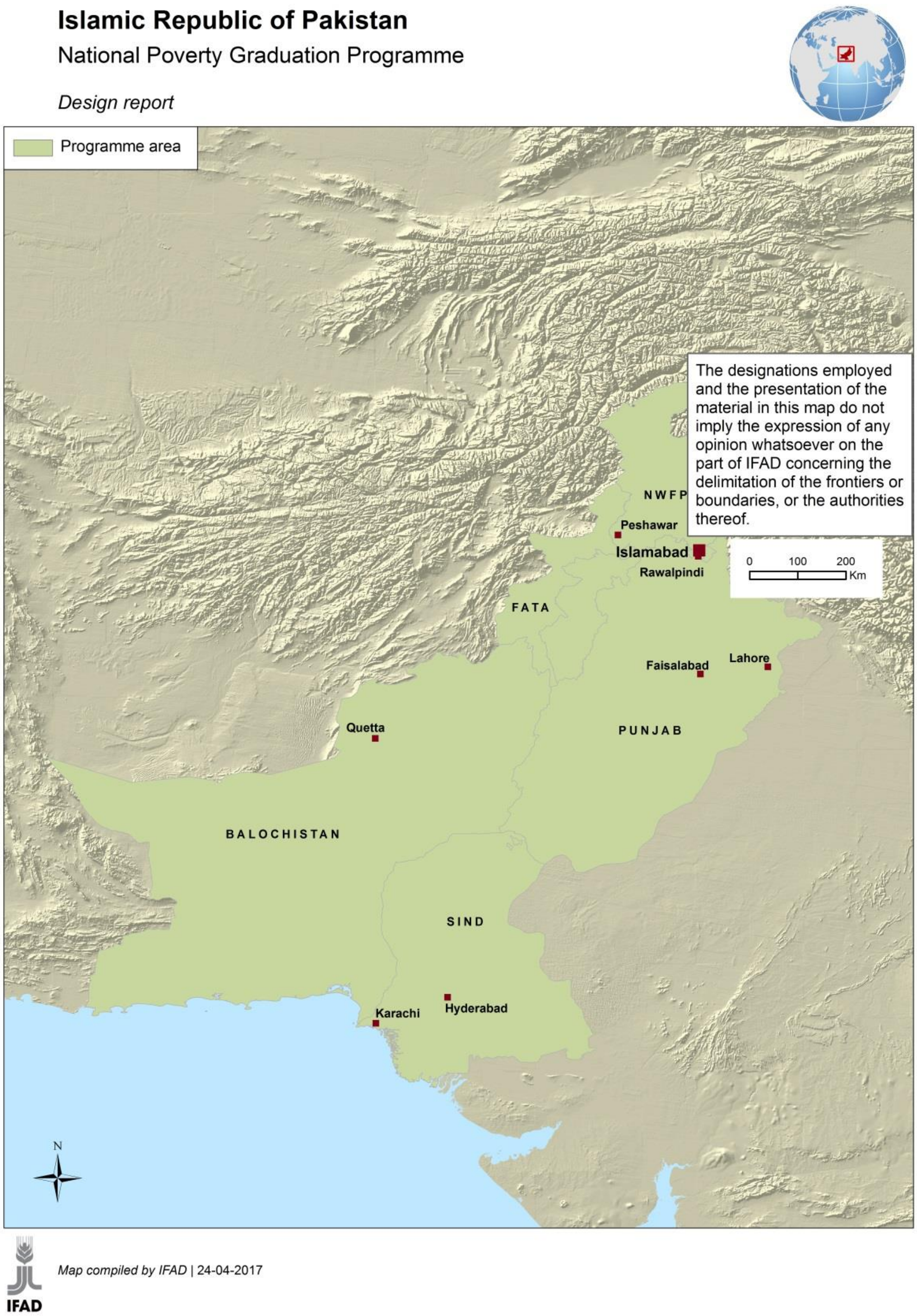
Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and acronyms

AJK	Azad Jammu and Kashmir
BISP	Benazir Income Support Programme
CDD	Community Demand Driven
CIG	Common Interest Group
CO	Community Organization
CRP	Community Resource Person
EOI	Expression of Interest
FATA	Federally Administered Tribal Areas
ICRP	Institutional Community Resource Person
IFAD	International Fund for Agricultural Development
IFL	Interest Free Loan
KPK	Khyber Pakhtunkhwa
M&E	Monitoring and Evaluation
MER	Monitoring, Evaluation and Research
MIS	Management Information System
MoU	Memorandum of Understanding
NPGP	National Poverty Graduation Programme
PIM	Programme Implementation Manual
PME	Planning, Monitoring and Evaluation
PMIFL	Prime Minister Interest Free Loan
PO	Partner Organization
PPAF	Pakistan Poverty Alleviation Fund
PSC	Poverty Score Card
RIMS	Results and Impact Monitoring System
RSP	Rural Support Programme
SDG	Sustainable Development Goal
SLED	Sustainable Livelihood Development Framework
UC	Union Council
VO	Village Organization
WHH	Women Headed Households

Map of the programme area



Executive Summary[1]

1. **Economy.** Pakistan is a lower middle-income country, with an average income per capita of US$1,512.2. 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. Pakistan is the sixth most populous country in the world (with a population of 191 million). 61 per cent of the population of Pakistan (116 million people) live in rural areas; 32 per cent of young people are illiterate and only 6 per cent have technical skills. In 2050, the country's population is projected to reach 302 million (at 1.9 per cent annual growth).

2. **Rural Poverty context.** 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 are households with a score from 0 to 34 (approximately 97 million people across Pakistan). 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. 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. Pakistan's performance on most Millennium Development Goal targets – including education, gender, health, nutrition and infant mortality – was below expectations. The country has adopted the new Sustainable Development Goals, but unless concerted efforts are made to achieve these, there is a strong probability that they will also be missed. Women in rural Pakistan are particularly disadvantaged in terms of access to basic social services and livelihood opportunities.

Background and Rationale

3. Lessons learnt from various poverty reduction programmes have revealed that social protection/ poverty alleviation interventions like cash transfers alone do not provide a holistic solution to the complex nature of extreme rural poverty. Pakistan is currently spending around US$ 1.2 billion through BISP unconditional cash transfers and there is still no evidence to show whether any of the 5.4 million beneficiary households are moving out of poverty. However, there have been some global pilots that have shown positive results. One of the most successful approaches, in enabling the extremely poor to escape poverty has been the graduation approach called 'Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor' programme, pioneered by BRAC in Bangladesh.

4. In 2009, with the aim to graduate destitute households to a level where they could access mainstream microfinance, a pilot was launched by Pakistan Poverty Alleviation Fund with IFAD assistance called the Social Safety Net-Targeting Ultra Poor (SSN-TUP) programme. This model reaching 2,000 households 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. Total cost of the package averaged US$ 467. At the end of the intervention, statistically significant impacts on all 10 key outcomes, ranging from food security, assets creation, women decision making, to consumption and mental health etc. had been observed. These outcomes were validated by the Global research study published in the May 2015 issue of ***Science*** using evidence from randomized control trials. On the basis of good results, the ultra-poor alleviation model was also scaled up to 95,000 households through the World Bank supported PPAF 3 project.

[1] Mission composition: Hubert Boirard: Country Programme Manager; Rab Nawaz, Team Leader; Qaim Shah, Country Programme Officer and Abdul Karim, Implementation Support and M&E specialist.

5. The Government of Pakistan is struggling to have an effective poverty graduation strategy that would lessen the current load of 5.4 million BISP beneficiaries with over US$ 1.2 billion expenditure a year - so far with no real success. The theory of change in the proposed programme is that with the right kind of responsive and flexible support a number of ultra and poor families can be graduated to the next level of wellbeing where they have opportunities to link up with other sources of assistance including microfinance. Experience in previous small-scale pilots show that there are a large number of BISP beneficiary households that have some inherent potential which, if properly identified and addressed, can help them get out of poverty.

6. The poverty graduation approach being proposed in the NPGP combines elements of three distinct approaches - **social mobilization, 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 this process, the capacity-building of community organizations through strong social mobilization support is a key so as to support individual households to access multiple opportunities (from markets, private sector and government).

7. Pakistan Poverty Alleviation Fund (PPAF) is the lead apex institution for community-driven development in the country. Set up by the Government of Pakistan, as an autonomous not-for-profit company, PPAF has the facilitation and support of Government of Pakistan and a number of international and statutory donors. PPAF implements its programmes through national and local civil society organizations.

8. A large network of existing partnerships between PPAF and the RSPs and NGOs provides country wide scope to flexibly leverage its resources for maximum outreach and impact. Nearly 200,000 community organizations currently exist across the country linked to this network. PPAF also manages the Prime Minister’s Interest Free Loan Scheme (PMIFL) – initiated by the Government of Pakistan in 2013 with an aim to reach one million clients in three years. PMIFL is targeted for individuals between 0 and 40 on the poverty scorecard as they may not be eligible for conventional market based microfinance. PPAF has a close policy level interface with the federal government and BISP which enables it to build key stakeholders’ understanding of the graduation approach and its variations. Based on this existing network, PPAF through NPGP can develop a scalable model which other donors and partners can use, thus catalyzing the development of a national poverty graduation model.

9. NPGP is designed to catalyze change at the grassroots to pull people out of poverty, building largely (but not exclusively) upon BISP beneficiaries and leveraging PMIFL to build a smooth ‘seamless service’ where the poorest can move from consumption support to asset transfers to interest fee loans to microcredit. PPAF works on multi-dimensional aspects of poverty, addressing economic, social and institutional aspects which are reflected in the NPGP design and in the composition of the Poverty Score Card.

Geographic Area and Target Groups

10. The project will cover 17 districts including one agency in FATA in order to demonstrate a national representative model that is scalable. Areas will be selected keeping in view available resources and need to achieve demonstrable impact. The primary target group for asset transfers falls between 0-18 on the PSC and for access to finance a further target group of 19-40 has been identified (with the overall target group for interest free loans being 12-40). While the initial selection of target households will be on the basis of BISP data, it will be further validated through the community organization to address any errors of inclusion or exclusion and account for any other change which may have affected the community since the time the survey was conducted.

11. Currently the available resources under the NPGP allow distribution of assets to 156,240 households (estimated cost US$ 467 per package). On average, within a district and Union Council, approximately 12% of total households fall within the 0-18 threshold. Using this analysis, the project will work with poorest households in 331 Union Councils across the districts and agency identified. 330 households per UC falling in the 0-18 category will receive assets. Households falling between the ranges **12-40** in these UCs will be supported to access finance (through the PMIFL). Each loan will be recycled at least 3-4 times during the life of the programme, extending 214,000 loans (157,271 households). Aggregating the beneficiary numbers of asset transfer and loan receiving households (will give the programme a total beneficiary number of nearly 320,000 households (representing over 2 million individuals)[2].

12. Additionally there will be positive impacts of the social mobilization process on human development outcomes for households that participate in community organizations and/or that benefit from the activities of such organizations around improved health, nutrition and education practices in their villages and through linkages that are developed and strengthened with public sector services and markets/private sector. We expect such benefits to be experienced by a further 4.8 million individuals (as indirect programme beneficiaries. The indirect beneficiaries have been computed based upon the assumption that social mobilization component having awareness raising campaigns on nutrition, climate resilience, gender, peace and justice would cover 70% of the households of each of the target UC).

13. **Programme Objectives.** The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. The Development Objective is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance following the toolbox approach.

14. **Expected outcomes** include:

- Improved livelihoods, living conditions and income-generative capacities for poor households and the youth (with diversified assets for sustainability in moving up the poverty ladder)
- Women from ultra-poor and poor households experience higher levels of socio-economic empowerment and their families experience improved nutrition and food security
- Target populations have improved access to financial services and investment opportunities
- Strengthened dialogue and knowledge sharing on pro-poor (and climate resilient) poverty reduction policies, supported with evidence-based research

15. **Programme Components** consist of two components:

Component 1: Poverty graduation with three mutually reinforcing sub-components:

- **Sub-component 1.1. *Asset creation***: Households with a score between 0-18 on the PSC, will be provided with a package (average of PKR 50,000) that consists of a combination of assets along with the relevant skillset training to utilize the asset transferred; and/or are offered technical and vocational trainings for which job placement or self-employment opportunities have already been identified. Tangible assets will be offered to those in the 0-16.17 category as they are receiving an unconditional cash transfer from BISP which serves as a consumption allowance while intangible assets will be offered to those falling in the 16.18-18 poverty band.
- **Sub-component 1.2. *Interest Free Credit*:** Funded through PPAF's own micro-finance (interest free) loan portfolio. The component will support both eligible non-poor and poor in the target communities. The target beneficiaries will fall between 12-40 on the poverty score card.

[2] Using a ratio of 6.3 individuals per household as per current GoP household size estimates.

- **Sub-component 1.3. *Training of Livelihood and IFL Beneficiaries (US$ 7.19 million)*:** This sub-component will complement in enhancing the effectiveness of the assets and IFL transferred to the target beneficiaries. The trainings would enable the target beneficiaries to harness their potential to maximize the benefits from the given assets and interest free loans. 157,271 borrowers would receive trainings on financial literacy and enterprise development. Furthermore 15624 beneficiaries of intangible assets would receive enterprise development training while 140,616 beneficiaries for tangible assets would receive functional literacy and basic business training.

Component 2: Social Mobilization and Programme Management

16. 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 pro-poor and microfinance interventions. The component will support the continued engagement with communities that is part of PPAF's community-driven development approach. Community organisations at the hamlet and village level will be further capacitated and empowered to participate in programme activities, with a special focus on women's empowerment, resilience to climate change and contributing to specific SDGs (especially SDG 3, 5, 13 and 16). Community resource persons will also be identified in every UC and trained to become institutional or sector experts, providing relevant services and support to target beneficiaries and community institutions.

17. The expected programme outputs are as follows:

Outputs Related to Outcome 1

- 156,240 LIPs developed and implemented for distribution of productive assets (estimated to cost US$ 467 per package).
- 744 Economic CRPs trained and operating in the target communities.
- 372 common interest groups (CIGs) established.
- 140,616 households trained in functional literacy, basic business/asset management training (PSC-0-16.17)

Output Related to Outcome 2

- 222,144 women from the target households have attended awareness/sensitization sessions on nutrition promotion, climate resilience, gender, peace and justice etc.
- 32,736 community institutions and 3720 CRPs in 372 target UCs are trained in climate risk management, gender nutrition promotion and malnutrition prevention behaviour

Output Related to Outcome 3

- 214,000 new loans availed by households by 12-40 of PSC ($234 average loan size)
- Basic Enterprise Development Training to 154,271 IFL clients

Output Related to Outcome 4

- 2 Research studies on pro-poor policies conducted.
- 6 policy briefs developed and disseminated among key stakeholders.
- 3 Research/advocacy events organized for engaging policy makers in enactment of pro-poor policies

18. **Targeting:** For the purposes of the NPGP the ultra-poor and vulnerable poor segments of the population (poverty scorecard of 0 to 18) will be eligible for a combination of asset transfers and training. For the 0-11 poverty band, the programme will provide basic business orientation training,

initial grant-based productive (tangible) asset provision and associated asset management training and adult literacy/basic numeracy. 50% of the assets disbursed will be transferred to beneficiaries falling in the 0-11 poverty band. The beneficiaries in the 12-18 poverty band will be eligible for basic business orientation training, initial grant-based productive asset provision and associated asset management training, functional literacy and for those beneficiaries who have graduated from the previous poverty band access to finance through the PMIFL. 40% of the total beneficiaries of asset transfers fall in the 12-16.17 band and will receive tangible productive assets. The remaining 10% of asset transfers will be in the form of intangible productive assets, such as vocational trainings, and will be given to those in the 16.18-18 poverty band. 34% of the PMIFL scheme loans will be given to those falling in the 12-18 poverty band, 31% to the 19-23 band and 35% to the 24-40 poverty band. Skill development, enterprise development; financial literacy training will support income diversification and business expansion. Underpinning this effort will be the social mobilization process to ensure the programme addresses BISP inclusion/exclusion errors and provides a supportive environment for transfer of assets among community members. The creation of three distinct types of community resource persons, for community institutions, for social sectors and for economic sectors will develop local expertise in the area and provide services through and beyond the life of the programme.

PSC range		Nomenclature	Intervention Type	Remarks	Percentages
0-11		Ultra- poor/ Extremely poor	Basic business orientation training, asset management training, adult literacy/basic numeracy, tangible asset transfer	*Addition of beneficiaries in BISP NSER*	50% of assets (tangible)
12-18*	12-16.17	Vulnerable poor	Basic business orientation training, tangible asset transfer, asset management training, functional literacy, first PMIFL loan** (graduated from 1st band)	*Addition of beneficiaries in BISP NSER*	40% of assets (tangible) 34% PMIFL loans (PSC 12-18)
	16.18-18	Vulnerable poor/ Chronically poor	PMIFL, intangible asset, enterprise development training (EDT), vocational training, financial literacy (SBP module)		10% of assets (intangible)
19-23		Transitorily poor	PMIFL, EDT, financial literacy (State Bank of Pakistan module)		31% PMIFL
24 to 40***		Transitorily vulnerable	PMIFL, financial literacy,	Linking with MFIs/MFBs and PMIC	35% PMIFL
41 and above		Non-poor	Availing conventional microfinance/ PMIC		

*Taking into consideration the importance of a consumption allowance, the 12-18 band has been split into two bands with (minor) variations in interventions:
(i) Band one with poverty score between 0 - 16.17 is consistent with BISP, where the beneficiaries are getting a consumption allowance in the form of an unconditional cash transfer (UCT) from BISP and will be provided with a tangible productive asset under NPGP; and
(ii) Band two with poverty score between 16.18 - 18 are not getting a consumption allowance and therefore they will receive intangible productive assets, such as vocational trainings from NPGP.

** PMIFL will be made available across bands for Poverty Scores 12 - 40. The loans for the 12 – 16.17 poverty band will be given to those beneficiaries who have graduated from the 0 – 11 band under the NPGP asset transfer.

*** PMIFL has been extended to the 40 cut off mark in accordance with the Government of Pakistan cut off. Differentiated data will be available for the 19 – 23, 24 – 34 and 35 – 40 poverty bands.

19. **Alignment with IFAD Objectives.** NPGP is in line with goals of IFAD's strategic framework objectives 1, 2 and 3 ("increase poor rural peoples' productive capacities", "increase poor rural peoples benefits from market participation" and "strengthen the environmental sustainability and climate resilience of poor rural peoples economic activities"). The Programme is also aligned with Pakistan COSOP 2016-2021 Strategic Objectives (1. Promoting poor rural households' economic transformation by expansion and scaling up of poverty graduation approaches; 2. Policy and Institutional Strengthening for community-led development, and 3. Building resilience for sustainable nutrition and food security).

20. **Implementation Arrangements.** At the federal level, the Economic Affairs Division (Ministry of Finance) will be the main coordinating body for the IFAD Financing Agreement on behalf of the borrower and will facilitate subsequent programme supervision and review. Joint Secretary WB/ADB/UN will be the main focal person in this regard.

21. Pakistan Poverty Alleviation Fund will be the lead agency responsible for execution of the programme. There will be a dedicated programme management team within PPAF responsible for planning, coordination, implementation, monitoring and reporting. Field activities will be implemented by a network of 40 partners (sub-components 1.1. and 2.1.) and 15 partners (sub-component 1.2.) (a few POs may overlap on grant and IFL activities) who will be engaged on the basis of their existing presence in the target district, past performance and existing portfolio of activities, extent of target area coverage, and capacity and experience in terms of programme interventions (social mobilization livelihoods and interest-free loan provision). PPAF will enter into output and performance based agreements with these partners whereby they will be remunerated on the basis of agreed performance indicators.

22. As part of the project cycle, an initial work plan for the entire project timeline will be designed with actual implementation taking place over a 6-year period. Programme results will be measured at output, outcome and results levels and will be measured against indicators provided in programme logical framework. The system will be guided by IFAD Results and Impact Management System (RIMS). A baseline benchmarking will be done by the Programme Management Unit (PMU) at the start of programme implementation for all main outcome and results indicators on the basis of available secondary data and information. Apart from regular internal monitoring and evaluation of programme interventions, quality and impacts, NPGP Unit will carry out periodic impact assessment studies for key interventions through external consultants and agencies.

23. The programme will be directly supervised by IFAD in collaboration with PPAF and relevant national level entities including EAD. IFAD Country Office will facilitate close lesson learning and exchange of experience between NPGP and other IFAD funded projects in the country, in particular SPPAP and GLLSP that have strong poverty graduation approaches and relevant experience in community centred development.

24. A supervision or implementation support mission will be conducted after every six months in the initial period and thereafter at least on an annual basis. IFAD and PPAF will provide the facilitation and logistical support for the missions and IFAD and EAD will nominate suitable persons to join the mission. A senior management team comprising Group Heads and relevant personnel of PPAF will meet every six months with IFAD representatives to review programme progress and implementation (as part of the supervision missions).

25. 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[3]. 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.

26. **Costs, Financing, and Co-financing.** Total programme cost, including price and physical contingencies, is estimated at US$ 150 million. The foreign exchange component is estimated at US$ 100 million. IFAD will cover US$ 100 million and Government of Pakistan through Pakistan Poverty Alleviation Fund PM Interest Free Loan Scheme will cover the remaining US$ 50 million.

27. **Economic and Financial Analysis.** The NPGP will generate three different benefits i.e. (i) increase in income in the case of 60% beneficiaries of tangible and intangible assets; (ii) increase in income of at least 50% of the IFL borrowers; and, (iii) increase in income resulting from improved nutrition and adopting climate change mitigation measures (30%). The basic data pertaining to incremental benefits have been worked out using data existing in PPAF from previous interventions recently assessed[4] through a user study. Prices and productivity were updated from the markets in selected target districts. Based on the analysis, the project investment can be considered feasible on account of the financial and economic benefits envisaged and its viability under different risks anticipated.

28. The financial analysis takes into account a total project cost of USD149.830 million and the ensuring benefits realized by the beneficiaries' over the period of 12 year including the project duration of 6 years. Over this period, the FIRR is estimated at 25% taking into account a discount rate of 11.55 percent. The estimated FIRR in the case of tangible and non-tangible assets is 20%, of IFL is 33% and that of capacity building on SDGs is 18%. The net present value (NPV) of the project is estimated at USD 60million in financial terms. The NPV in the case of assets is estimated at USD18 million, of IFL at USD 41 million and that of capacity building on SDGs/social mobilization at USD1.5 million.

29. The economic analysis takes into account the total economic cost of the project (USD126.412 million)[5] and the economic benefits realized by beneficiaries over the period of 18 years at a shadow discount rate of 11.1%. The EIRR for the proposed investment is worked out to be 34% while the NPV is USD94 million.

30. The sensitivity analysis of NPGP was carried out assuming different risk scenarios. These include increase in project costs (10% and 20%), reduction in project benefits (10% and 20%), delay in project benefits (1 and 2 years) and reduction in success rates (10% and 20%). Both FIRR and EIRR remains above the discount rates under all the risk scenarios assumed and thus the project investment remains feasible. The NPV also remained well above in positive range in all the risks scenarios assumed. The investment is thus not sensitive to any risk and shall remain viable under foreseeable risks.

[3] Guidance for FM risk assessment at design/supervision (IFAD, 2012)

[4] User Beneficiary Assessment Survey Phase-II study (PPAF-III), January 2015

[5] The total economic cost of the project include investment cost of USD 104.139 million and recurring cost of USD 8.715 million during the five years of project implementation and an O&M cost is estimated at USD 4.315 million over 20 years of project life.

Logical Framework

Results Hierarchy	Indicators	Targets			Means of Verification			Assumptions
		Baseline	Mid-Term	End Target	Source	Frequency	Resp.	
Goal: To assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change	▪ At least 160,000 households (hhs) receiving support under the BISP programme have graduated out of the programme by project end	0	64,000 hhs	160,000 hhs	Impact surveys[6]	Mid-term and completion	PPAF	
Development Objective: To enable the rural poor and especially women and youth, to realize their development potential and attain a higher level of social and economic wellbeing	▪ No. of households receiving project services (RIMS 1.a)	95,000	200,000	**320,000** *Of which at least 60% women and 30% youth*[7]	Implementing Partners' records and progress reports	Quarterly	PPAF and POs	- No major natural disasters in project districts - Stable political, economic and security situation - Timely sharing of BISP PSC data
	▪ 93,000 hhs in PSC 0-18 receiving asset transfers, move to a higher PSC band, of which 31,000 hhs move to a PSC band of +24 (official poverty level)	0	40,000 hhs	93,000 hhs	- Annual Outcome Surveys - Impact surveys - PSC survey for poverty graduation tracking by POs	- Annually, after mid-term - Mid-term and completion	PPAF and POs	
Outcome 1: Improved livelihoods, living conditions and income-generative capacities for poor households and the youth	▪ 93,000 persons (of which at least 30% are women and 30% youth) newly employed/self-employed after receiving tangible/ intangible assets	0	30,000	93,000	- Annual Outcome Surveys - Impact surveys	- Annually, after mid-term - Mid-term and completion	PPAF and POs	- No major natural disasters in project districts - Stable political, economic and security situation
Outputs: 1.1 Provision of assets	▪ 93,000 households experience 30% increase in income as a result of productive use of assets and access to working capital	0	30,000 hhs	93,000 hhs	Implementing Partners' records and progress reports	Quarterly	PPAF and POs	- No major natural disasters in project districts - Stable political, economic and security situation
1.2 Provision of trainings (i.e. functional literacy, skills, vocational and business/ asset management training)	▪ No. of persons receiving vocational and business development training (RIMS 2.1.2)	0	88,000	140,000	Implementing Partners records and progress reports	Quarterly	PPAF and POs	Young women and men's motivation to acquire professional skills remains high

6 Using the BISP Poverty Score Card methodology and database
7 National definition of youth is people aged between 15 to 29

Results Hierarchy	Indicators	Targets			Means of Verification			Assumptions
		Baseline	Mid-Term	End Target	Source	Frequency	Resp.	
Outcome 2: Women from ultra-poor and poor households experience higher levels of socio-economic empowerment and their families experience improved nutrition and food security	▪ At least 60% of project inputs provided to hhs are geared to women-related activities	0	40%	60%	- Annual Outcome Surveys - Impact surveys	- Annually, after mid-term - Mid-term and completion	PPAF and POs	Communities and tribal elders fully cooperate to ensure women's participation in programme activities
	▪ 192,000 hhs (60% of total) reporting improved quality of their diet (RIMS 1.2.8)	0	128,000 hhs	192,000 hhs (60% of hhs)				
Outputs: 2.1 Community institutions provided with capacity building support on issues related to gender, nutrition/ malnutrition prevention (behavior), climate risk management	▪ No. of community institutions supported and trained in gender issues, nutrition promotion and climate risk management	0	30,000 (+2500 CRPs)	32,000 (+2900 CRPs)	PO records and progress reports	Quarterly	POs	Community willingness and interest
2.2 Provision of women-centric awareness/ sensitization sessions on nutrition, climate resilience, gender, peace and justice, etc.	▪ 192,000 women attending sensitization sessions	0	128,000	192,000	PO records and progress reports	Quarterly	POs	Communities and tribal elders fully cooperate to ensure women's participation in programme activities
Outcome 3: Target populations have improved access to financial services and investment opportunities	▪ Percentage of IFL clients with 30% increase in monthly incomes		10%	50%	- Annual Outcome Surveys - Impact surveys - PSC survey for poverty graduation tracking by POs	- Annually, after mid-term - Mid-term and completion	PPAF and POs	Capacity of POs for reaching out effectively to widely dispersed rural communities in districts with sparse population
Outputs: 3.1 Interest-free loans (IFL) for PSC 12-40	▪ No. of IFLs provided to PSC 12-40 clients	0	114,000	214,000	PO records and progress reports	Quarterly	POs	Beneficiary willingness and interest
3.2 Financial training and enterprise development training to IFL clients	▪ No. of persons trained in financial literacy and/ or use of financial products/ services (RIMS 1.1.7)		82,000	157,000	PO records and progress reports	Quarterly	POs	Beneficiary willingness and interest
Outputs: 4.1 (Pro-poor) Research studies and policy briefs developed and disseminated	▪ No. of policy-relevant knowledge products completed (Policy 1)		4	8 *(2 research studies; 6 policy briefs; and 3 advocacy events)*	Research and advocacy conference reports	Annually	PPAF	BISP and Government's interest to engage in policy dialogue remains high

I. Strategic context and rationale

A. Country and rural development context

1. Pakistan is a lower middle-income country, with an average income per capita of US$1,512.2. 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. Pakistan is the sixth most populous country in the world (with a population of 191 million). 61 per cent of the population of Pakistan (116 million people) live in rural areas; 32 per cent of young people are illiterate and only 6 per cent have technical skills. In 2050, the country's population is projected to reach 302 million (at 1.9 per cent annual growth). Appendix 1 contains a detailed Country and Rural Context Background.

2. Pakistan's rural labour force is expected to increase until 2030 (FAOSTAT), indicating continuing pressure on the average size of farms. The stagnation of rural wages that has characterized the last decade 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.

3. Pakistan is situated in one of the most vulnerable areas of the world in terms of susceptibility to climate change – it is ranked 8th in the world in terms of long-term risks, and was the fifth worst affected country in 2014. Its contribution to the total global greenhouse gas emissions is among the lowest but it is among the most vulnerable countries and lies in the heat surplus zone of earth. It has experienced major climate induced disasters since 2010, such as floods, prolonged droughts in the arid zones of the south and south-west and unpredictable irrigation supplies for its vast Indus-basin-dependent agriculture. Pakistan's annual average economic loss because of climate change related incidents and environmental degradation stands at US$4.2 billion per year.[8] Pakistan 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.

4. 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.

5. 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 are households with a score from 0 to 34 (approximately 97 million people across Pakistan). 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).

6. 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. 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 – has been below expectations. The country has adopted the new Sustainable Development Goals, but unless concerted efforts are made to achieve these, there is a strong probability that they

[8] Government of Pakistan, Ministry of Climate Change, Achievements of Ministry of Climate Change, 2016

will also be missed. 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. Cultural norms and practices, lack of education and self-confidence, and a shortage of time inhibit women's ability to contribute to decision-making at all levels – from household and community to national. Women are often in a weak bargaining position in intra-household decision-making, to the detriment of the well-being of all household members.

7. A report launched by the Pakistan Poverty Alleviation Fund last year, Geography of Poverty in Pakistan – 2008-09 to 2012-13: Distribution, Trends and Explanations, explored the multi-dimensionality of poverty by studying education, health, living conditions, and assets ownership, and found that while the poverty headcount ratio fell by 5.6 percentage points at the national level from 2008-09 to 2012-13, there are tremendous rural-urban disparities in the incidence of poverty. There are also stark inter-provincial differences in the incidence of poverty that persist. Poverty in this case is not merely deprivation of monetary resources but a lack of several fundamental freedoms, such as freedom from hunger, pre-mature death, illiteracy, poor living conditions, socio-economic marginalization, and destitution, to name but a few.

8. The Government of Pakistan (Ministry of Planning and Development) also released the Multi-Dimensional Poverty Index report, which reflects similar disparities at provincial and rural/urban levels. 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 crucial to the country's overall poverty reduction strategy, recognizing that they represent valuable sources of employment.

9. **GoP's Poverty Reduction Strategy and Vision 2025**: 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 toupper 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. In pursuance of government's social protection and rural income generation/livelihoods support agenda, a number of federal and provincial government programmes are currently being implemented. Some of the salient ones include:

10. **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 0-16.7) for a total budget of about US$1.2 billion annually benefitting around 5.4 million poor households. A nationwide poverty scorecard survey (an asset based index) informed a National Social Economic Registry (NSER) in 2009/10 which has since then been the basis of targeting of the ultra-poor and poor in various national and donor-funded programmes. However, it is a static registry and is only now being updated through another similar nationwide exercise. Certain assessments over this period have shown that there is a 20-25% inclusion/exclusion error which means that not all households eligible for cash transfers have received these. Further, BISP experience also shows that cash transfers alone cannot eradicate poverty unless they are integrated into a more comprehensive poverty graduation approach.

11. **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.

12. **Skills development and credit programmes.** Other important initiatives include National and provincial skills development programmes for the urban and rural youth for gainful employment. The largest such programme is being run in Punjab province with DFID support and its further expansion is on cards through a World Bank policy credit. A nation-wide Prime Minister's interest-free

loans scheme is also underway, implemented through PPAF, RSPs and NGOs to help develop entrepreneurship for improved livelihoods among the poor.

13. **Global experiences**: Experience from various completed and on-going poverty reduction programmes has revealed that stand alone poverty reduction interventions, whether cash assistance or other in kind initiatives, alone do not provide a holistic solution to the complex nature of extreme poverty. 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 assistance programmes. Delivering both 'livelihood protection' and 'livelihood promotion' requires a 'package' approach, including both support to household consumption and support to livelihoods. And deliver such a responsive and flexible package with close hand-holding support requires robust social mobilization approach and processes.

14. One of the most successful approaches in the region in assisting the extremely poor to escape poverty sustainably 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 through the global research study (conducted in 8 countries), among other assessments. 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 extremely poor could "graduate" from extreme poverty into a sustainable livelihood state within a defined time period.

15. IFAD's experience of social protection and poverty graduation in Pakistan is based on projects carried out through the Pakistan Poverty Alleviation Fund and other Rural Support Network partners. The Programme for Increasing Sustainable Microfinance (PRISM, 2008-2013) and the Microfinance Innovation and Outreach Programme (MIOP, 2006-2011) both sought to reduce poverty, promote economic growth and improve livelihoods of rural households through a variety of interventions focused on increasing access to finance. In 2009, with the aim to graduate destitute households to a level where they could access mainstream microfinance, a pilot was launched by PPAF with IFAD funding called 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 underscores that the combination of these activities is necessary and sufficient to obtain a persistent impact.

16. The SSN model was piloted in the Sindh Costal 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 impacts on all 10 key outcomes, ranging from food security, assets creation, women decision making, to consumption and mental health etc. were observed. These outcomes were validated by the Global research study published in the May 2015 issue of Science using evidence from randomized control trials in six graduation programs (in Ethiopia, Ghana, Honduras, India, Pakistan [IFAD-PPAF pilot] and Peru) conducted between 2006 and 2014. These trials demonstrated that the Graduation Approach increased incomes and household consumption.[9] Household consumption increased by 5% on average and asset value by 15%. Benefits were between 1.33 and 4.33 times what was spent on the program, with program cost varying between $414- $3,122 per participant. Households not only earned and saved more but also diversified their assets and income sources. New results from a graduation site in India six years after the end of the program revealed

[9] *Science*, A multifaceted program causes lasting progress for the very poor: Evidence from six countries, May 2015

even greater impact, with a doubling in per capita consumption compared with the three-year mark.[10] IFAD's 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 bands 0-23 on the poverty score card.

17. Pakistan Poverty Alleviation Fund (PPAF) is the lead apex institution for community-driven development in the country. Set up by the Government of Pakistan, as an autonomous not-for-profit company, PPAF has the facilitation and support of Government of Pakistan, the World Bank, International Fund for Agricultural Development (IFAD), KfW Entwicklungsbank (Development Bank of Germany) and other statutory and corporate donors. PPAF was registered in February 1997 and operations commenced in the year 2000. PPAF has a 12 member Board of Directors, a mix of private and development sector specialists with a minority representation (3 members) from the GoP and as a company comes under the supervision of the Securities and Exchange Commission of Pakistan.

18. PPAF programmes are carried out through partner organizations that are non-governmental in nature following a community-led, demand-driven approach emphasizing 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 common threads running through all projects and programmes and make up substantive components within all the work. Externally commissioned independent studies have demonstrated positive outcomes and impact of PPAF interventions on the lives of benefiting communities related to their economic output, household incomes, assets, agricultural productivity skills and other quality of life indices.

19. 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. Due to investments in the sector made by PPAF through IFAD and other donors, working closely with the State Bank of Pakistan (SBP) and other stakeholders, the microfinance market now stands at 3.3 million loan clients, 10.2 million savers and 4.2 million[11] Insurance policy holders with a robust and dynamic institutional structure geared for sustainable growth.

20. The Prime Minister's Interest Free Loan Scheme (PMIFL) – initiated by the Government of Pakistan in 2013 – is implemented through PPAF and, as of March 31st, 2017, 26 microfinance institutions. It aims to reach one million clients in three years. The Government programme targets individuals between 0 and 40 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 credit and safety net programmes to interest bearing microfinance.

B. Rationale

21. 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.[12] Based on this definition, 30 per cent (59 million) of the total population was defined as poor and an additional 20 million were declared vulnerable. Following the global trends in poverty measurement and realizing the need for a sub-provincial analysis of poverty, in June 2016 the government, using Pakistan Standard of Living Measurement (PSLM) 2014-15 data, developed a multidimensional poverty index (MPI). The MPI integrates the wider concept of poverty by reflecting on deprivations experienced by individuals with respect to health, education and standard of living. Under these three dimensions, 15 indicators were used: 3 for education, 4 for health, and 8 for living standards. The

[10] *The Economist*, How to rescue people from deep poverty—and why the best methods work, Dec. 12, 2015
[11] PMN MicroWatch Issue 35
[12] http://tribune.com.pk/story/1080732/poverty-definition-revised-numbers-out-three-out-of-every-10-pakistanis-are-poor/

indicators of household assets and living conditions are clubbed under living standards dimension. Applying this measure to data from PSLM survey for the 2014-15 period, the country's Multidimensional Poverty Index stands at 0.197 and the country's multidimensional poverty headcount ratio (population of poor in Pakistan) was estimated at 38.8% (GoP 2016).

22. 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.

23. Economic growth is essential to poverty reduction but macro-economic growth alone is not sufficient to eradicate extreme pockets of poverty. Poverty is a complex, multi-dimensional phenomenon particularly extreme poverty which is inter-generational in nature, affecting entire communities. Extremely poor people are often left out of the reach of the agriculture value chains and market access for poor paradigm that many donors and governments have adopted. People in extreme poverty are most likely to be landless and also often geographically and socially isolated because of the complex, multi-dimensional nature of severe poverty.

24. Experience from various poverty reduction programmes have revealed that stand-alone poverty reduction interventions of social protection 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.

25. An evaluation of the impacts of IFAD's microfinance programmes in Pakistan, Microfinance Innovation and Outreach Programme (MIOP) and the Programme for Increasing Sustainable Microfinance (PRISM), reveals that the impact of stand-alone microfinance on poverty is somewhat indefinite, as it is negative on the asset index (the sample shows that receiving microfinance households have 0.7 points less asset index values compared to the non-receiving households). Similar results can be seen for the Wealth Index. The analysis of qualitative data pinpoints that microcredit does not engender assets for poor and very poor borrowers. Also, in some scenarios, accessing microfinance can at times decrease assets owing to the demand for repayment of loans and high-interest rates.[13]

26. The poverty graduation approach in the NPGP 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 microfinance, with "graduation" out of extreme poverty and into sustainable livelihoods as the end goal. Different interventions will be tailored to each poverty band to ensure that the correct mix of tools are used to effectively graduate beneficiaries to a higher score on the poverty score card.

27. Past interventions have tested the poverty graduation model (or elements of this model) with encouraging results. An evaluation of the SSN-TUP programme demonstrated that income of households 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). This was also the basis for the World Bank-supported PPAF 3 project, scaling up interventions to 95,000 households. As

[13] ***Measuring the Impact of Microfinance in Pakistan***, ACTED, 2016

per the findings of the PPAF/CERF randomized control trials on assets versus cash transfers, results show that due to the complementary social protection programmes for the poor, men moved to activities that gave higher returns, women became economically active, the trend in self-employment increased, earnings from employment increased, savings increased, and food consumption (increased to some extent). Finally, A comparative assessment of the Benazir Income Support Programme (BISP)[14] that provides a monthly stipend of PKR 1,500 to households below the score of 16.17 on the poverty score-card and PPAF's livelihood strategy, which provides similar households a one-off asset transfer alongside skill training (up to a maximum of PKR 50,000) shows that were BISP to use the approach taken by PPAF, an additional 2.5 million women could move out of poverty every year.

28. For the purposes of the NPGP the ultra-poor and vulnerable poor segments of the population (poverty scorecard of 0 to 18) will be eligible for a combination of asset transfers and training. For the 0-11 poverty band, the programme will provide basic business orientation training, initial grant-based productive (tangible) asset provision and associated asset management training and adult literacy/basic numeracy. 50% of the assets disbursed will be transferred to beneficiaries falling in the 0-11 poverty band. The beneficiaries in the 12-18 poverty band will be eligible for basic business orientation training, initial grant-based productive asset provision and associated asset management training, functional literacy and for those beneficiaries who have graduated from the previous poverty band access to finance through the PMIFL. 40% of the total beneficiaries of asset transfers fall in the 12-16.17 band and will receive tangible productive assets. The remaining 10% of asset transfers will be in the form of intangible productive assets, such as vocational trainings, and will be given to those in the 16.18-18 poverty band. 34% of the PMIFL scheme loans will be given to those falling in the 12-18 poverty band, 31% to the 19-23 band and 35% to the 24-40 poverty band. Skill development, enterprise development; financial training will support income diversification and business expansion. Underpinning this effort will be the social mobilization process to ensure the programme addresses BISP inclusion/exclusion errors and provides a supportive environment for transfer of assets among community members. The creation of three distinct types of community resource persons, for community institutions, for social sectors and for economic sectors will develop local expertise in the area and provide services through and beyond the life of the programme.

PSC range		**Nomenclature**	**Intervention Type**	**Remarks**	**Percentages**
0-11		Ultra- poor/ Extremely poor	Basic business orientation training, asset management training, adult literacy/basic numeracy, tangible asset transfer	*Addition of beneficiaries in BISP NSER*	50% of assets (tangible)
12-18*	12-16.17	Vulnerable poor	Basic business orientation training, tangible asset transfer, asset management training, functional literacy, first PMIFL loan** (graduated from 1st band)	*Addition of beneficiaries in BISP NSER*	40% of assets (tangible) 34% PMIFL loans (across 12-18)
	16.18-18	Vulnerable poor/ Chronically poor	PMIFL, intangible asset, enterprise development training (EDT), vocational training, financial literacy (SBP module)		10% of assets (intangible)
19-23		Transitorily poor	PMIFL, EDT, financial literacy (State Bank of Pakistan module)		31% PMIFL

[14] **PPAF III Project Completion Report**, Associates in Development, 2016

24 to 40***	Transitorily vulnerable	PMIFL, financial literacy,	Linking with MFIs/MFBs and PMIC	35% PMIFL
41 and above	Non-poor	Availing conventional microfinance/ PMIC		

*Taking into consideration the importance of a consumption allowance, the 12-18 band has been split into two bands with (minor) variations in interventions:

(i) Band one with poverty score between 0 - 16.17 is consistent with BISP, where the beneficiaries are getting a consumption allowance in the form of an unconditional cash transfer (UCT) from BISP and will be provided with a tangible productive asset under NPGP; and

(ii) Band two with poverty score between 16.18 - 18 are not getting a consumption allowance and therefore they will receive intangible productive assets, such as vocational trainings from NPGP.

** PMIFL will be made available across bands for Poverty Scores 12 - 40. The loans for the 12 – 16.17 poverty band will be given to those beneficiaries who have graduated from the 0 – 11 band under the NPGP asset transfer.

*** PMIFL has been extended to the 40 cut off mark in accordance with the Government of Pakistan cut off. Differentiated data will be available for the 19 – 23, 24 – 34 and 35 – 40 poverty bands.

29. The rationale for this poverty graduation approach takes into account the existing social safety net that is the Benazir Income Support Programme (BISP) which places a current load of 5.4 million BISP beneficiaries costing over US$1.2 billion a year on the Government of Pakistan without making any dent in the large number of ultra and very poor households. The NPGP builds on the BISP beneficiaries and poverty scorecard by treating the BISP stipend as a consumption allowance for the poorest target group and giving the beneficiaries falling in the 0-16.17 poverty bands tangible productive assets. The BISP scorecard is currently being updated and has an estimated ten percent inclusion/exclusion error. Coupling the BISP targeting of the most vulnerable people with a social mobilization approach ensures that errors of inclusion and exclusion are addressed.

30. Investments in agricultural development (specifically related to regular microfinance) do not necessarily benefit very poor and landless people. Mixed, flexible/responsive and customized interventions are needed, especially with the huge diversity observed in Pakistan. Keeping this in view and the substantial past experience PPAF has, a menu of assets has been developed that have been most appropriate socio-economical and productive for beneficiaries.

31. There are opportunities available to create an impact for change as a large number of BISP beneficiary households have some inherent potential which if properly identified and addressed can help them get out of poverty.

32. Recognising that IFAD has multiple projects underway in Pakistan and numerous international donors are working across various districts, capacity-building of community organizations must be institutionalized so as to support individual households to access multiple opportunities (from markets, private sector and government).

33. 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. While concentrating on raising awareness on building resilience during social mobilization and as part of the Toolbox, PPAF will work on a longer-term initiative to build new pathways for using climate disturbances to renew socio-ecological systems. NPGP will work on climate change protection and adaptation capacities of the target population such as resilient livelihoods, water conservation strategy, climate smart agriculture, promoting social forestry and promotion of disaster resilient community physical infrastructure through social mobilization.

34. A large network of existing partnerships between PPAF and the RSPs and NGOs provides a countrywide scope to flexibly leverage resources for maximum potential and a national poverty graduation model that can be scaled up in association with government and BISP.

II. Programme description

A. Programme area and target group

35. **Geographic Area**: The programme will have a national focus in order to demonstrate the viability of the graduation approach in different geographical settings and socio-economic environments. However, keeping in view the limitations of available resources, the programme will focus on representative poorest seventeen (17) districts in four provinces (Balochistan, Punjab, Sindh and KPK) and three special regions (AJK, FATA, Gilgit-Baltistan). While Punjab and Sindh provinces will have four districts each, there will be two districts each from KP and Balochistan. Two districts each from special regions of GB and AJK have been selected while one district has been selected from special region of FATA.

36. PPAF and Sustainable Development Poverty Institute have recently launched the report Geography of Poverty. Using the 2012-13 PSLM survey data, the study ranks districts on the basis of poverty headcount ratio, i.e., percentage of people in the population who are identified as multidimensional poor. This gives the extent to which the proportion of population of a district is poor.[15]

37. However, districts drastically vary in terms of their population size and size of the poor population. Equity demands that the population size of each district may also be taken into account to identify the districts with the largest number of poor people or highest contribution to headcount ratio[16]. Apart from the poverty ranking, size of population and poverty headcount ratio, others factors that will be considered in making the final selection include: 1) Presence of Prime Minister's Interest Free Loan; and 2) Presence of organized households. The table below categorizes districts according to their weights. The Level 1 districts carry the highest weight.

38. The distribution of districts is shown the table below.

Provinces / Region	**Number of selected districts**	**Level 1 Score**	**Level 2 Score**	**District coverage under IFAD (current status)**	**Proposed districts**
Punjab	4	Bhawalnagar, DG Khan, Jhang, Layyah, Multan Muzzaffargarh	Rajhanpur, Nankana Saheb, Khushab, Bukkhar	Bhawalnagar Layyah Muzzaffargarh Rajhanpur, Bukkhar Bahawalpur	DG Khan, Jhang, Multan, Layyah
Sindh	4	Tharparkar, Thatta, Badin	Karachi and Sanghar		Kashmore, Shikarpur, Thatta and Badin
Khyber Pukhtunkhwa	2	Kohistan, Upper Dir	Swat		Kohistan and Torghar*
Balochistan	2	Jal Maghsi Killa Saifullah Zhob	Killa Abdullah		Jal Maghsi and Zhob

[15] Poverty headcount ration and district ranking, Annex 1
[16] So while Kohlo has the highest headcount ratio, its contribution to poor population of the country is only .11% and ranks 85th among 114 districts. While Rahim Yar Khan ranking 58th in headcount ratio has the largest number of poor in the country having a population size of 2.56%. Table 3.5 and Annex 7

FATA	1	South Waziristan	Bajaur, Khyber,		South Waziristan
Gilgit-Baltistan	2	Skardu and Ghanche	Astor, Ghizer, Gilgit, Hunza Nagar	All 10 districts	Ghanche,Skardu
AJK	2	Hattian, Haveli, Poonch		All 10 districts	Haveli, Hattaian
Total	**17**				

* Torghar has been selected as a special case because current and previous PPAF programmes have already made substantial investments in the districts of Kohistan, Upper Dir and Swat. Torghar has a Level 1 score in terms of headcount ratio, but because there is currently no PMIFL programme implemented there, the weightage went against it. PPAF is of the view that this is one of the most marginalized districts and should be included in the NPGP.

39. *Scoring and weights*: District contribution to poor population is categorized into four percentage ranges. The ranges are assigned weights with the highest weight going to districts with largest contribution to poor population. So districts having more than 1% of the country's poor are assigned a weight of 25 and those with lesser contribution to poor population score lower than 25. For weightage for presence of PMIFL and social mobilization, districts with PMIFL presence score '20'; absence means '0' weight. For social mobilisation presence, a district scores '20' and for absence it scores '10'. In case of absence of social mobilization, the capacity of the communities will be built where necessary.

40. Selection of districts covered by PPAF under Prime Minister's Interest Free Loans (PMIFL) Scheme will enable the PPAF to link beneficiary families and male and female youth within those families to an affordable source of finance once certain capacity has been built through provision of initial assets and skills. The PMIFL scheme covers households falling in the band of 0-40 on PSC. Further, the criteria to cover districts where PPAF has an existing social mobilization partnership and existing stock of social capital in the form of organized community and village organizations, would enable PPAF to give a quick start to programme activities with lot of knowledge ingredients already available in terms of area and beneficiaries.

41. **Union Council Selection Criteria:** The choice of UCs in a district will be made on the following criteria:

(a) Community institutions have been formed in these UCs (either at hamlet or village level);
(b) Less than 60% of the households in the ultra-poor category have received assets from PPAF or under any other programme;
(c) PMIFL is present in the UC.

42. Given varying population densities across provinces and regions, overall financing distribution will need to be disaggregated. To ensure impact, 43,685 assets are being allocated to Sindh, 56,2784 to Punjab each (total 99,963), with 56277 assets distributed across the remaining districts/agency. Given Balochistan's low population density, the entire selected district will be covered under the programme. In terms of gender, most if not all assets will be transferred into the name of the woman. However where the asset may take the form of specific vocational training, options will be open for male or female members of the household to access this stream. Where loans are being offered a criteria minimum of 50% loans to women will be instituted.

Province	UCs	Actual Percentage	Assets Distributions
AJK	22	5.91%	9,234
BALOCHISTAN	29	7.80%	12,187
FATA	7	1.88%	2,937
GB	40	10.75%	16,796
KPK	36	9.68%	15,124

PUNJAB	134	36.02%	56,278
SINDH	104	27.96%	43,685
Grand Total	**372**	**100%**	**156,240**

43. **Household targeting**: The IFAD target groups are households with a score from 0 to 34. While the initial selection of target households will be on the basis of BISP data, PPAF will be conducting baselines of the proposed UCs to update the BISP data. The data will be further validated in the presence of the community organization in order to address any errors of inclusion or exclusion or any other change which may have affected the community. Over the IFAD target group, households with 35-40 score will be eligible for PMIFL interventions as 40 is the cut off for the Government intervention.

44. The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. As per Poverty Scorecard the categories of target beneficiaries are:

- extremely poor people (band 0-11);
- chronically poor people (band 12-18);
- transitorily poor people (band 19-23);
- transitorily vulnerable people (band 24-34); and
- Transitorily non-poor (band 35-40).

45. The Partner Organization will select the eligible households and will use the eligibility criteria as follows:

i. **Extremely poor households (0-11 score,** constitute 3% of 97 million IFAD target group across Pakistan**)**: The per capita per month income of the household is less than 50 percent of the poverty line.[17] The band features families with a large number of dependents, often these are women headed, are illiterate, do not own house and living standards in terms of housing condition, water, sanitation are very low.

ii. **Chronically poor households (12-18 score,** constitute 20% of 97 million IFAD target group across Pakistan**)***:* The per capita per month income of the household is more than or equal to 50 percent but less than 75 percent of the poverty line.[18] These are 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.

iii. **Transitorily poor households (19-23 score,** constitute 38% of 97 million IFAD target group across Pakistan**):** The per capita per month income of the household is more than or equal to 75 percent of the poverty line but less than the poverty line.[19] These are fluctuating poor, who are poor in some periods but not in others, and have a mean poverty score around the

[17] Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in The Lahore Journal of Economics 10 : 1 (Summer 2005) pp. 1-14
[18] Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in *The Lahore Journal of Economics* 10 : 1 (Summer 2005) pp. 1-14
[19] Ibid

poverty line. [20] These households are likely to have fewer livestock and less land and other physical capital. Transitorily poor are lower dependency ratio than chronically poor households.[21]

iv. **Transitorily vulnerable households (24-34 score,** constitute 39% of 97 million IFAD target group across Pakistan**):** The per capita per month income of the household is more than equal to the poverty line but less than 125 percent of the poverty line.[22] These are households who are occasionally poor, who have experienced at least one period in poverty; although their mean poverty score is above the poverty line.[23]

v. **Transitorily non-poor (35-40 score)**: These are households with per capita per month income more than or equal to 125 percent of the poverty line but less than 200 percent of the poverty line.[24] These are economically active households, own some productive assets, but any shock can put them into poverty.

46. NPGP primary target group for asset transfers will be 0-18 on the PSC. Once households falling within the threshold are identified through the PSC and community validation process, each will be supported to develop livelihood investment plans that help identify what are the areas of improvement and income enhancement, based on current skills and resources available that they can access. This will also help determine what kind of package best suits their situation to help them to move up the poverty ladder (see section on asset creation for details of available package and assistance). Households that may not have any capacity or potential to benefit from an asset will be otherwise be linked up with additional sources of social protection assistance and support.

47. Currently the available resources under the NPGP allow distribution of assets to approximately **156,240 households** (estimated to cost US$ 467 per package). On average, within a district and Union Council, approximately 12% of total households fall within the 0-18 threshold. Using this analysis, it is safe to say that in a Union Council (average number of households is around 3,500), the target group will consist of 420 households (for asset transfers). However experience has shown that within this group, there is always a small percentage of missing households (as a result of migration or other causes). The case then needs to be made that coverage within a Union Council of extreme and chronic poor will be 70-80% of the total (around 330 households per UC for a total of 372 UCs across the 4 provinces and 3 regions of Pakistan).

48. Households falling between the ranges 12-40 will be supported to access finance (through the PMIFL institutions that have outreach in these areas). There will be opportunities provided to these households to access loans through the availability of 214,000 PMIFL loans to 157,271 clients (there will be a split of opportunities where, as evidence has shown, approximately 25% of borrowers will be households that have been transferred assets and/or are BISP beneficiaries, but the remaining will be for households between the 19-40 poverty band that are not BISP or NPGP asset beneficiaries). Loan cycles on average extend over one year or are linked to agriculture seasons (thus seasonal loans that could be 6 months or longer) – each loan will be re-cycled at least 3-4 times during the life of the programme.

[20] ARIF, G. M. and FAIZ BILQUEES (2006) *Chronic and Transitory Poverty in Pakistan: Evidence from a Longitudinal Household Survey;* http://pide.org.pk/Mimap/Report19.pdf

[21] *McCulloch, Neil and Bob Baulch, Distinguishing the Chronically from the transitorily poor: Evidence from the Rural Pakistan; https://www.ids.ac.uk/files/Wp97.pdf*

[22] *Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in The Lahore Journal of Economics 10 : 1 (Summer 2005) pp. 1-14*

[23] *ARIF, G. M. and FAIZ BILQUEES (2006) Chronic and Transitory Poverty in Pakistan: Evidence from a Longitudinal Household Survey; http://pide.org.pk/Mimap/Report19.pdf*

[24] *Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in The Lahore Journal of Economics 10 : 1 (Summer 2005) pp. 1-14*

49. Asset transfer and credit distribution will together give the programme an approximate beneficiary number of **320,000 households** (representing over 2 million individuals)[25]. Other benefits include the impact of social mobilization process on empowerment of the poor, improved human development outcomes for households that participate in community organizations and/or that benefit from the activities of such organizations around improved health, nutrition and education practices in their villages and linkages that are developed and strengthened with public sector services and markets/private sector. Such indirect benefits are estimated to reach a further 4.8 million individuals.

B. Development objective and impact indicators

50. The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change.

51. **Development Objective**: Enabling the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance.

52. **Background**: GoP through BISP has been running one of the world's largest social protection programme since 2008. BISP's current beneficiary number of monthly cash transfers now stands at 5.4 million households costing US$ 1.2 billion to the government in 2016. Despite this large financial outlay, the small amount of assistance without any other complementary support/intervention, has not resulted in any reduction in number of recipient households. GoP/BISP from the very start have been conscious of the necessity of poverty graduation interventions and attempted two programmes under BISP – Waseela-i-Haq and Waseela-i-Rozgar but both were subsequently closed prematurely due to unsatisfactory results. But the need and desire remains for graduating people off the BISP registry. Meanwhile the BISP stipend to beneficiaries will serve as a consumption allowance for the poorest of the NPGP beneficiaries.

53. IFAD, with its partners like PPAF and RSPs, has attempted pilots on poverty graduation in various projects. The earliest pilot was conducted in MIOP (implemented by PPAF) and independent assessments have shown that the right mix of responsive interventions, tailored to each poor family's situation, and backed by strong social mobilization support, helps the poor to graduate out of poverty sustainably. Elements of the same approach were later tested in the on-going Southern Punjab Poverty Alleviation Programme which has again demonstrated the viability of such an approach.

54. There is now an on-going dialogue between BISP and partner donor agencies on the possibility of starting a poverty graduation programme either under the aegis of BISP or in close coordination with BISP which could lead to incremental reduction in number of BISP recipients, i.e. incremental increase in number of poor households escaping poverty sustainably.

55. Given the huge geographical, ethnic and socio-political diversity in Pakistan, there is need to develop a scaled up national model of poverty graduation, on the basis of already piloted successful approaches, that would clearly demonstrate to the Government and its development partners the efficacy and feasibility of such an approach for further expansion. The model would be implemented in close collaboration and regular dialogue with BISP and its partners.

56. The theory of change of this programme is based on the premise that:

I. There is a credible mechanism available to target the ultra-poor and poor (the BISP Poverty Scorecard data is available);

II. Previous pilots under IFAD projects and by PPAF have already demonstrated the success of such an approach which can now be scaled up to develop a national model of poverty

[25] Using a ratio of 6.3 individuals per household as per current GoP household size estimates.

graduation that works in all regions and socio-political environments of a very heterogeneous Pakistan;

III. There is sufficient social capital available in large parts of areas where such rural poor live (PPAF and its partners already have a spread and ground level presence through community organizations and village organizations that can be leveraged to scale up the poverty graduation model at the national level);

IV. The two, tested and proven graduation models and social mobilization capacity and experience at implementation level, can be combined to deliver to the rural poor a flexible and responsive package of assistance, selected from a toolbox of intervention, tailored to each household's situation, and within households to ensure the active participation of women and youth;

V. Leading to an outcome whereby these households escape poverty and/or attain a higher level of socio-economic wellbeing on a sustainable basis.

57. Pakistan currently has a network of nearly 200,000 community organizations linked to various national and provincial NGOs and rural support programmes. These COs are engaged in a wide range of local social and development initiatives and offer a huge platform of social capital that can be leveraged for rapid poverty reduction.[26] PPAF's partnership with a wide variety of RSPs and NGOs extends its footprint across all parts of Pakistan with outreach to over 130,000 of these community organizations. The extent of this presence, and partnerships, offers an opportunity for representative national level poverty graduation programme that can scale up the existing proven model of poverty graduation. The scale and its impact could open opportunities for GoP and other stakeholders to take the poverty graduation agenda forward and mainstream poverty graduation into its broad social protection agenda, thereby supporting GoP's efforts to contribute to SDGs 1 and 2 (among others).

58. <u>Expected outcomes</u>: (i) Improved livelihoods, living conditions and income-generative capacities for poor households and the youth (with diversified assets for sustainability moving up the poverty ladder); (ii) Women from ultra-poor and poor households experience higher levels of socio-economic empowerment and their families experience improved nutrition and food security; (iii) Target populations have improved access to financial services and investment opportunities; and (iv) Strengthened dialogue and knowledge sharing on pro-poor (and climate resilient) poverty reduction policies, supported with evidence-based research.

59. The following are the indicators of expected outcomes; the targets have been proposed based on empirical evidence from past (similar) interventions:

Outcome 1

- 60% of the target poorest households (0-18), in particular women (50% WHH), youth and smallholder famers (less than 2.5 acres of land) report increase in income by 30%
- 70% of those who have received skills training and/or assets are employed/self-employed (of whom at least 30% are women and 30% youth) through adopting climate resilient livelihood strategies;

Outcome 2

- 60% of the assets provided to women within target households leading to their increased role in household decision-making like management of household budget, children's health and education

[26] PPAF's Project Completion Report (2016) of its World Bank PPAF III Project has shown that investment of US$ 515 into a community organization resulted in community capacity to manage funds worth almost five times the funds invested in its own development.

- 60% of target households (50% women) who are member of community institutions reported to have improved knowledge and practices about climate resilient livelihood strategies as well as nutrition promotion and malnutrition prevention behaviours.

Outcome 3

- 50% of the target interest free loan clients show increased monthly incomes by 30% at end of project period;
- 90% of the target households reporting using interest free loans for income generation purposes.

Outcome 4

- 2 research studies conducted and 6 policy briefs developed to have evidence based input and dialogues for pro-poor policies.
- 3 policy research and advocacy events organized to engage policy makers in the dialogue for the enactment of pro-poor policies.

60. *Key impact indicators to achieve the development objective include:*

- 50% of the target beneficiary households who were eligible for BISP graduated out of BISP programme
- 60% of poorest households (provided with asset transfers (0-18.) move to a higher score on PSC (including WHHs); out of which 20% move out of poverty altogether (over 23 on the PSC)
- 60% of households experience 30% or more increase in income as a result of productive use of assets and access to working capital

61. *Key outputs include:*

Outputs Related to Outcome 1

- 156,240 LIPs developed and implemented for distribution of productive assets (estimated to cost US$ 467 per package).
- 744 Economic CRPs trained and operating in the target communities.
- 272 common interest groups (CIGs) established.
- 140,616 households trained in functional literacy, basic business/asset management training (PSC-0-16.17)

Output Related to Outcome 2

- 192,000 women from the target households have attended awareness/sensitization sessions on nutrition promotion, climate resilience, gender, peace and justice etc.
- 32,736 community institutions and 2,976 CRPs in 372 target UCs are trained in climate risk management, gender nutrition promotion and malnutrition prevention behaviours

Output Related to Outcome 3

- 214,000 loans availed by households by 12-40 of PSC ($234 average loan size)
- Basic Enterprise Development Training to 154,271 IFL clients

Output Related to Outcome 4

- 2 Research studies on pro-poor policies conducted.
- 6 policy briefs developed and disseminated among key stakeholders.
- 3 Research/advocacy events organized for engaging policy makers in enactment of pro-poor policies

C. Outcomes/Components

Outcomes

62. The aim of the programme is to provide the ultra-poor segment of the population (poverty scorecard of 0 to 18) with a combination of safety nets combined with livelihood interventions and training. The process would involve initial grant-based productive asset provision, skill development and asset management training, and linkage with government's interest free loan schemes (poverty scorecard of 12-40) to expand their businesses.

63. 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. Specifically, this programme will contribute to 2 key objectives of IFAD's gender strategy:

i) Promote economic empowerment to enable rural women and men to have equal opportunity to participate in, and benefit from, profitable economic activities;
ii) Enable women and men to have equal voice and influence in rural institutions and organizations.

Components

64. **Component 1: Poverty graduation (US$ 130.8 million).** Component 1 will have 3 mutually reinforcing sub-components:

65. ***1.1 Asset creation****:* This sub-component will be funded through IFAD funds. Under the proposed programme, households in the selected Union Councils, with a score between 0-18 on the PSC, including BISP beneficiaries, and that have demonstrated some potential for employment or entrepreneurial competencies, will be provided with a package (average amount of US$ 467) that consists of a combination of assets along with the relevant skillset training to utilize the asset transferred; The asset for those falling in the 0-16.17 poverty band and receiving the BISP UCT will receive tangible assets with associated asset management training while those in the 16.18-18 band will be offered intangible assets such as technical and vocational trainings for which job placement or self-employment opportunities have already been identified through the market research during the Baseline study. In order to further facilitate these individuals and ensure the sustainability of the programme after project period, systematic handholding will be offered for linking up households and communities to markets, value-chains, and employment opportunities. Community owned platforms like Common Interest Groups and Production Centres will be created to enhance improved access to markets and jobs.

66. In order to support the identification of relevant training opportunities and relevant markets/value chains, strong district level analysis on relevant occupations and industries, market demand/supply, review of accredited institutions that can provide relevant trainings (which have wide preferably international acceptance) will be ensured at the very start. Required skill training on enterprise development and financial management will be provided to households or community organizations where there is demand. The key steps for identification and implementation of the asset transfers is as follows:

i) Categorization of beneficiary households. Data of poor and ultra-poor households identified through the Poverty Score Card (PSC) is collected and shared with community organizations in order to ensure ownership of the process, as well as to verify the authenticity of the information collected. The Participatory Wealth Ranking allows the community to mitigate any inclusion and exclusion errors that exist in the BISP registry. Households with a score of 0-11 are classified as ultra-poor while those ranges of 12-18 are classified as vulnerable poor. Some of the interventions (for example, provision of productive assets, and training for livelihood enhancement) will have cut-off points at a score of 18.

ii) Preparation of household level Livelihood Investment Plan – LIP: Livelihoods Development Plans will be developed as part of the process of development of Village Development Plans and Union Council Development Plans with the support and guidance of CRPs and Partner Organizations. LIPs are developed for the households having PSC results between 0-23. These LIPs are closely linked to the economic sectors identified in the VDPs and UCDPs and thus a comprehensive package (trainings, assets provision, access to finance, formation of common interest groups and linkages) for the target households are agreed by community which not only benefit the household but also provide services to the community at large.

67. *Transfer of assets and relevant skills training provision*. Under the proposed project, households with a score between 0-18 on the PSC, including BISP beneficiaries, and that have been demonstrated entrepreneurial competencies will be provided with a combination of asset transfer along with training for skill and business development related to the asset, for a maximum cost per household of US$ 467. In previous poverty graduation models up to 60% of the targeted poor graduate to higher levels on the score-card through these interventions.

68. *Establishing linkages and financial access:* PPAF will support the establishment and strengthening of platforms to promote socio-economic activities, e.g. social enterprises to support community members for effective employment (placement) and self-employment; Youth Centres, so that the youth can advocate and support the resolution of issues of health, education, environment, disaster management, recreation, access to civil rights, etc.; Common Interest Groups (CIGs) where community members may engage in collective buying, selling and production, and over time graduate to local associations or Production Centres (PC); and access to finance through the Prime Minister's Interest Free Loan (PMIFL). Linkages will also be promoted with the public, private and development sectors to build the larger eco-system to support livelihoods, employment and enterprise development within the rural areas.

69. ***1.2 Interest Free Credit (US$ 50.08 million):*** This sub-component will be entirely funded through PPAF's own interest-free loan portfolio. The component will support both eligible non-poor and poor in the target communities and leverage non-interest bearing products as per existing eligibility criteria under the PMIFL. 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.

70. The PMIFL loan cycle is 12 months with one month grace period. Mode of repayment can be monthly, quarterly, biannually, and/or through lump sum. Currently 80% of repayments are made on monthly basis. The average loan size is US$ 200 and this is for mostly unskilled labour. Loan sizes for skilled labour vary between US$ 300 – 700.

71. Social collateral through community institutions and personal guarantees are used in a group of borrowers. To date recovery rate from the PMIFL is 99%. Experience has shown that in the provinces of KPK, FATA, and Balochistan there is a strong preference for interest free loans. Loans are given for productive purposes-for generation of income. These include livestock, poultry, fish farming, petty trading, agriculture inputs for crops, vegetables and fruits, manufacturing/light engineering, handicraft making. Loan distribution across the poverty bands to date reflects 8% in 0-11 band, 69% in the 12-30 band and 23% for the 31-40 band. For the PMIFL component of the NPGP the loans will be distributed as follows: 34% in the 12-18 poverty bands, 31% in the 19-23 band and 35% in the 24-40 bands.

72. ***1.3 Training of Livelihood and IFL Beneficiaries (US$ 7.19 million)*: **This sub-component will complement in enhancing the effectiveness of the assets and IFL transferred to the target beneficiaries. The trainings would enable the target beneficiaries to harness their potential to maximize the benefits from the given assets and interest free loans. 157,271 borrowers would receive trainings on financial literacy and enterprise development. Furthermore 15624 beneficiaries of intangible assets would receive enterprise development training while 140,616 beneficiaries for tangible assets would receive functional literacy and basic business training.

73. **Component 2: Social Mobilization and Programme Management (US$ 19.2 million)**

74. ***Sub-component 2.1: Social Mobilization*****:** This sub-component will be supported through IFAD funds, and will finance a tested and proven social mobilization based approach to beneficiary targeting, community organization and mobilization and implementation in which PPAF will engage existing and new suitable partners in all selected 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 various pro-poor and access to finance interventions. Community organisations at the hamlet and village level will be further capacitated and empowered to participate in programme activities, with a special focus on women's empowerment, resilience to climate change and contributing to specific SDGs (especially SDG 3, 5, 13 and 16). In the programme target districts, poorest Union Councils where PPAF has existing community institutions in place will be prioritized for the interventions. The COs will be informed about programme purposes and approach and assisted to identify the programme target beneficiaries as well as broader community development priorities and required linkages with sources of assistance. The targeting criteria and any exceptions are explained in detail in Appendix 2.

75. Community development interventions will be aimed at improving the broader social and economic environment in the target communities including natural resource management, improved access to health and education with a view to improving nutrition outcomes, access to social services (through government linkages) and private sector engagement. During the first year of the project, community organizations will be provided a set of refresher trainings on community institutional development, financial management, book keeping, governance, and linkage creation. In the subsequent years, these community organizations will be supported to develop and implement activities that take forward contribution to certain SDGs (for example, ensuring that all girls and boys are enrolled in schools, health and nutrition sensitization campaigns, conflict prevention and negotiation, among others.

76. 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..

77. ***Sub-component 2.2. Programme Management*****:** This sub-component covers the dedicated management structure for the programme within PPAF and its related delivery costs. It will also finance activities such as UC baseline surveys and district level market analysis that inform the other programme components. PPAF will also be responsible for carrying out midline and end-line surveys and other impact assessments as required. Policy level engagement through periodic briefings and workshops will be maintained to keep government and key stakeholders aware of programme outcomes, opportunities and key poverty graduation requirements that can help both federal and provincial governments to improve their poverty targeting and graduation strategies.

78. Main features of Programme management structure include: PPAF as Lead Implementation Partner will house a fully-staffed PMU (31 dedicated staff) within its office and ensure that the PMU has the full support of the pre-existing PPAF structure, that includes Senior Management, Finance & Administration; Institutional Development; Compliance and Quality Assurance; Communications, IT and Climate change; Nutrition and Research & Advocacy; and the Prime Minister's Interest Free Loan Scheme PMU. Key resources for the PMU include the Project Manager, Livelihoods & Value-chain Specialists, Social Mobilization Specialist, Gender Specialist, M&E Specialist, Financial Management Specialist, PO Relationship Managers, Finance officer, MER officer, Climate Change Adaptation specialist; Advocacy & Research Specialist, Nutritionist, MIS officer, Procurement Officer and Admin Officer. The Project Manager will report to PPAF's Group Head Grants (who reports to the CEO).

79. In order to implement NPGP activities at the field level, PPAF will enter into contractual financing agreements with all its 'sub-contractors', which will include PPAF's 40 local partner organisations (POs), as well as consultant firms and individuals. PPAF's contractual agreements follow a rigorous approval process that involves both the management and Board of Directors review and sign-off. A well-defined and existing system of monitoring and evaluation as well as fiduciary management and oversight will ensure that contractual obligations are carried out according to targets set in financing agreements.

80. During the pre-inception phase, PPAF will engage a third-party firm to assess proposals through a competitive bidding process with pre-determined criteria for shortlisting and final selection of organizations that will implement the field activities under the NPGP.

D. Lessons learned and adherence to IFAD policies and the SECAP

81. Learning from the PPAF Pilot and other IFAD projects has 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. Graduation is only possible through a comprehensive livelihoods strategy and supportive framework.
- Availability of BISP poverty score card allows for effective targeting of the ultra and vulnerable poor that can be further validated through the community organizations to address any errors of inclusion or exclusion.
- PPAF can apply a 'toolbox' approach, where tools for appropriate interventions for poverty graduation will be developed and applied. Each 'tool' will have background, enabling factors, procedures, training outline and expected outputs. Many of the appropriate tools have been developed and implemented by PPAF in various projects and programmes such as, Common Interest Groups (CIGs), Asset Transfers, Trainings including Functional, Adult and Financial Literacy, Asset Management and Enterprise Development Trainings and Basic Business Orientation, three distinct types of Community Resource Persons for community institutions, social sectors and economic sectors and access to finance through the Prime Ministers Interest Free Loans (PMIFL). Additionally the Gender Action Learning System (GALS) can be piloted to ascertain the impact in comparison to the impact of PPAF's inclusion policy. The flexible menu of customized interventions, tailored to respond to the needs of individual poor households will enable such households to sustainably escape poverty.
- Effective implementation of a responsive poverty graduation approach requires strong social mobilization and mentoring to build social empowerment and help individuals to access opportunities that they were unable to previously.
- Social mobilization approaches also offer opportunities to build awareness and to mainstream suitable interventions for improved climate change resilience and nutrition.
- Simple programme design and institutional arrangements are key to efficient implementation of programmes.
- 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.
- 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 and decision-making powers within the household and community).
- 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.

82. IFAD and the PPAF successfully piloted the BRAC graduation model for 2,000 households under the SSN-TUP in 2007, providing each poor household a flexible package of productive assets, skills enhancement, a subsistence allowance, and access to health services and community savings and credit. Evaluation of programme demonstrated that income of households 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). This model was subsequently further scaled up under the World Bank-supported PPAF 3 project to 95,000 households. Finally, the on-going 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.

83. Findings from Assets vs. Cash Transfers: Results from the PPAF/CERP RCT – Professor Imran Rasul, University College London/IGC show that social protection needs to be given to the poor and interventions should be made in order to achieve this objective. From previous experiences in Bangladesh, it is seen that asset transfer programmes have been used to bring long term changes. Asset transfers have been seen as effective in other developing countries as well. The study tried to compare the effect of two different kinds of asset transfer programmes, in-kind asset transfers against unconditional asset transfers. In the study, villages with a poverty score in the range 0-18 were randomized and split into two treatment groups; one was provided a menu of assets to choose from while the other was given the same menu but with the added option of taking PKR 62,000 in cash as well. PKR 62,000 is more than the annual food expenditures and monthly earnings of the households involved but less than the cost of livestock. A three tier survey was conducted at the household, community and market levels to assess the impact of the intervention. RCT results from PPAF-CERP (Centre for Economic Research in Pakistan) Assets vs Cash Transfers study shows that because of the Social Protection Programs for the Poor, men moved to activities that gave higher returns, women became economically active, trend in self-employment increased, earning from employment increased, savings increased, and food consumption (increased to some extent):

- Self-employment increased by 13% among men and 2% among women
- Men moving to activities that give higher returns, such as livestock raising the change was 31%; women livestock rearing activity increased by 11%
- Monthly earning from employment increased 20% to 30% caused by the changes in labor market activity
- Food consumption increased by around 5%
- Savings increased by approx. 40%, savings at baseline were almost non-existent
- Women getting engaged in economic activities because of social protection programme-52% decrease in women economic inactivity

84. **Adherence to IFAD Policies:** NPGP is in line with goals of IFAD's strategic framework objectives 1, 2 and 3 ("increase poor rural peoples' productive capacities", "increase poor rural peoples benefits from market participation" and "strengthen the environmental sustainability and climate resilience of poor rural peoples economic activities").

85. The Programme is also aligned with Pakistan COSOP 2016-2021 Strategic Objectives (1. Promoting poor rural households' economic transformation by expansion and scaling up of poverty graduation approaches; 2. Policy and Institutional Strengthening for community-led development, and 3. Building resilience for sustainable nutrition and food security).

86. The design is also responsive to IFAD policies on Natural Resource Management, Gender Equality and Women Empowerment as well as with the strategies on rural finance. The programme approach is also aligned with IFAD priority for scaling up of successful interventions.

87. The NPGP design is also aligned with government policies on poverty reduction and social protection. Government's vision 2025 is committed to halve the poverty by 2025. The programme objectives and interventions also directly contribute to SDG 1 (End poverty in all its forms everywhere), SDG 2 (End hunger, achieve food security and improve nutrition), and will also contribute to SDG 5 (achieve gender equality and empower all women and girls), and SDG 13 (take urgent action to combat climate change and its impacts).

III. Programme implementation

A. Approach

88. The NPGP approach is based on a successful three-tier community-driven development model in Pakistan, the core of which is to develop and strengthen institutions of the poor at hamlet and village levels, federating up to the Union Council level, to be the main articulators of community development needs and interlocutors for the delivery of development interventions. The process is aimed at empowering the rural communities to proactively engage with government non-government development agencies and seek solutions to their development problems. NPGP will benefit from PPAF's core values of inclusion, participation, accountability, transparency and stewardship. PPAF has the largest network of local partner organizations (130 civil society organisations), spread across the country, through which it implements its programmes. All PPAF's current partners have been through a rigorous two-stage appraisal process to ensure that they are aligned with the set of criteria for partnership that is detailed in PPAF's Operational Manual. For new programmes, PPAF extends a call for proposals and hires third party firms to undertake the first stage appraisal, and a combined team manages the in-depth review and appraisal of shortlisted applicants. The same process will be used for the IFAD programme.

89. NPGP implementation will follow the PPAF's and its partners' well-tested and effective social mobilization methodology which allows the rural poor to actively participate in the process of development. The three-tier social mobilization model consisting of COs, VOs and LSOs have taken a firm root in Pakistan with approximately 200,000 COs established in all parts of the country.

i. Within a Union Council, PPAF and partners aim to build up to at least 70% representation of all households within the UC, through a process of social mobilisation and institutional development at the hamlet level (community organisations COs), federating up to village (village organisations VOs) and finally to Union Council levels (third-tier organisations or TTOs). Representation of communities in participatory planning and development activities is thus ensured. A further institutional requirement is inclusion – with expectation that 60% of CO member households are defined as poor (under 23 on the poverty score card), and that 50% of representation within COs is of women.
ii. There are approximately 3,500 households per UC, with an approximate household size of 6.3 which means a total UC population of about 22,000.
iii. Poverty score-card surveys of households at revenue village and Union Council level are conducted (or BISP data utilised) to establish approximate percentages of households between 0-11, 12-16.17, 16.18-18, 19-23 and 24-40 on the PSC.
iv. Within the ambit of these community organizations, and through proven participatory approaches, the BISP poverty score-card offers an effective tool to target the ultra and vulnerable poor in a credible manner.
v. Strong and sustained mentoring and coaching allows for capacity development within households to identify the best package of interventions that suit their capacities and needs to enable them to move out of poverty sustainably.

B. Organizational framework

90. **Economic Affairs Division**: At the federal level, the Economic Affairs Division (Ministry of Finance) will be the main coordinating body for the IFAD Financing Agreement on behalf of the borrower and will facilitate subsequent programme supervision and review. Joint Secretary WB/ADB/UN will be the main focal person in this regard.

91. **Lead Executing Agency:** Pakistan Poverty Alleviation Fund will be the lead agency responsible for execution of the programme. PPAF is an apex development sector organization working through implementing partners in the poorest districts of Pakistan. PPAF is a public-private partnership registered as a not-for-profit under Section 42 of the Companies Ordinance, 1984, accountable to the Securities and Exchange Commission of Pakistan. During the last 15 years, PPAF has achieved outreach and scale in terms of geographic coverage and expertise across a variety of

thematic components. The organization works through a collaborative model of community-driven development (CDD), and has invested in developing the capacities over 140,000 community organizations (COs), 440,000 community credit groups, 11,926 village organisations (VOs), and 639 union council based organizations (UCBOs) to date. PPAF has disbursed USD 2 billion in the past 15 years through grants and financial services to effectively respond to evolving community needs. PPAF has often been requested by the government and Army to enter conflict-affected / no-go areas for supporting development activities, and it has access and outreach across the country. In 2016, PPAF spun-off its microfinance component into a separate for-profit entity called the Pakistan Microfinance Investment Company (PMIC) and PPAF's microfinance portfolio is now being managed through PMIC. The current donor-supported grants portfolio managed by PPAF is worth approximately USD 25 million annually with another USD 5 million annually that comes from PPAF's own resources.

92. There will be a dedicated NPGP programme management unit (PMU) within PPAF responsible for planning, coordination, implementation, monitoring and reporting. Support and oversight mechanisms will also be provided from other units including Monitoring and Evaluation, Communications and Media, Finance, Procurement, etc. The PPAF Board of Directors approves the annual plans and budgets for the PPAF programme and will play the same role for NPGP annual plans.

93. **Governance Structure:** The PPAF is an independent legal entity under the Companies Ordinance 1984. The Articles of Association of the PPAF give it full authority to enter into contracts, recruit staff on a competitive basis, and establish its own personnel and operating policies and procedures, including procurement and disbursement. The Securities and Exchange Commission of Pakistan, the Federal Board of Revenue, the Employees Old Age Benefits Institution and other relevant authorities mandated under the law of the land for specific purposes regulate the affairs of the PPAF. The Articles of Association of the PPAF prescribe a three-tier governance structure comprising of a General Body, Board of Directors and a Management Team headed by a Chief Executive Officer (CEO). The Board is supported by three Committees; (i) Audit Committee; (ii) Risk Oversight Committee; and (iii) Compensation Committee of the Board.

94. **Organizational Structure:** Since the spin-off of the microfinance arm into a separate for-profit subsidiary (Pakistan Microfinance Investment Company) PPAF functions/units are organized in 3 Groups: Grant Operations Group, Compliance and Quality Assurance Group and Financial Management & Corporate Affairs Group. The CEO Secretariat, Human Resources and Procurement Units report directly to the CEO. The Internal Audit Unit reports to the Audit Committee of the Board of Directors and for administrative purposes to the CEO.

95. **Operational Activities**. The operational activities are mainly governed by a Comprehensive Operational Policies Manual of the Company updated from time to time and duly approved by its Board of Directors. The work and activities of core support services i.e. Finance and Accounts, Human Resource, Administration, Procurement, Communication and Media, Corporate Relations Management, Internal Audit, and Environmental and Social Management are governed by their respective manuals and technical guidelines.

96. **Implementing Partners:** Field Activities are implemented by a network of partners who, for the NPGP, will be engaged on the basis of their existing presence in the target district, past performance and existing portfolio of activities, extent of target area coverage, and capacity and experience in terms of programme interventions (social mobilization livelihoods and microfinance). A rigorous selection process will be initiated in the pre-inception phase, whereby a RFP will be advertised nationally and applications will be vetted by an independent third party firm on the basis of specific partnership criteria. PPAF will enter into output and performance based agreements with these partners whereby they will be remunerated on the basis of agreed performance indicators. PPAF has in place a robust and independent monitoring system to assess the quality of performance and achievements by each partner. Implementation Plans are an integral part of all financing agreements which contain financial and physical targets. According to these agreements, funds are disbursed on quarterly/bi-annual basis as stipulated in respective implementation plans. The first

installment is given as advance, whereas, all subsequent disbursements are made on the basis of submission of Statement of Expenditure by POs evidencing the effective utilization of previously provided funds for eligible project activities during the period.

97. **NPGP Management Unit**: A dedicated NPGP Management Unit will be established within PPAF, headed by a Project Manager (PM). Reporting to the Group Head Grant Operations, the PM will be responsible for the delivery of all aspects of the programme. The PM shall be recruited/appointed through a rigorous recruitment process. PPAF is an equal opportunity employer and employee retention is a key focus of HR. PPAF uses a robust performance based management system with measureable Key Performance Indicators. Believing in gender equity at its workforce, PPAF has taken affirmative initiatives resulting in a very high women staff ratio of 30% as compared to the market average of 10%. The PMU will include sector specialists, PO relationship managers, and support staff with a total of 31 staff expected to be housed herein. The Unit will have its own designated office within PPAF HQ in Islamabad and adequate provision of equipment and mobility to perform its functions effectively.

Component-wise Implementation Arrangements:

98. *Component 1*: Based on the geographical distribution of the programme, and the pool of resources available, approximately 40 partner organizations will be selected through the process outlined above to implement the social mobilization and asset transfer activities. Currently, 15 POs are implementing the PMIFL scheme, and these POs will be linked to the programme to ensure further outreach to beneficiary households. There may be an overlap of a few partners which are involved in both the grant activities and the interest-free loan scheme. PPAF enters into contractual agreements with its POs and implementation plans are developed upon signing of the agreement. Through these POs, outreach will be established with community organizations at hamlet, village and UC level within the 372UCs identified. POs will work through approximately 2,976 village organizations and 372 UC–level local support organizations to access where necessary up to 29,760 hamlet level organizations, for identification of beneficiary households (asset transfers and skills training), and implementation of the programme activities. 157,271 borrowers would receive trainings on financial literacy and enterprise development. Furthermore 15,624 beneficiaries of intangible assets would receive enterprise development training while 140,616 beneficiaries for tangible assets would receive functional literacy and basic business training.

99. *Component 2*: The arrangements for social mobilization are as provided under component 1. Implementation for the remaining activities under Component 2 will be directly managed by PPAF using third party firms/consultants for baseline data collection, market analysis, and midline and endline evaluations. Orientation and capacity building of POs on programme implementation activities will be conducted by the NPGP Unit at PPAF will other units providing full support (finance, procurement, M&E, HR).

100. *Social mobilization:* The payment to PO for social mobilization activities will go in advance on quarterly basis while for rest of activities following bench marks are to be ensured:

101. *Assets transfers*: Once the assets beneficiaries are identified and their LIPs are filled, verified by PPAF, and procurement plans approved then PPAF will release amount to PO according to approved procurement plans. This approved amount for disbursement shall be for that lot only.

102. *Trainings:* Payment to PO will be released once the training participants are finalized through agreed process like TNA of participants, resource person or firm identification and selection by PO and go ahead from PPAF procurement unit. The amount is to be released for that particular batch/lot only.

103. For both the above cases, payments released to POs shall be treated as advances and the POs will be required to submit the evidence of payments made against each approval along with the Statement of Expenditures in order to adjust the amounts against these advances. POs will be required to submit the evidences of utilization in their SOEs on quarterly basis.

104. *Pre-start up and Start up activities*: Based on lessons learnt in previous IFAD projects in Pakistan, a number of pre-start-up and start-up activities will be implemented to ensure a timely start for the programme. Among pre-start-up activities, PPAF will begin the PO selection process (including hiring a third party firm to conduct the PO selection) which takes an average of 3-4 months. Recruitment for a firm to undertake baseline data collection and market analysis will also be initiated. Once the POs have been appraised, and the programme begins, a six month inception phase is planned that will allow PPAF time to review and revise POs implementation plans, and for POs to begin their social mobilisation activities including outreach to the village organizations and others.

105. *Donor and Development Coordination*: Other pre-start up activities will include creating a coordination platform that allows PPAF to develop effective coordination and experience sharing mechanisms with BISP, other IFAD, donor and government funded programmes that are working on similar themes in the identified areas. This will help avoid any duplication of programme activities as well as support reinforcement of mutual goals and objectives. Specifically IFAD will support PPAF to create a platform with BISP to develop a data clearing house that allows BISP data to be utilized for the purpose of the programme and provides information to BISP as to its beneficiaries that are accessing the NGPG programme (specifically for the asset transfer component). PPAF will also be enhancing its MIS to develop robust data tracking system for individual and household beneficiaries of the programme.

C. Planning, M&E, learning and knowledge management

106. Planning: The planning cycle will reflect the Government's financial year and planning cycle (July – June). As part of the project cycle, an initial work plan for the entire project timeline will be designed with actual implementation taking place over a 6-year period, preceded by an initial six month inception phase and followed by a six-month closing which allows for finalization of completion report and impact assessments. Annual work plans with detailed activity plans will also be prepared 60 days before the start of each financial year (approved by the PPAF Board of Directors). These will be shared with IFAD for their no objection. The annual work plan and budget will be prepared in consultation with implementing partners and keeping in view the programme phasing under the Financing Agreement. Quarterly reviews of budget and expenditure will take place to ensure that targets are being met and achieved.

107. Monitoring and evaluation: Programme results will be measured at activity, output, process, outcome and impact levels and will be measured against indicators provided in programme logical framework. The system will be guided by IFAD Results and Impact Management System (RIMS). An M&E plan will be formulated at the start of programme, as part of PIM that would provide the basis for annual M&E plans and activities contained therein.

108. The Planning, Monitoring and Evaluation System (PME) will be finalized and made operational, in consultation with all implementing partners, within the first six months of programme start-up. The PME will be part of an overall information, knowledge management and communication system that will provide timely and accurate information on implementation progress and feedback for management decision making. All indicators will be disaggregated according to gender and socio-economic status/BISP category to the extent possible so as to enable a proper assessment as to whether the programme is reaching its intended target beneficiaries.

109. The M&E system will be multi-layered that would include: (See Annex 6 for details):

- Implementation monitoring by the POs,
- Joint activity and output monitoring by operational units PPAF
- Process and outcome monitoring by MER unit of PPAF.

110. Structure and Components: Programme PME system will consist of simple planning and monitoring formats with limited number of key monitoring indicators that can be easily monitored and reported by all levels of implementation with time and cost efficiencies. Mobile monitoring linked with

PPAF's central MIS (software with multiple user interfaces) will be used to accelerate the quality and pace of monitoring and evaluation process and would help to ensure timely availability of M&E information to all stakeholders. Baseline information will be made the basis for all measurements of programme outcomes and impacts. Knowledge management and communication will be based upon data/information management, research and evaluation studies to provide evidence based input which would be closely linked and aligned with PME framework for effective feedback and knowledge sharing. All staff and external partners involved with PME system at different levels will be provided adequate training.

111. Benchmarks and Studies: A baseline benchmarking will be done by PPAF at the start of programme implementation for all main outcome and results indicators. Apart from regular internal monitoring and evaluation of programme interventions, quality and impacts, PPAF will carry out periodic impact assessment studies for key interventions through external consultants and agencies.

112. Learning and Knowledge Management: During the first six months of implementation, the PMU will prepare a programme level KM strategy in line with IFAD policy on KM. The strategy will define the processes that will be involved in building a robust KM system in the Programme. The KM system will enable the Programme to generate, capture, share and disseminate relevant information and knowledge to various stakeholders in a timely manner. The Programme website will be completed within the first year of implementation and used as a knowledge sharing tool, and also linked to IFAD Asia website. The KM team will extensively document and share knowledge generated in the Programme. The QRM forums will be used as potential knowledge sharing venues for capturing lessons learned and best practices leading to development of related knowledge products. Key information from M&E studies, reviews and exposure visits, lessons and best practices will be disseminated through knowledge products such as newsletters, publications, case studies and reports, etc. The KM team will strive to build a culture of knowledge documentation and sharing within the Programme.

113. IFAD Country Office will facilitate close lesson learning and exchange of experience between NPGP and other IFAD funded projects in the country, in particular SPPAP and GLLSP that have strong poverty graduation approaches and relevant experience in community centred development in partnership with social mobilization partners.

114. PPAF collaborates with research institutes, international research wings of donors and academia for learning and designing of programme interventions and testing programme hypotheses. These include the World Bank's Development Research Group (DECRG), and Innovations for Poverty Action among others. PPAF will support the production of selected case studies, discussion papers, and documentation about lessons learned and best practices. The evidence-based lessons learned will be documented and shared at the following levels:

a. With communities and community institutions – using a feedback loop.
b. With government, policy makers, IFAD and other donors
c. Within PPAF and its partner organizations

115. Within PPAF, a formal structure for coordination with donors and other stakeholders will be established. This group will be responsible for coordinating with district government, government programmes, international development agencies and IFAD programmes to share experiences and exchange knowledge. For details of the Coordination & Engagement Framework, please see Appendix.

D. Disbursement Arrangements and Flow of Funds

116. IFAD funds will disburse in USD to a Project Designated Bank Account opened in National Bank of Pakistan (NBP), after routing through State Bank of Pakistan (SBP). IFAD's share of all eligible expenditures will be paid in PKR out of this account.

117. Disbursement to POs in PKR to PO's designated bank accounts for each financing agreement will be based on the Implementation Plans (IPs) which are part of the Financing Agreement signed with POs. The details regarding flow of funds for the Programme is given in Annex 7.

118. Counterpart funds have already been provided by PPAF/GoP for interest free loan to POs including the lending component and the operational cost for POs. These were routed through PPAF accounts to separate bank accounts of the POs and the borrowers. As a co-financing to this project, POs will be requested to open separate bank account for recovery of already deployed portfolio under the Prime Minister's Interest Free Loan Scheme (PMIFL). These proceeds will then be used for lending to borrowers under this project for 'Credit or Contribution Agreement Grants' category including the subsequent revolving.

119. The PMU will prepare Withdrawal Application (WA) for replenishment of Designated Account and submit the same to IFAD on quarterly basis. The threshold for Statement of Expenditure and disbursement procedure will be specified in the LTB.

120. In order to ensure timely start-up of the Programme, retroactive finance up to US$ 350,000. This amount would cover eligible expenditures incurred after IFAD's Board approval in September 2017. This will include US$ 150,000 for setup cost, job advertisement, salaries and operational expenses of the PMU (Recurrent Costs Category). Another US$ 350,000 would be required to procure services of third party organizations for baseline and evaluation of PO proposals. This includes cost of advertisement and advance payments (Consultancies Category).

121. **Internal Controls:** Internal controls are detailed in the finance manual of PPAF and in the Operations Manual which will be used for this programme. These manuals will also be updated at the start of the programme to incorporate changes on the new reporting mechanism of POs and monitoring mechanism by PMU/PPAF as per the design document before the entry into force. The manuals ensure clear segregation of duties and the relevant roles and responsibilities of the staff.

122. **Accounting systems, policies and procedures:** Accounts of PPAF are being maintained in the SQL based accounting software. The FMIS has the provision of record keeping under multiple running programmes ensuring the fulfilment of Donor as well as statutory reporting requirements. The existing system will be used to maintain the accounts for this programme. The budgetary module however will be made operational before the programme's entry into force. The accounts are maintained on accrual basis of accounting and statutory financial statements are prepared in accordance with International Financial Reporting Standard and International Accounting Standards as applicable in Pakistan. The project specific financial statements will be prepared on IPSAS cash basis of accounting.

123. The POs will be required to submit the Statement of Expenditures to PMU/PPAF on quarterly basis through online MIS.

124. **Financial Reporting:** The PMU will prepare the reports including monthly report for senior management of PPAF/steering committee of the programme to aid management decision making; quarterly interim financial reports to IFAD on progress and un-audited annual financial statements to IFAD.

125. PO will submit reports to PMU/PPAF including quarterly expenditure and progress reports through online MIS and audited semi-annual Statement of Expenditures (SOEs). These SOEs will be audited by a Chartered Accountant firm which is rated as satisfactory in Quality Control Review (QCR) by Institute of Chartered Accountants of Pakistan (ICAP).

126. **Internal Audit:** PPAF has an Internal Audit (IA) Unit reporting directly to the Audit Committee of the Board on all matters, except that for administrative purposes it reports to the CEO. The IA unit is staffed with five qualified and experienced personnel.

127. The IA will audit this programme as part of their annual work plan. In addition to performing audit by IA staff, some IA activities may also be outsourced to a firm of chartered accountants. This will complement the overall functioning of IA unit and enhance coverage of end beneficiaries.

128. **External Audits:** PPAF accounts are subject to audit by a firm of Chartered Accountants on annual basis. In addition to statutory audit, the Auditor General of Pakistan will perform audit of the Programme on annual basis in line with the TORs approved by IFAD on annual basis. These shall be submitted to IFAD within 6 months from the end of each financial year, i.e. by 31st of December.

129. **Taxes:** Taxes under this programme will be covered from IFAD proceeds with exception of import taxes and duties, if applicable. Under the third multi-sectoral project with World Bank, which completed in March 2016, all the taxes were financed out of World Bank proceeds. EAD is expected to request such officially to IFAD before the negotiation of financing agreement.

130. **Procurement:** All standardised procurements that can be bulked together, including equipment and vehicles will be carried out either by PPAF itself or under the overall oversight of PPAF in case of POs based procurements. The preparation of annual procurement plans will form the basis for all procurements. PPAF will prepare an initial 12-month procurement plan, including procurement of all standardized items for implementing partners (vehicles, motorcycles, computing equipment & furniture and fixtures) and prepare an annual plan thereafter for each 12-month period. The procurement will be consistent with the duly approved annual work plan and budget (AWP/B). The procurements will be carried out in accordance with IFAD procurement guidelines. The procurement of goods, works and services to be financed out of the proceeds of IFAD financing will be carried out in accordance with the Letter to the Borrower (LTB) and by observing the specific principles provided in the Programme Implementation Manual (PIM). The cost of the procurement will not exceed the availability of duly allocated funds as per Financing Agreement. The procurement must result in the best value for money. Responsibilities for community level budgets, plans and procurement will be decentralized to POs to the extent feasible.

E. Supervision

131. **Supervision and implementation support:** The programme will be directly supervised by IFAD in collaboration with PPAF and relevant national level entities including EAD. At the start of programme, a start-up workshop involving all key stakeholders including relevant private sector and civil society entities, will be conducted to apprise them of programme objectives and activities. Main programme implementers will be trained in key aspects of programme approach and processes. A supervision or implementation support mission will be conducted after every six months in the initial period and thereafter at least on an annual basis. IFAD and PPAF will provide the facilitation and logistical support for the missions and IFAD and EAD will nominate suitable persons to join the mission. A senior management team comprising Group Heads and relevant personnel of PPAF will meet every six months with IFAD representatives to review programme progress and implementation (as part of the supervision missions).

132. **Mid-Term Review (MTR) and Programme Completion Report (PCR).** A Mid-term review will be conducted at the end of third year of programme implementation, to assess the progress, achievements, constraints and emerging impact and likely sustainability of programme activities and make recommendation and necessary adjustments for the remaining programme period. The MTR will be carried out jointly by the PMU/government and IFAD. At the end of the programme, a completion evaluation will be conducted, as an input into the Programme Completion Report (PCR), through a formal survey preferably undertaken by an agency with no previous involvement in programme implementation. Main programme features to be assessed during MTR are: (i) Effectiveness and accuracy of regional and household targeting and level of participation and benefits for the priority target households (ii) the effectiveness of the programme’s poverty graduation and social mobilization activities and their impact; (iii) Relevance, quality and sustainability of economic and social activities financed by programme; (iv). Level of institutionalization of CDD approach achieved, and challenges and prospects for remaining programme life. (v) Effectiveness of programme’s gender, environment, climate change and nutrition approach and activities.

F. Risk identification and mitigation

133. 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[27]. 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.

134. 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-up delays are expected.

Risk	**Mitigation measures**
Financial mismanagement within PPAF or POs **Risk rating: Low**	-Adequate internal controls commensurate to the size and nature of the operation are in place such as robust auditing at all three levels i.e. community, PO and PPAF levels has minimized this risk. -Continuous and intensive field based supervision by PPAF teams and Internal and External auditors reduce this risk
Intentional manipulation of data leading to access to financial assistance by ineligible community institutions/members **Risk rating: Low**	-A robust and clearly spelled targeting criteria at district, UC, village, hamlet and household level will be applied. PPAF appraisal and monitoring teams regularly checks a sample of community institutions and households that have accessed financial assistance from Project.
Collusion between suppliers and PPAF/PO management in procurement of goods, works and services. **Risk rating: Low**	-Operational policies and procurement guidelines exist at PPAF and PO level which are governed by the World Bank procurement guidelines
Lack of efficient, transparent and fair procurement regime in the project **Risk Rating: Low**	-Capacity already created at PPAF and the PO level. PPAF ensures adequate training and orientation to all POs and carry out random detailed audits of project identified by communities and proposed by POs. -Procurement task are carried out by dedicated staff.
Limited knowledge of community in procurement processes and procedures and Project specific corruption risks. **Risk Rating: Low**	-Procurement for community level infrastructure is carried out by communities, majority of which use local materials, contract skilled and unskilled labour with community contribution. -Training and clear instructions are provided by PPAF on a regular basis to POs who can then support communities on how to carry out procurement. -Adequate safeguards against corruption through community based procurement procedures and participatory social accountability measures are taken.
Political economy of BISP (including inclusion errors in NSER) and requests from elected representatives for extension of project activities into their Union Councils **Risk Rating: Medium**	-Community verification of households that validates the score-card rating helps with inclusion errors -In terms of political economy, PPAF refers to its processes which require to be followed as well as the need for donor approval without which funds cannot be spent.

[27] Guidance for FM risk assessment at design/supervision (IFAD, 2012)

Risk	Mitigation measures
Undue delay in transferring of funds to community institutions for the asset grants **Risk rating: Low**	-Disbursement to POs are based on their implementation plans and PPAF closely monitors disbursement rates to community organizations to ensure minimal delays. -The Grievance redressal system is also used to monitor such issues. -A strong Management Information System produces timely and accurate information including financial information enables management to respond to issues such as delays disbursements, identify the problem areas and monitor the overall financial management of the project effectively.
Lack of capacity at community institutions level to account and manage project funds **Risk rating: medium**	-Community organizations formed under the project are trained to build capacity for interfacing with external public and private sector institutions access and manage funds.
Low Capacity of POs for reaching out effectively to widely dispersed rural communities in districts with sparse population (In particular Balochistan) **Risk rating: medium**	-PPAF is engaged with POs working with remote communities. -Incentives given to POs to scale- up and reach out to the most backward districts and the chronic poor throughout the country. -Adequate investment done in training and capacity building of PO staff to carry out social mobilization and deliver grant activities (infrastructure, livelihoods).
Capture by local elites and misuse of community investment funds **Risk rating: low**	-PPAF and POs have a good history of engaging with and building inclusive COs, and have managed to minimize risk by careful monitoring, participatory wealth rankings, targeting of communities and screening of projects. -National Poverty Score Card developed jointly with the World Bank and piloted by PPAF ensures objective and standardized targeting of poor and poorest households. -The risk is mitigated through specific contract agreement with POs and by the procedure of consensus resolutions at the community level for project selection. -Regular audits of POs and PPAF, and detailed supervision missions by donors further mitigate these risks. -Baseline of all third tier organizations has been conducted as part of our new research on improving governance at the UC level. -Indicators exist for formation of higher tier organization member from the poor households. -Robust grievance redressal system supports transparency.

IV. Programme costs, financing, benefits and sustainability

A. Programme costs

135. **Programme cost**: Total programme cost, including price and physical contingencies, is estimated at US$ 150 million. The foreign exchange component is estimated at US$ 100 million.

136. **Cost Assumptions:** The exchange rate used for calculations is US$ 1= PKR 107. Physical contingencies have been calculated at 3% and price contingencies at 16%.

137. **Cost by component:** Component and sub-component-wise cost is reflected in the following table:

Table 4

									Unit							E
		Quantities							Cost	Totals Including Contingencies (US$ '000)						
	Unit	2018	2019	2020	2021	2022	2023	Total	(US$)	2018	2019	2020	2021	2022	2023	Total
I. Investment Costs																
A. Grants & Interest Free Loans																
1. Asset Transfers /a																
Tangible Asset Transfer	Asset	31,185	22,302	35,154	24,759	25,704	1,512	140,616	417	13,866.1	10,222.9	16,617.6	11,865.2	12,823.5	785.3	66,180.6
Intangible Asset Transfer /b	Asset	4,620	2,646	5,166	3,192	-	-	15,624	417	2,054.2	1,212.9	2,442.0	1,529.7	-	-	7,238.8
Subtotal Asset Transfers										15,920.4	11,435.8	19,059.6	13,394.9	12,823.5	785.3	73,419.4
2. Interest Free Loans /c																
Loans to graduated beneficiaries PSC Range 12-16.17 /d	Loan	8,951	6,237	10,080	6,988	6,426	378	39,060	215	1,954.3	1,403.8	2,339.7	1,644.4	1,574.2	96.4	9,012.9
Loans to graduated beneficiaries PSC Range 16.18-18 /e	Loan	7,161	4,990	9,623	8,110	6,888	1,909	38,681	215	1,563.5	1,123.2	2,233.7	1,908.4	1,687.4	486.9	9,003.0
Loans to graduated beneficiaries PSC Range 19-23 /f	Loan	4,620	2,646	6,413	5,598	2,028	1,722	23,027	215	1,008.7	595.6	1,488.6	1,317.3	496.8	439.2	5,346.1
Loans to graduated beneficiaries above 23 PSC	Loan	1,155	662	1,603	1,400	507	431	5,758	215	252.2	149.0	372.1	329.4	124.2	109.9	1,336.8
Loans to new beneficiaries /g	Loan	10,000	15,000	25,000	30,000	22,609	4,865	107,474	215	2,183.3	3,376.2	5,802.9	7,059.6	5,538.6	1,240.8	25,201.4
Subtotal Interest Free Loans										6,962.0	6,647.8	12,237.0	12,259.2	9,421.2	2,373.2	49,900.3
Subtotal Grants & Interest Free Loans										22,882.4	18,083.6	31,296.6	25,654.1	22,244.6	3,158.5	123,319.7
B. Trainings																
Functional Literacy and basic business /h	Grantee	31,185	22,302	35,154	24,759	25,704	1,512	140,616	22	696.7	513.7	835.0	596.2	644.3	39.5	3,325.3
Basic Enterprise Develeopment training /i	Borrowers	4,620	2,646	5,166	3,192	-	-	15,624	22	103.2	60.9	122.7	76.9	-	-	363.7
Training of Interest Loan Recipients /j	Borrowers	23,383	22,235	37,005	38,610	30,413	5,625	157,271	22	522.4	512.1	878.9	929.7	762.4	146.8	3,752.3
Training of Partner Organizations/Experience Sharing Workshops	Ls	5	5	3	1	-	-	14	3.364	17.1	17.6	10.9	3.7	-	-	49.3
Subtotal Trainings										1,339.4	1,104.3	1,847.5	1,606.4	1,406.7	186.3	7,490.6
Total										24,221.8	19,187.9	33,144.1	27,260.5	23,651.3	3,344.7	130,810.3

/a. The value of asset may vary with an average amount of US$450 and may include tangible (hard), intangible (soft) or a package of both (hard and soft) support.
/b. budget for interest free loan already deployed in target UCs to be extended and will vary as per the nature of the proposed investment with a maximum cap of US$250
/c. 90% the asset recipients will get training on asset management
/d. 80% loan recipients will get training on business planning, financial management, book keeping or technical ones while the remaining 20% will be repeat borrowers.

B. Programme financing

138. The programme is proposed to be financed by IFAD and Government of Pakistan through PPAF and beneficiaries. Of the total cost, 67% will be financed by IFAD and 33% by Government of Pakistan. Disbursement Account by Financiers is reflected in the preceding Table 4 and detailed cost tables are given in the Appendix.

	The Government		IFAD		Total	
	Amount	%	Amount	%	Amount	%
A. Poverty Graduation	49.9	38.1	80.9	61.9	130.8	87.3
B. Social Mobilization & Programme Mngt						
1. Social Mobilization	-	-	7.2	100.0	7.2	4.8
2. Project Mngt	-	-	11.8	100.0	11.8	7.9
Subtotal Social Mobilization & Programme Mngt	-	-	19.0	100.0	19.0	12.7
Total PROJECT COSTS	49.9	33.3	99.9	66.7	149.8	100.0

C. Summary benefits and economic analysis

139. The Programme aims to raise the incomes and quality of life of rural poor in programme areas. The target beneficiaries of the Project number around 320,000 HHs. The target beneficiaries will be supported by:

- Asset transfers and skills / vocational trainings (approximately 40%);
- Access to finance and financial products for productive activities (approx. 60%);
- Establishing Producer Associations, Common Interest Groups, linkages with value chains, markets, private sector and local government departments/line agencies for improved connectivity and better quality goods and services;
- Active village level and UC level community organizations that enhance households abilities to earn improved incomes, and create awareness and action around critical SDGs for households overall wellbeing (health, nutrition, education, climate change resilience);

- Skill development for women (especially around dairy/livestock value chains and kitchen gardening) and youth to provide sustainable means of income and support for value chains development
- Promote pro-poor policy formulation and implementation in number of areas of service delivery including supporting the GoP's poverty graduation strategy through identifying and supporting BISP beneficiaries to move out of poverty.

140. The National Poverty Graduation Programme (NPGP) will address rural poverty through Asset Transfer (AT) to the households having poverty score of 0 – 18 and interest free loans to household having poverty score of 12 – 40. A total of 156,240 households will be provided productive assets enabling them to increase their asset base resulting into higher poverty score. The productive assets will also enable households earn additional income. Households with poverty score of 12 - 40 will be provided with Interest Free Loans (IFL) to be accessed by 214,000. The interest free loan will be used for either purchase of productive assets or will be utilized as working capital thus developing options for more diversified and sustainable livelihoods. The project has a social mobilization component aiming at capacity building with regards to key Sustainable Development Goals (SDGs) especially relevant to health; nutrition; environment; gender; and disaster risk management having an outreach of 370,240 households.

141. The NPGP will generate three different benefits i.e. (i) increase in income in the case of 60% beneficiaries of tangible and intangible assets; (ii) increase in income of at least 50% of the IFL borrowers; and, (iii) increase in income resulting from improved nutrition and adopting climate change mitigation measures (30%). The basic data pertaining to incremental benefits have been worked out using data existing in PPAF from previous interventions recently assessed through a user study. Prices and productivity were updated from the markets in selected target districts.

142. The financial analysis takes into account a total project cost of USD149.830 million and the ensuring benefits realized by the beneficiaries' over the period of 12 year including the project duration of 6 years. Over this period, the FIRR is estimated at 25% taking into account a discount rate of 11.55 percent. The estimated FIRR in the case of tangible and non-tangible assets is 20%, of IFL is 33% and that of capacity building on SDGs is 18%. The net present value (NPV) of the project is estimated at USD 60million in financial terms. The NPV in the case of assets is estimated at USD18 million, of IFL at USD 41 million and that of capacity building on SDGs/social mobilization at USD1.5 million.

143. The economic analysis takes into account the total economic cost of the project (USD126.412 million) and the economic benefits realized by beneficiaries over the period of 18 years at a shadow discount rate of 11.1%. The EIRR for the proposed investment is worked out to be 34% while the NPV is USD94 million.

144. The sensitivity analysis of NPGP was carried out assuming different risk scenarios. These include increase in project costs (10% and 20%), reduction in project benefits (10% and 20%), delay in project benefits (1 and 2 years) and reduction in success rates (10% and 20%). Both FIRR and EIRR remains above the discount rates under all the risk scenarios assumed and thus the project investment remains feasible. The NPV also remained well above in positive range in all the risks scenarios assumed. The investment is thus not sensitive to any risk and shall remain viable under foreseeable risks.

145. Based on the analysis, the project investment can be considered feasible on account of the financial and economic benefits envisaged and its viability under different risks anticipated.

146. ***Value for Money-through effective programming:*** PPAF is a lean and cost effective organization. With strong financial and programmatic management systems, PPAF has demonstrated value for money in all past large-scale projects and programmes. With the largest network of local partners and outreach in the country, the organization's interventions have been relatively economical with high impact on the capacities and resources of rights-holders, local communities and institutions. PPAF's operating costs (at 3%) are less than practically any similar sized organisation in the sector.

Reasons for this is the lack of need of district/regional offices, and a focus on capacitating NGOs and community institutions to manage and implement CDD programs (under strict supervision). Over 93 % of the programme funding is spent on direct beneficiaries and 4% is used for implementation support of partner organizations. PPAF has well-established procurement practices that include three layers of procurement rules and guidelines, (1) Procurement at PPAF level, (2) Procurement at Partner Organization (PO) level, and (3) Procurement at community level. This three-layer structure has been established to maximize the benefits in terms of equity and cost-effectiveness of the allocated funds; Using existing community institutions, that have viable financial management systems in place, including bank accounts and registration at the UC level reduces opportunities for fraud/misuse of funds; PPAF's pilots for micro-insurance (weight-based livestock insurance, and weather-based crop insurance) have been shown to be a huge boon for poor farmers and communities, especially where disasters strike. Examples from Tharparkar (drought) and Southern Punjab (floods) are available upon request. PPAF can create tailored solutions for supporting communities through livelihoods interventions, social mobilization and access to finance through the Prime Minister's Interest Free Loan Scheme (designed and implemented by PPAF and partners). PPAF is in a position to creating linkages between programmes and conventional microfinance providers so as to constructively improve communities' productive and economic opportunities, with diversified streams of investment, provide great value for money and help strengthen long term sustainable outcomes. The cost per beneficiary is USD135 per beneficiary household.

147. A comparative assessment of the Benazir Income Support Programme (BISP)[28] that provides a monthly stipend of PKR 1,500 to households below the score of 16.17 on the poverty score-card and PPAF's livelihood strategy, which provides similar households a one-off asset transfer alongside skill training (up to a maximum of PKR 50,000) shows that were BISP to use the approach taken by PPAF, an additional 2.5 million women could move out of poverty every year. The PPAF model aggregates payment to a beneficiary over two to three years to achieve an average monthly income that is more than twice that given under the BISP safety net programme (PKR 4,500 as compared to PKR 1566). The PPAF model is more efficient and cost-effective as transaction costs for both the implementer and the beneficiary are limited to a one-time transaction.

D. Sustainability

148. **Key factors of programme sustainability, including exit strategies**: Sustainability will be built into the programme design as an essential feature in all key components. POs are permanently based in the project areas and are selected on the basis of presence and activities in the NPGP districts. There is very strong evidence to suggest that once the programme ends, these partners will continue to support some of the activities implemented during the programme (especially the interest free loan schemes, common interest groups, and support to village development plans and Union Council development plans). Some of the salient features of the programme design that strengthen programme interventions' prospects for sustainability and which are planned on the premise of building an exit strategy into entry, include:

- **Institutions of the people**: as part of its theory of change, PPAF believes that strengthening institutions at the community level to take ownership of their socio-economic development priorities is essential if transformation is to occur. Empowered and knowledgeable community institutions have the wherewithal to develop linkages, interface with government and identify prospects for economic enhancement. Federating up to village and then to UC level is also essential as it allows for civic voice to be heard at government levels and supports linking policy initiatives to grassroots implementation. PPAF is keen to ensure that its investment in community institutions is retained for the foreseeable future, so that the outcomes and impacts of our projects continue well beyond just the lifetime of the project. Towards this end, PPAF has proposed a solution where, on the basis of specified criteria, PPAF (through its own funds) provides long-term support to a specified number of village organisations and Union Council organisations to help

[28] **PPAF III Project Completion Report**, Associates in Development, 2016

them sustain their activities that directly contribute to the achievement of the UN Sustainable Development Goals (SDGs) which have also been adopted by Government of Pakistan. In the case of NPGP, this support allows for both programme entry (in a majority of UCs there will be no need to create new institutions) and exit (active engagement with institutions continues after the programme ends).

- **Local resource development**: as part of the building exit into entry strategy, PPAF is creating a cadre of community resource persons that can become local hubs of technical expertise and knowledge that can allow communities to access relevant information and further expertise – linked to government programmes, environment and climate change adaptation, markets and private sector investment opportunities. The three distinct types of CRPs will have expertise in one of the following: community institutions, social sectors and economic sectors.
- **Sustained consumption and income benefits**: the approach adopted and streamlined by the NPGP looks at building in continuous growth opportunities for households. The provision of assets with relevant skillsets, development of productive and common interest groups who can more effectively access markets and add value, building in improved health and education opportunities, tends to ensure that some of the successful outcomes (such as increases in assets and income, and higher consumption) continues well beyond the life of the project. This is the real test of sustainability and has been validated through previous and on-going research experiments on the poverty graduation model.
- **Local market-based entities:** All the interventions and institutions to be created under the NPGP are economically viable business models. The CRPs are capacitated to provide services that they are able to sell. The Common Interest Groups and Production Centres are based on market principles to allow similar producers/suppliers/entrepreneurs to access the benefits of bulk purchasing, economies of scale and targeting larger purchasers. The Naukri Ya Karobar (NYK), that is Employment or Enterprise Centre, serves as a training facility and job centre where the youth of the area are able to register to be connected to potential employers or to be trained to set up their own enterprises. These entities continue to operate as viable market entities beyond the duration of the programme.
- **District Strategies and Forums:** PPAF is transitioning towards developing comprehensive District Strategies to engage with all stakeholders present in each district including the various tiers of Government, donors, NGOs, civil society and private sector players. These strategies take into consideration the opportunities and challenges of each district and identify opportunities to leverage the investments that have been made in the social capital in the district, particularly the mobilization and strengthening of the community organizations. Additionally, NPGP will facilitate the formation of District level Development Forums which can act as a platform to link community institutions with line departments and other relevant stakeholders, representatives of local government, political leaders, and other donors to keep community institutions active.
- **Policy Engagement and Support:** Supporting the Government's Poverty Graduation Model through development of linkages with BISP and BISP beneficiaries: A long-term benefit to the Government's social protection agenda will be the moving out of poverty of over 77,000 BISP beneficiaries who, over the life of the programme, will be tracked to show how their poverty scores have improved after the provision of assets and skills training. Engaging with BISP and supporting regular data updates around BISP beneficiary scores will enable the government to implement a plan that lowers the number of registered households eligible for the cash transfers (currently standing at 5.4 million households).

Programme sub-component/activity	Sustainable outcomes and exit strategies
1.Social mobilization support to COs and VOs	1.1 CO and VO role in household validation and procurement of assets will enhance their management and procurement skillsets which leads to improved knowledge and efficiency within the community 1.2 Engaging community resource persons build exit into entry as expertise developed remains within the area, beyond the life of the programme 1.3 Recognition of VOs/LSOs as community representative bodies at Union council level will build their management capacities and enable them to effectively represent CO interests 1.4 Rural service delivery agencies (agriculture, livestock, Forestry and social services) align their annual development plans with community development plans
2. Asset creation and skills	2.1 All key programme funded activities will be completed during the first four/five years of programme implementation. 2.2 Asset creation and business expansion will continue beyond the life of the programme and the expectation is that incomes will also continue to increase for these households 2.3 Linking supply of skilled/trained labour to demand generated out of national programmes such as CPEC and key industries/occupations will create a sustainable pool of trained personnel that has improved access to better paying jobs;
3. Microfinance – interest free loans	3.1 Successful models on financial inclusion and access (including links to both interest free and interest bearing loans) available in the region will be replicated/scaled up during the currency of programme to attain a capacity for independent existence after the programme 3.2 Production Groups, common interest groups and youth groups of men and women, around on and off farm production/enterprises will be organized, linked to technical departments for extension support and markets and programme supported microfinance and developed to extent during programme life so that they are capable of independent existence
4. Poverty Graduation - Policy Input and support to GoP	4.1 Tested and successful models of poverty graduation through a flexible menu of interventions including asset building will be applied to households with potential for development. 4.2 Effective hand holding by social mobilization partner and peer support through COs will be ensured to enable the supported HHs to graduate and then link up with micro-finance for further development 4.3 Policy briefs and assessments will support GoP strategy on poverty graduation, including support to BISP on data-sharing for poverty graduation

Appendix 1: Country and rural context background

1. **Overview**: Pakistan has a total land area of 769,095 sq km and an estimated population of 184 million in 2013[29], over 60% of which lives in rural areas. It consists of seven administrative units including Punjab (the largest in terms of population with 54%), Sindh, KPK, Balochistan, Federally Administered Tribal Areas, Gilgit-Baltistan, State of Azad Jammu & Kashmir and the Islamabad Capital Territory. Population growth rate is estimated at 1.97%. The nominal GDP in 2015 is estimated at US$ 271 billion and per capita GDP at US$ 1,434.7.[30] The international trade balance was minus US$19 billion during 2015. Services sector contributes the largest share to GDP at 53% while agriculture and industries contribute 21 and 24 per cent respectively.

2. **Economy:** During 2013-14, Pakistan's growth rate improved somewhat to 4.14 percent against the growth of 3.7 percent during the previous fiscal period which also happens to be the highest rate during the last six years. The improved economic performance has happened due to a number of ongoing developments and some new measures initiated by the new government. The ongoing Structural Adjustment programme with IMF continues to progress reasonably well, despite some slippages, and is helping the government to maintain reasonable foreign exchange reserves position. The foreign remittances witnessed a robust growth of 11.5 percent. Pakistan returned to international bond market after a very long time with the issuance of 5 and 10 year tenure Euro Bonds and, against original target of US$ 500 million, raised US$ 2 billion. Government cleared the long outstanding dues of energy sector (circular debt) amount to PKR 480 billion in one go which somewhat stabilized the energy supplies to industry. A National Power Policy 2013 was announced to find a permanent solution to entrenched energy crisis. Public sector investments recorded a growth of 17.12 percent whereas overall investment grew by 8.46 percent. Credit to Private sector increased to PKR 296 billion from the previous year's PKR 92 billion.

3. The World Bank has revised Pakistan's projected growth rate upward to 5.2 per cent for fiscal year 2017 and 5.5 per cent for 2018. The Bank previously estimated growth in Gross Domestic Product (GDP) of Pakistan at 5 per cent and 5.4 per cent respectively for the two years. The report, Global Economic Prospects; weak investment in uncertain times", states that the uptick in activity was spurred by a combination of low commodity prices, rising infrastructure spending, and reforms that lifted domestic demand and improved the business climate. In Pakistan, growth is forecast to accelerate from 5.5 per cent in fiscal year 2018 to 5.8 per cent a year in fiscal year 2019-20, reflecting improvements in agriculture, infrastructure, energy, and external demand. In Pakistan, GDP growth (at factor cost) is expected to rise to 5.2 percent in FY2017 (ending 30 June 2017). Budget consolidation in Pakistan helped lower structural fiscal deficits in 2016, bringing them below the 2010-13 average of 7 percent of GDP. Pakistan implemented various reforms under the IMF's EFF program and World Bank's Development Policy Credits; tackling key structural challenges, such as, reforms to ease energy constraints, tax policy and administrative reforms to raise revenues, and strengthening independence of the State Bank of Pakistan to reduce vulnerabilities. The successful conclusion of Special Drawing Rights (SDR) 4.393 billion IMF Extended Fund Facility (EFF) program, aimed at supporting reforms and reducing fiscal and external sector vulnerabilities, lifted consumer and investor confidence. On October 5th, 2016, Pakistan tapped the international market and issued a $1 billion five-year dollar-denominated Sukuk (Islamic) bond. The interest rate paid on the bond was lower compared to what the country paid two years ago for raising a similar amount using the same instrument. These positive factors more than offset weak industrial activity, the adverse impact of unfavourable weather on agriculture output, and terrorist attacks in urban areas.[31]

4. **Agriculture:** Agriculture remains the mainstay of Pakistan's economy and plays a significant role in overall growth and poverty reduction. Nearly 21% of total output (GDP) and 44 percent of

[29] Pakistan Bureau of Statistics 2013
[30] World Bank
[31] Global Economic Prospects, January 2017, The World Bank

total employment is generated in the agriculture sector[32]. Agriculture's contribution to gross domestic product has declined from a little over 25 per cent in 1990 to 21 per cent in 2011.[33] In the crop sector, wheat, cotton, rice, horticulture and sugarcane are the main components. The livestock sector accounts for 56% of agricultural GDP and 12% of total GDP[34] and has significant importance for landless and rural poor. There are approximately 7 million small rural households who depend on the livestock sector for their livelihoods.[35] In most rural households, livestock management is a women-centric activity though most often they do not get a fair share of returns due to socio-cultural constraints. Livestock rearing is also an activity with the highest potential for reaching landless men and women who have few other assets. The agriculture sector employs 44 per cent of the national workforce. Pakistan is the sixth most populous country in the world (with a population of 191 million). 61 per cent of the population of Pakistan (116 million people) live in rural areas; 32 per cent of young people are illiterate and only 6 per cent have technical skills. In 2050, the country's population is projected to reach 302 million (at 1.9 per cent annual growth). Pakistan's rural labour force is expected to increase until 2030 (FAOSTAT), indicating continuing pressure on the average size of farms. The stagnation of rural wages that has characterized the last decade 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.

5. **Human Development Index and Rank:** Pakistan's HDI value and rank Pakistan's HDI value for 2014 is 0.538— which put the country in the low human development category — positioning it at 147 out of 188 countries and territories. Between 1980 and 2014, Pakistan's HDI value increased from 0.353 to 0.538, an increase of 52.5 percent or an average annual increase of about 1.25 percent.[36] Nevertheless, access to education remains low and completion rate for primary education is among the lowest in the world. In Fiscal Year 2014 public spending on education was 2.1% of GDP which reflects on the quality, poor teaching and learning outcomes and inadequate infrastructure. Although some provinces (Punjab) have made headway in reducing the gender gap, at 67% girls' participation at primary level lags 10 percentage points behind boys'. Public spending on health was 0.8% of GDP in FY2014, making Pakistan one of the lowest spenders worldwide. Health outcomes have improved but at a slow pace while nutritional outcomes have not improved over the last two decades, and have even deteriorated for some indicators.

6. **Gender Gap:** The World Economic Forum's (WEF) Global Gender Gap Report 2016 ranks Pakistan 143 out of 144 countries in the gender inequality index which focuses on the relative gaps between women and men across four key areas: health, education, economy and politics. Pakistan is ranked 141 in terms of economic participation and opportunity for women, 132 in terms of education attainment, 119 for health and survival and 85 for political empowerment. 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. Cultural norms and practices, lack of education and self-confidence, and a shortage of time inhibit women's ability to contribute to decision-making at all levels – from household and community to national. Women are often in a weak bargaining position in intra-household decision-making, to the detriment of the well-being of all household members.

7. **Youth Bulge Challenges and Opportunities:** An estimated 64 percent of Pakistan's population is below the age of 30 and the numbers of young people will continue to grow till 2035. The right strategies and policies are critical to ensure that the biggest workforce in Pakistan's history is willing and able to contribute to the economy and broader development of the country. Every year,

[32] Pakistan Economic Survey 2013-14
[33] Economic Survey of Pakistan. 2010-11.
[34] Pakistan Economic Survey 2010-11. Government of Pakistan.
[35] Livestock Census 2006. Government of Pakistan. The LWA is a USAID dairy Development Grant that will organize 300,000 women using the model described herein.
[36] Human Development Report 2015, Work for human development, Briefing note for countries on the 2015 Human Development Report

approximately 4 million youths enter the job market and an additional 1.5 million jobs need to be created each year until 2040 just to address the demand. Pakistan also faces a high unemployment rate (5.2, 2014, ILO data), especially among young people. Furthermore, over 60 percent of young people are currently in unstable or low paid jobs, and 35 percent of those that do have a job are working in an unpaid position. Encouraging entrepreneurship which can create jobs is a possible means to harness the potential of the youth bulge. It is, however, difficult for young people to access credit. The Government has formulated a National Youth Policy backed by number of skill development and credit programmes to assist the youth in finding gainful employment.

8. **Food Insecurity:** In 2016, Pakistan ranked 79th out of 109 countries according to the Global Food Security Index. Approximately 40 percent of children under the age of five are underweight according to a World Health Organisation (WHO) survey. Iodine, iron and protein deficiencies result in an annual loss of 3 to 4pc of the GDP. And with millions of children compelled to attend schools hungry, the situation couldn’t get worse. It is impossible for a hungry child to focus on learning when adequate nutrition is needed for optimal mental and physical development. The UN Food and Agriculture Organisation (FAO) estimates 37.5 million people in Pakistan are not adequately nourished. Moreover, an estimated 45 percent of deaths in children under the age of five are caused by poor nutrition and 44 percent of children in Pakistan aged below five years were stunted, according to the National Nutrition Survey in 2011.

9. **Nutrition and WASH:** According to the National Nutrition Survey 2011, one-third of all children are underweight and in Pakistan 43.7% of children were stunted. In rural areas stunting in children was higher (46.3 %) than in urban areas (36.9%). At the national level, 61.9% of children were found to be anaemic. Evidence suggests that Environmental Enteropathy, an intestinal disease that distresses the small intestine and is the upshot of chronic childhood exposure to fecal microbes due to poor sanitation reduces the child’s ability to absorb nutrients. Poor sanitation, unsafe drinking water and lack of hygienic practices obstructs nutrient absorption, worsens the physical and cognitive development of children and can lead to starvation. As per a global study, WHO estimated that 50% of malnutrition is connected with repeated diarrhoea or intestinal worm infections, which is a result of unsafe water, inadequate sanitation or insufficient hygiene[37].

10. **Climate Change:** Pakistan is one of the most vulnerable countries to climate change: it ranks 8th in the world in terms of long-term risks, and was the fifth worst affected country in 2014.38 It 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. Between 1995-2014 Pakistan's annual average economic loss because of climate change related incidents amount to US$3.9 billion (USD PPP). In the same period the annual average lives lost to climate change stands at 03 individuals per million inhabitants.39 The impacts of climate change cut across several aspects of life. Water, health, energy and food security are increasingly stressed, and in some areas can pose genuine concerns for livelihoods and even survival. These concerns particularly affect the poorest in society.40 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.

11. Pakistan is ranked 8th in the world in terms of long-term risks, and was the fifth worst affected country in 2014 while its contribution to total global greenhouse gas emissions is among the lowest. Climate change impacts in Pakistan include increasing variability of monsoons, recession of glaciers (threatening Indus flows), biodiversity loss, rise in sea level, water and heat stress conditions, changes in freshwater supply, seawater intrusion (which is already up to 200 kilometers inland in the Indus delta region) and an increase in extreme weather events such as floods and droughts. The

[37] World Health Organization, Safer Water, Better Health: Costs, Benefits, and Sustainability of Interventions to Protect and Promote Health (Geneva: WHO, 2008).
[38] Global Climate Risk Index 2016 - Germanwatch
[39] Ibid
[40] UNDP Policy Brief: Why Pakistan Needs a Climate Change Financing Framework?

effects of global warming and climate change in Pakistan are relatively more conspicuous owing to heavy reliance on the environment for basic survival, high population growth rate and density, low capacity to mitigate the effects of climate change and poverty. The poor use natural resources for their livelihoods, as part of environmental entitlements, which leads to degradation and enhanced impact of climate change in these degraded ecosystems. Climate-induced disasters such as sporadic droughts in Sindh, Balochistan and Southern Punjab as well as frequent floods and flash floods in almost all the regions of Pakistan result in damaging the livelihoods of the poor who mainly rely on agriculture and livestock. This further exacerbates poverty and culminates in food insecurity, malnutrition and extreme poverty.

12. **Pakistan's Water Challenges:** Water associated problems are amongst the key challenges faced by Pakistan. Pakistan's water profile has changed drastically from being a water abundant country, to one experiencing water stress. Between 1990 and 2015, per capita water availability declined from 2,172 cubic metres per inhabitant, to 1,306 cubic metres per inhabitant. Pakistan extracts 74.3 percent of its freshwater annually, thereby exerting tremendous pressure on renewable water resources. Despite remarkable improvements in the proportion of the population using improved water sources and improved sanitation facilities, 27.2 million Pakistanis do not have access to safe water and 52.7 million do not have access to adequate sanitation facilities. The repercussions on health are severe: an approximate 39,000 children under five die every year from diarrhoea caused by unsafe water and poor sanitation. Furthermore, with the increasing burden on water resources, threats will increase to Pakistanis' well-being from unsafe or inadequate water supplies.[41]

13. **Measuring poverty in Pakistan:** The 2001 model of poverty measurement was based on food energy intake (FEI). The Government of Pakistan defined the 'Poverty line' as the level of expenditure or income, which provides basic food enough to generate 2350 calories per adult-equivalent per day. This poverty line formula placed 34.6% people as poor in 2001-02. Using this method, the World Bank measurement shows poverty levels were in decline since 2001, falling from 34.7% in 2000-01 to 9.3% in 2013-14. A new methodology was adopted using the 2013-14 Household Income and Expenditure Survey data representing the national and provincial picture. In addition to food energy intake of 2350 calories per adult-equivalent per day as minimum welfare, the cost of basic needs (CBN) as method was chosen to capture non-food expenditures in the new formula. Non-food items included expenditures on education, health and mobile phones. With this addition, the number of poor in the country was calculated as 29.5%, i.e., 60 million people or three out of every ten Pakistanis are poor. Analysing the past data under the new poverty line estimates using 2013-14 Household Income and Expenditure Survey data, the poverty headcount ratio was measured at 63.3% in 2001-02, which then fell to 29.5% in 2013-14. In monetary terms, poverty line stood at Rs3,030 per adult equivalent per month. Following the global trends in poverty measurement and realizing the need for a sub-provincial analysis of poverty, in June 2016 the government, using Pakistan Standard of Living Measurement (PSLM) 2014-15 data, developed a multidimensional poverty index (MPI). The MPI integrates the wider concept of poverty by reflecting on deprivations experienced by individuals with respect to health, education and standard of living. Under these three dimensions, 15 indicators were used: 3 for education, 4 for health, and 8 for living standards. The indicators of household assets and living conditions are clubbed under living standards dimension. Applying this measure to data from PSLM survey for the 2014-15 period, the country's Multidimensional Poverty Index stands at 0.197. This indicates that poor people in Pakistan experience 19.7% of the deprivations that would be experienced if all people were deprived in all indicators. Secondly, the country's multidimensional poverty headcount ratio (population of poor in Pakistan) was estimated at 38.8% (GoP 2016).

14. PPAF and the Sustainable Development Policy Institute also estimated and analysed poverty by using the cross sectional PSLM Survey data 2012-13. The report launched by the Pakistan Poverty Alleviation Fund last year, Geography of Poverty in Pakistan – 2008-09 to 2012-13: Distribution, Trends and Explanations, explored the multi-dimensionality of poverty by studying

[41] UNDP Development Advocate Pakistan Vol 3, Issue 4; Water Security: Pakistan's most Critical Development Challenge

education, health, living conditions, and assets ownership, and found that while the poverty headcount ratio fell by 5.6 percentage points at the national level from 2008-09 to 2012-13, there are tremendous rural-urban disparities in the incidence of poverty. There are also stark inter-provincial differences in the incidence of poverty that persist. Poverty in this case is not merely deprivation of monetary resources but a lack of several fundamental freedoms, such as freedom from hunger, pre-mature death, illiteracy, poor living conditions, socio-economic marginalization, and destitution, to name but a few. The estimation uses 27 indicators pertaining to four dimensions of wellbeing, i.e. education, health, living conditions, and assets ownership (treating 3rd and 4th dimensions as separate and including additional indicators relevant to Pakistani context).

15. **Government Policies on Poverty**: The key policy documents that outline the national poverty reduction strategy in Pakistan are the Vision 2025, the Medium-Term Development Framework (2005-2010), and Poverty Reduction Strategy Paper II (2008-2012).[42] The Vision 2025 promises to reduce poverty by half[43]. The MTDF provided a framework for translating the earlier announced Vision 2030 into action during the 2005-2010 period with an emphasis on "sustained long-term growth." The PRSP II was built upon nine pillars: (i) Macroeconomic Stability and Real Sector Growth; (ii) Protecting the Poor and the Vulnerable; (iii) Increasing Productivity and Value Addition in Agriculture; (iv) Integrated Energy Development Programme; (v) Making Industry Internationally Competitive; (vi) Human Development for the 21st Century; (vii) Removing Infrastructure Bottlenecks through Public Private Partnerships; (viii) Capital and Finance for Development; and (ix) Governance for a Just and Fair System. Moreover, women's empowerment and environmental sustainability were regarded as integral crosscutting themes throughout the PRSP-II. The PRSP-II committed the Government to allocate a minimum of 4.5% of GDP to social and poverty related expenditures. The Government also prioritised 17 pro-poor sectors through MTEF and the expenditure for these sectors has ranged between 10.4 to 13.4% during 2009-10 to 2012-13. PRSP sees the agriculture and rural non-farm sector as important for employment generation. Within the agriculture sector it sees a potential for increasing yields, diversification of cropping patterns, production of high value crops and investments in livestock and dairy development. The government's rural development objectives include improving the quality of life of the rural people by improving the rural economy and living conditions in the villages by enhancing agriculture productivity, water resources availability, improving rural infrastructure, providing social amenities and undertaking productive programmes to meet local community needs. Despite unveiling of two Vision documents in the last 10 years, progress against most of the poverty and social development related indicators remained behind targets.

16. **Poverty Reduction Initiatives and Social Safety Nets:** 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 crucial to the country's overall poverty reduction strategy, recognizing that they represent valuable sources of employment. In pursuance of government's social protection and rural income generation/livelihoods support agenda, a number of federal and provincial government programmes are currently being implemented. Some of the salient ones include:

(i) *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 0-16.7) for a total budget of about US$1.2 billion annually benefitting around 5.4 million poor households. A nationwide poverty scorecard survey (an asset based index) informed a National Social Economic Registry (NSER) in 2009/10 which has since then been the basis of targeting of the ultra-poor and poor in various national and donor-funded programmes. However, it is a static registry and is only now being updated through another

[42] The Government of Pakistan completed its second full Poverty Reduction Strategy Paper (PRSP-II) in December 2008. In March 2008, a new democratically elected government came into power, which in the fall of 2008 embarked on the finalization of the draft strategy inherited from the previous administration.
[43] Vision 2025. Planning Commission of Pakistan

similar nationwide exercise. Certain assessments over this period have shown that there is a 20-25% inclusion/exclusion error which means that not all households eligible for cash transfers have received these. Further, BISP experience also shows that cash transfers alone cannot eradicate poverty unless they are integrated into a more comprehensive poverty graduation approach.

(ii) *Cash Support Programmes*: Old programmes like Zakat and Bait-ul-Mal also continue and together cover around two million households though both suffer from targeting and unpredictable and insufficient scale issues. Periodic event linked support programmes are also initiated in the wake of natural calamities or other disruptive events like internal displacement of population. These are often one-off payments to the affected families like the Watan Card scheme providing one-time cash assistance of PKR 20,000 to affected households.

(iii) *Provincial Social Protection Authorities*: 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.

(iv) *Skills Development Programmes*. Other important initiatives include National and provincial skills development programmes for the urban and rural youth for gainful employment. The largest such programme is being run in Punjab province with DFID support and its further expansion is on cards through a World Bank policy credit.

(v) *Access to Finance Schemes:* The Prime Minister's Interest Free Loan Scheme (PMIFL) – initiated by the Government of Pakistan in 2013 – is implemented through the Pakistan Poverty Alleviation Fund (PPAF) and 24 microfinance institutions. It aims to reach one million clients in three years. 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 programmes towards interest bearing microfinance.

17. **Holistic Interventions for Graduation:** Experience from various completed and on-going poverty reduction programmes has revealed that stand alone poverty reduction interventions, whether cash assistance or other in kind initiatives, alone do not provide a holistic solution to the complex nature of extreme poverty. 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 assistance programmes. Delivering both 'livelihood protection' and 'livelihood promotion' requires a 'package' approach, including both support to household consumption and support to livelihoods, and delivery of such a responsive and flexible package with close hand-holding support requires robust social mobilization approach and processes. One of the most successful approaches in the region in assisting the extremely poor to escape poverty sustainably 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 through the global research study (conducted in 8 countries), among other assessments. 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 extremely poor could "graduate" from extreme poverty into a sustainable livelihood state within a defined time period.

18. **Pakistan Poverty Alleviation Fund:** PPAF is the lead apex institution for community-driven development in the country. Set up by the Government of Pakistan, as an autonomous not-for-profit company, PPAF has the facilitation and support of Government of Pakistan, the World Bank, International Fund for Agricultural Development (IFAD), KfW Entwicklungsbank (Development Bank of Germany) and other statutory and corporate donors. PPAF was registered in February 1997 and operations commenced in the year 2000. PPAF has a 12 member Board of Directors, a mix of private and development sector specialists with a minority representation (3 members) from the GoP and as a company comes under the supervision of the Securities and Exchange Commission of Pakistan.

PPAF 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 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 the work. Externally commissioned independent studies have demonstrated positive outcomes and impact of PPAF interventions on the lives of benefiting communities related to their economic output, household incomes, assets, agricultural productivity skills and other quality of life indices.

19. **National Poverty Graduation Programme:** The NPGP is in line with goals of IFAD's strategic framework 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"). The Programme is also aligned with Pakistan COSOP 2016-2021 Strategic Objectives (1. Promoting poor rural households' economic transformation by expansion and scaling up of poverty graduation approaches; 2. Policy and Institutional Strengthening for community-led development, and 3. Building resilience for sustainable nutrition and food security). The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. The Development Objective is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible menu of assistance. The expected outcomes include helping the poorest groups/households (women, youth and smallholder farmers) develop livelihoods, increase incomes and diversify assets for sustainably moving up the poverty ladder; ultra-poor and poor households have better nutrition for women and children and improved food security; The target populations have improved access to financial services and investment opportunities.

20. For the purposes of the NPGP the ultra-poor and vulnerable poor segments of the population (poverty scorecard of 0 to 18) will be eligible for a combination of asset transfers and training. For the 0-11 poverty band, the programme will provide basic business orientation training, initial grant-based productive (tangible) asset provision and associated asset management training and adult literacy/basic numeracy. 50% of the assets disbursed will be transferred to beneficiaries falling in the 0-11 poverty band. The beneficiaries in the 12-18 poverty band will be eligible for basic business orientation training, initial grant-based productive asset provision and associated asset management training, functional literacy and for those beneficiaries who have graduated from the previous poverty band access to finance through the PMIFL. 40% of the total beneficiaries of asset transfers fall in the 12-16.17 band and will receive tangible productive assets. The remaining 10% of asset transfers will be in the form of intangible productive assets, such as vocational trainings, and will be given to those in the 16.18-18 poverty band. 34% of the PMIFL scheme loans will be given to those falling in the 12-18 poverty band, 31% to the 19-23 band and 35% to the 24-40 poverty band. Skill development, enterprise development; financial training will support income diversification and business expansion. Underpinning this effort will be the social mobilization process to ensure the programme addresses BISP inclusion/exclusion errors and provides a supportive environment for transfer of assets among community members. The creation of three distinct types of community resource persons, for community institutions, for social sectors and for economic sectors will develop local expertise in the area and provide services through and beyond the life of the programme.

Appendix 2: Poverty, targeting and gender

A. Poverty Characteristics[44]

21. The Government of Pakistan, in 2016, published the first national Multidimensional Poverty Index (MPI) based on the Alkire-Foster methodology.[45] The measure uses three dimensions: education, health and living standards across 15 indicators. Applying this measure to data from the Pakistan Social and Living Standards Measurement (PSLM) survey for the 2014 / 15 period, Multidimensional Poverty Index (MPI) stands at 0.197. This indicates that poor people in Pakistan experience 19.7% of the deprivations that would be experienced if all people were deprived in all indicators. MPI is a product of two essential components: the poverty "headcount" and the "intensity" of deprivation. Using the same data from the 2014/15 PSLM survey, the country's multidimensional poverty **"headcount ratio" was estimated at 38.8% of the population**. This means that 38.8% of the population of Pakistan is poor according to the MPI. The average intensity of deprivation, which reflects the share of deprivation which each poor person experiences on average, is 50.9%.

22. This poverty analysis shows are stark regional disparities in poverty across Pakistan. The proportion of people identified as multi-dimensionally poor in urban areas is significantly lower than in rural areas – 9.4% and 54.6%, respectively. Further heterogeneities were found when looking at results at the provincial level. In 2014/15, MPI headcount ratios ranged from 31.4% in Punjab (with an intensity of 48.4%), to 71.2% in Balochistan (with an average intensity of 55.3%).

23. With respect to the percentage which each of the 15 indicators contributes to overall multidimensional poverty in Pakistan, the greatest contribution to national poverty derives from years of schooling (29.7%), followed by a lack of access to healthcare facilities (19.8%) and child school attendance (10.5%). If aggregated by dimensions, the greatest contribution to poverty stems from educational deprivation (42.8%), followed by living standards (31.5%) and healthcare (25.7%).

24. The estimates of poverty are produced using the 'cost of basic needs' (CBN) methodology. Until recently, the approach used to estimate the headcount poverty in Pakistan was based on the food energy intake (FEI) methodology. Using the new CBN methodology, however, the poverty line has been revised from PKR 2,259.44 to PKR 3,030.32, per adult per month. Although this newly established poverty line is marginally higher, data still corroborates the decline in poverty trends in Pakistan. However, now a higher proportion of the population (29.5%) is considered to be below poverty line. The methodological revisions in monetary poverty reflect the government's expanded commitment to use improved measurement tools to identify and address poverty.

25. As Table 2.1 illustrates, the official monetary poverty rates in Pakistan experienced a strong decline between 1998/99 and 2013/14. In particular, the proportion of people living below the official poverty line dropped from 57.9% to 29.5% (a relative reduction of almost 49%). This marked decline may be associated with a number of factors, including increased allocations to social safety net programmes such as Benazir Income Support Programme (BISP). It may also be tied to better support prices for agricultural products, an improvement in the inflow of remittances, and increases in female labour force participation8 rates in rural areas. In addition, Table 2.1 identifies sizable disparities between rural and urban areas during this time period. Although both areas experienced a stark reduction in their poverty rates, rural areas still experience much higher levels of poverty than urban centres. Moreover, while poverty was 1.4 times higher in rural areas in 1998/99 than it was in urban areas (63.4% and 44.5%, respectively), this ratio increased to 1.95 in 2013/14 (with poverty rates of 35.6% and 18.2% for rural and urban areas, respectively). Analysing poverty through monetary based measures alone suggests significant improvements in the country over the past decade. However, these have not resulted in an equal reduction.

[44] Adapted from: GoP (2016), Ministry of Planning, Development & Reform, *Multidimensionally Poverty in Pakistan*
[45] The Alkire Foster (AF) method is a way of measuring multidimensional poverty developed by Oxford Poverty & Human Development Initiative's (OPHI) Sabina Alkire and James Foster.

Table 2.1 Percentage % of the population living below the national poverty line

Year	National	Urban	Rural
1998-99	57.9	44.5	63.4
2001-02	64.3	50.0	70.2
2004-05	51.7	37.3	58.4
2005-06	50.4	36.6	57.4
2007-08	44.1	32.7	49.7
2010-11	36.8	26.2	42.1
2011-12	36.3	22.8	43.1
2013-14	29.5	18.2	35.6

Source: Planning Commission estimates using HIES/PSLM data

26. **Drivers and composition of poverty**: What deprivations create this level of poverty in Pakistan and how can they be reduced? Analysing the percentage which each of the 15 indicators contributes to Pakistan's MPI gives an understanding of contribution of various dimensions to poverty at various levels. Table 2.2 presents the weighted percentage contribution of each indicator to illustrate the composition of multidimensional poverty at the national level, and in rural and urban areas. At the national level, the indicators which contribute most to the MPI are years of schooling (29.7%), followed by access to health facilities (19.8%) and child school attendance (10.5%). At the dimensional level, deprivations in education are the largest contributor to the MPI (42.8%), followed by living standards (31.5%) and health (25.7%).

27. Table 2.2 also reveals different profiles for urban and rural poverty. At the indicator level, the greatest contribution, in both urban and rural areas, derives from deprivation in years of schooling, access to health facilities, and child school attendance. In terms of dimensions, education is clearly the greatest contributor to multidimensional poverty in both areas, contributing almost 57% and 42%, respectively. It is followed by the dimension of living standards and, finally, the dimension of health. Notably, deprivation in health contributes almost 5.7% more to poverty in rural areas than it does in urban centres.

Table 2.2: Percentage Contributions of Indicators to MPI at the National and Provincial/Regional level

National		Urban	Rural	Punjab	Sindh	KP	Balochistan	FATA	GB	AJK
Years of schooling	29.7	36.9	29.2	31.1	28.1	29.3	28.3	35.5	30.1	26.6
School attendance	10.5	17.0	10.0	9.7	11.9	9.7	11.5	16.0	12.9	4.9
Educational quality	2.6	3.0	2.5	2.3	2.9	2.5	3.1	1.1	3.7	4.9

Access to health facilities	19.8	12.5	20.3	21.5	16.7	21.4	17.3	8.9	8.1	21.3
Full immunization	2.2	3.3	2.1	2.0	2.0	2.5	2.6	4.5	2.4	1.0
Ante-natal care	1.9	2.5	1.9	1.7	1.9	2.2	2.4	0.3	3.6	1.1
Assisted delivery	1.8	2.1	1.8	1.3	2.3	2.1	2.2	1.7	3.6	1.2
Improved walls	1.9	1.2	1.9	1.2	2.7	1.3	3.3	4.6	1.2	1.2
Overcrowding	2.6	3.6	2.5	2.8	3.1	1.9	1.4	1.2	2.6	1.5
Electricity	1.4	0.4	1.4	1.3	1.6	0.7	2.0	1.7	0.2	0.8
Sanitation	5.3	2.2	5.6	5.0	6.2	3.9	6.9	1.3	6.1	3.9
Water	1.7	1.3	1.7	0.5	1.5	3.7	4.1	6.3	4.4	6.2
Cooking fuel	8.5	6.3	8.7	9.2	7.8	8.5	7.3	4.9	9.9	10.2
Assets	6.3	7.7	6.2	6.8	7.3	6.0	4.8	6.6	9.4	9.0
Land & livestock	3.8	0	4.1	3.7	4.0	4.3	2.8	5.4	1.9	6.3
Total	100	100	100	100	100	100	100	100	100	100

Source: Author's calculation based on the 2012/13 and 2014/15 PSLM survey and the 2013/14 FATA Development Indicators Household Survey

B. Gender Dimensions of Rural Poverty

28. Whereas gender inequality is a ubiquitous phenomenon in Pakistan, the disparity is most pronounced in rural areas. The Gender Inequality Index of the United Nations Development Programme[46], as of 2014, ranks Pakistan 121 and hence places it under the label of 'Low Human Development'. Certain indicators accord this position to Pakistan. The 'Maternal Mortality Ratio' lies at 170, along with ranking female population with secondary education at a meager 19.3% throughout the country, with the majority of those educated belonging to urban areas.

29. The gender story at the provincial level is a shadow of that at the national level. In Khyber Pakhtunkhwa for example, comparison of illiteracy rates at the rural and urban level reveals interesting results. At the rural level, 50.18% of males and 76.96% of women are devoid of any education[47]. In the urban sphere, the figures drop to 39.56% for males and 59.65% for women. The same pattern replicates itself in the provinces of Punjab, Sindh and Balochistan with lower illiteracy of men regardless of rural or urban spheres, and especially pronounced levels of illiteracy of women in rural as compared to urban areas.

[46] United Nations Development Programme (2014) *Human Development Report*
[47] 'Percentage Distribution of Population by Age, Sex, Literacy and Level of Education', PSLM, 2013-14

30. The average monthly payments for women in rural Pakistan i.e. PKR 5774.70 are approximately half of the amount earned by males in rural areas i.e. PKR 11824.36. Additionally, the number of males in the highest earning income bracket i.e. 'Rs 150001 & over' is higher in all four provinces.

Table 2.3: Percentage distribution of employees 10 years of age and over by average monthly payments, PSLM 2013-14

Province	**Employees by Monthly Payments**					
Rural Male						
	Total Employees	**Upto PKR 5000**	**PKR 50001 to 10000**	**PKR 100001 to 15000**	**PKR 150001 & over**	**Average Monthly payments**
Pakistan	81.65	9.68	38.55	15.93	17.48	11824.36
KPK	14.13	0.99	5.38	3.58	4.19	13871.98
Punjab	47.92	6.24	24.56	8.97	8.15	10802.37
Sindh	14.92	2.21	7.49	2.07	3.15	11645.20
Balochistan	4.68	.25	1.12	1.31	2.00	16680.05
Rural Female						
Pakistan	18.35	12.49	4.08	.52	1.26	5774.70
KPK	.66	0.15	0.16	.07	.28	16011.85
Punjab	16.30	11.56	3.52	.37	.85	5258.52
Sindh	1.29	.76	.37	.08	.07	6366.74
Balochistan	.11	.01	.03	.01	.05	14285.97

31. Employment of women by level of education shows that in Sindh and Balochistan level of education does matter and illiteracy means fewer chances of employment as here more than twice the percentage of illiterate women are unemployed as compared to literate women. However in KP and Punjab the difference is marginal as almost an equal percentage of literate and illiterate women are unemployed (Table 2.4).

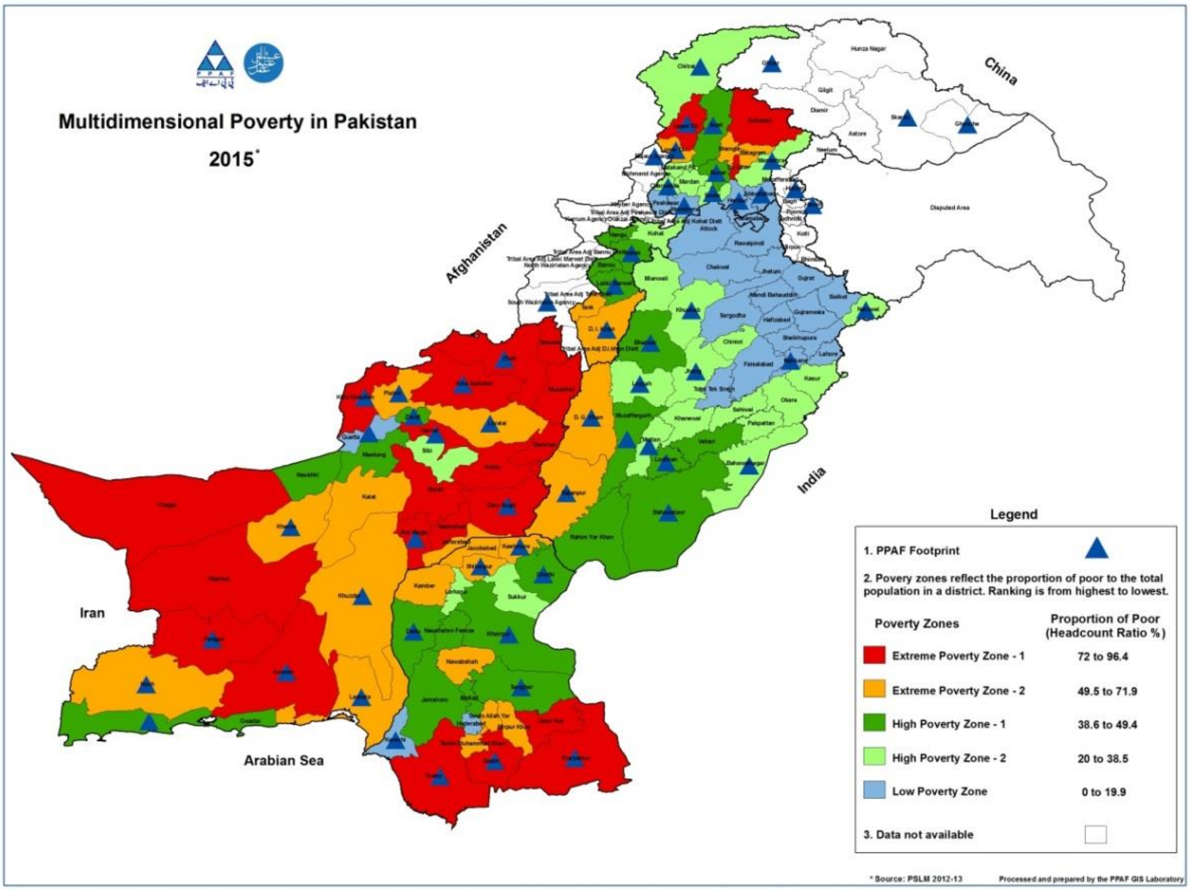
Table 2.4: Percentage distribution of unemployed persons

10 years of age and over by level of education (PSLM 2013-14)

Level of Education	**Rural Females**		
Province	**Total unemployed**	**Illiterate**	**Literate**
KP	37.75	17.12	20.63
Punjab	40.01	20.54	19.47
Sindh	37.28	25.86	11.43
Balochistan	18.92	12.91	6.02

C. Poverty in the Proposed Districts

32. PPAF and SDPI also estimated and analysed poverty by using the cross sectional PSLM Survey data 2012-13.[48] The estimation uses 27 indicators pertaining to four dimensions of wellbeing, i.e. education, health, living conditions, and assets ownership (treating 3rd and 4th dimensions as separate and including additional indicators relevant to Pakistani context). According to these estimates, poverty headcount ratio fell by 5.6% at national level from 36.9% in 2008-09 to 31.3% in 2012-13 (Naveed, Wood and Ghaus 2015). Using the 2012-13 PSLM survey data, the study ranks districts on the basis of poverty headcount ratio, i.e., percentage of people in the population who are identified as multidimensional poor. The study then categorises districts into poverty zones which reflect the proportion of the poor to the total population of the district as shown in the map below.



33. Headcount ratio in the bottom quintile of districts ranged from 96.4 to 72.6 per cent in 2012-13. The zones demonstrate geographic concentration of poverty mainly in Balochistan and in parts of KP and Sindh: Jhal Maghsi, Zhob, Torghar, Kohistan,Thatta, Badin, and South Waziristan fall in the Extreme Poverty Zone-1, followed by Kahsmore, Shikarpur and DG Khan in Extreme Poverty Zone-2. Ghanche and Skardu, Jhang, Multan, Layyah, Hattian and Haveli are placed in High Poverty Zone-2. Districts like Kohistan had almost entire population living below the poverty line in 2012-13.

[48] A study conducted by Pakistan Poverty Alleviation Fund- Sustainable Development Policy Institute (2015) *Geography of Poverty in Pakistan*

Table 2.5: Poverty Zones of Programme Districts

Region	Proposed Districts	Poverty Zones	District Headcount Ratio-2012-13 (%)
Punjab	DG Khan	Extreme Poverty Zone – 2 / 4th Quintile	55.8
	Jhang	High Poverty Zone -2 / 2nd Quintile	37
	Multan	High Poverty Zone -2/ 2nd Quintile	29.7
	Layyah	High Poverty Zone -2/ 2nd Quintile	28.9
Sindh	Kashmore	Extreme Poverty Zone – 2 / 4th Quintile	63.8
	Shikarpur	Extreme Poverty Zone – 2 / 4th Quintile	51.2
	Thatta	Extreme Poverty Zone – 1 / 5th Quintile	73
	Badin	Extreme Poverty Zone – 1 / 5th Quintile	73.5
Khyber Pakhtunkhwa	Torghar	Extreme Poverty Zone – 1 / 5th Quintile	89.1
	Kohistan	Extreme Poverty Zone – 1 / 5th Quintile	96.2
Balochistan	Jal Maghsi	Extreme Poverty Zone – 1 / 5th Quintile	74.6
	Zhob	Extreme Poverty Zone – 1 / 5th Quintile	72.6
FATA*	South Waziristan	Extreme Poverty Zone – 1 / 5th Quintile*	70 and above
Gilgit-Baltistan*	Ghanche	High Poverty Zone-2 / 2nd Quintile *	30-39
	Skardu	High Poverty Zone-2 / 2nd Quintile *	30-39
AJK*	Haveli	High Poverty Zone-2 / 2nd Quintile *	20-29.9
	Hattian	High Poverty Zone-2 / 2nd Quintile *	20-29.9

* *Headcount ratio ranges determined using incidence of poverty data (proportion of poor to the total population of the district) of 2012-13 PSLM data for Gilgit-Baltistan and AJK and 2014-15 PSLM data for FATA as put in Multidimensional Poverty in Pakistan, GoP 2016 and categorization done using Geography of Poverty in Pakistan (PPAF-SDPI 2015) using 2012-13 PSLM data.*

34. While poverty zones categorise proportion of poor in a district in poverty bands,[49] districts significantly vary in terms of their population size and size of the poor population. Multan, DG Khan, Thatta, Kashmore, and Jhang are among the 23 districts which made the largest contribution to the overall headcount ratio (the population of the poor in the country) in 2012-13. These 23 districts make nearly one-third (29.7 per cent) of the population of Pakistan. As they contribute 14 percentage points to headcount ratio in absolute terms, as many as 44.7 per cent of Pakistan's poor lived in these 23 districts in 2012-13. A largest number of the poor is concentrated in southern Punjab. One-fourth of Pakistan's poor lived in 11 districts of three Divisions of south Punjab, namely Multan, DG Khan and Bahawalpur.

Table 2.6: Districts with the Highest Share to the Headcount Ratio 2012-13

	2012-13		Contribution to headcount ratio		Absolute change in headcount ratio (percentage points)
Districts	**Population Share**	**Headcount Ratio**	**Absolute**	**Percentage**	**2008-09 to 2012-13**
Multan	2.29	29.66	0.68	2.17	-8.7*
D G Khan	1.43	55.76	0.80	2.55	-8.1*
Thatta	0.78	73.03	0.57	1.82	8.5*
Jhang	1.54	36.97	0.57	1.82	-8.0*
Kashmore	0.68	63.79	0.43	1.39	3.0
Other 19 districts	22.98	-	10.95	34.95	

[49] (Naveed, Wood and Ghaus 2015) ; A study by Pakistan Poverty Alleviation Fund- Sustainable Development Policy Institute (2015) *Geography of Poverty in Pakistan;* Poverty headcount ratio and district ranking; Annex 1

Total	29.70	-	14.0	44.7	

35. D G Khan is among the seven districts with the highest international migration, and these districts had more than one per cent of their population registered as overseas workers in 2012-13 (GOP 2013). In contrast, Jhal Magsi is among the districts which have the smallest proportion of population registered as overseas workers in the year 2012-13 (ibid.)-implying to invest in people's ability to gain incomes from outside their own underdeveloped residential areas in other growth pole centres. However, outmigration causes, such as conflict, lack of access to basic services and livelihood, need to be looked into and addressed accordingly. Jhang is amongst the 10 districts with the highest incidence of extreme poverty within their respective province. Over the five years from 2008 to 2013, there has been a statistically significant increase, 3.1 per cent, in the intensity of poverty in Kashmore which is among the four districts with the highest intensity of poverty.

36. **Monthly household consumption**: According to Household Integrated Economic Survey (HIES) 2015-16, the mean household monthly consumption expenditure of rural areas is two-thirds (PKR 27414) of that of urban areas (PKR 41529). Per capita consumption expenditure in rural areas is Rs 4239. Within the rural region there exists large disparity. The average per capita consumption for the richest quintile (PKR 9364) is almost 5 times that of the poorest quintile (PKR 2284).

37. **Assets:** Of the three dimensions within Multidimensional Poverty Index, asset ownership falls under the living standard dimension. With respect to assets, it is seen that a household is considered 'deprived' in this regard, if, it is devoid of more than two small assets (radio, TV, iron, fan, sewing machine, video cassette player, chair, watch, air cooler, and bicycle) or no large asset OR no large asset (refrigerator, air conditioner, tractor, computer, motorcycle), and lastly does not own a car. Table 2.7 shows that deprivations in assets is highest in Gilgit Baltistan and AJK contributing 9.4% and 9% to their respective MPIs, but falls to 4.8% and 6% in Balochistan and KP.

Table 2.7: Percentage Contributions of Assets to MPI at the National and Provincial/Regional level

Indicator	Punjab	Sindh	KP	Balochistan	FATA	GB	AJK
Assets	6.8	7.3	6.0	4.8	6.6	9.4	9.0

Source: *Based on the 2012/13 & 2014/15 PSLM survey and the 2013/14 cited in Multidimensional Poverty in Pakistan, UNDP, OPHI, MOP, 2016; FATA Development Indicators Household Survey*

38. As seen in the National Uncensored Headcount Ratios (the proportion of people who are deprived in each of the MPI's 15 indicators, irrespective of their poverty status), 2014/15, the ratios are lowest for some indicators amongst them-asset ownership at 39%. Hence throughout Pakistan 39% of people are deprived of assets[50]. Additionally, when measuring changes in the National Uncensored Headcount Ratios, we can see that there are obvious improvements in some of the indicators in terms of the number of people deprived. Amongst these improvements are assets, with a 28.5% decline in the number of people deprived. In other words, asset ownership as improved over the years 2004-2015.

39. **Violence against women**: Violence against women is a common phenomenon in rural and urban areas alike. In fortunate times, women report violence and seek help in this regard. Province-wide data in the table below neatly shows the breakdown of women experiencing violence for the year 2012-2013, reporting the case and seeking help, and those who didn't report the act of aggression against them. The number of women who had ever experienced any violence was the greatest in Punjab at 611 women. The percentage of women who sought any type of help was also highest in Punjab (50.3%). On the opposite end of the spectrum, there are those women who never mentioned that they were victims of violence or ever sought help in this regard. Table 2.8 shows that the largest

[50] UNDP, OPHI, MOP (2016) *Multidimensional Poverty in Pakistan*

percentage of women who didn't report the act of violence against them in 2012-13 was from Balochistan.

Table 2.8: Help seeking behavior against gender violence

Regions	Women experienced violence	Percentage sought help	Percentage didn't seek help
Punjab	611	50.3%	40.6%
Sindh	209	23.3%	58.9%
KPK	290	16.4%,	66.8%
Balochistan	68	16.9%	66.4%
Gilgit Baltistan	3	32.5%	58.0%

Source: Pakistan Demographic and Health Survey, National Institute of Population Studies, 2012-13

D. Target Groups

40. The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. The programme will primarily target 156,240 households for asset transfer-scoring 0 to 18 on the poverty scorecard (PSC)-and 214,000households for Prime Minister's Interest Free Loans 12-40 on PSC. These bands include extremely poor people (band 0-11), chronically poor people (band 12-18), transitorily poor people (band 19-23) and transitorily vulnerable people (band 24-34) and transitorily non-poor (35-40).

41. For asset transfer and loan disbursement to target groups, following will be the guiding principles.

- 50% of the loan beneficiaries will be women.
- Each household will have livelihood investment plan and the asset and training package will be designed to respond household needs, especially the needs of women and youth.
- Assistance will be given to women and youth in setting up enterprises or facilitate them get employment locally or internationally
- Gender parity of Community Resource Persons will be maintained.
- The livelihood platforms to support and promote economic activities will specially focus will be on women, youth, and persons with disabilities
- Raising awareness regarding ownership rights and decision-making powers were key to creating a sense of empowerment

E. Poverty Targeting and Gender Strategy

42. The total population of the proposed districts is estimated at 23.7 million (projected population) consisting of about 3.5 million households (projected) (Table 2.9). Multan is most populated (5.2 million) while Ghanche with a population of over 86,000 is least populated. Thatta is the largest district in terms of its physical spread-17,355 sq. km while Torghar covers 497 sq. km only.

Table 2.9: Proposed Districts at a Glance[51]

				1998 Census		Estimated as of Mar, 2017		
Provinces	**District**	**Tehsils**	**Total UCs**	**Population**	**No. of HHs**	**Population**	**No. of HHs**	**Area (Sq. km)**
AJK	Haveli	Haveli, Khurshidabad, Mumtazabad[12]	8	111,694	15,093	162,717	21,988	598[13]
	Hattian	Chikar Hattian Bala Lipa[19]	14	166,064	23,389	280,637	39,526	854
Balochistan	Jhal Magsi	Gandawa, Jal Maghsi[8]	9	109,941	15,984	187,772	27,303	3,615[7]
	Zhob	Qamar Din Karez Zhob Ashwat Kashatu Sambaza	25	287,241	35,911	392,079	48,848	12,400[16]
FATA	South Waziristan Agency*	Ladha, Razmak, Sararogha, Sarweka, Tiarza,Wana[9]	70 big villages	429,841	42,175	620,390	60,872	6,620[11]
GB	Ghanche	Kaplu, Mashagrhoom, Daghoni[11]	14	78,470	13,066	86,568	14,283	4,000
	Skardu	Gultari Kharmang Rondu Shigar Skardu	36	242,960	31,021	560,718	Not available	19,697[17]
KP	Torgar	F.R Kala Dhaka	11	174,682	31,760	395,874	71,977	497

[51] 1. http://www.dgkhan.gop.pk/district-at-glance
2. https://www.punjab.gov.pk/dg_khan
3. http://www.jhang.xyz/tehsils-unions-in-the-district-of-jhang/
4. http://www.pbs.gov.pk/sites/default/files/population_census/Administrative%20Units.pdf
5. http://www.pbscensus.gov.pk/sites/default/files/admin_districts/Admn_census_Unit/sindh.pdf
6. http://www.pbs.gov.pk/content/pakistan-mouza-census-2008
7. http://www.pbs.gov.pk/sites/default/files//tables/District%20at%20a%20glance%20Jhal%20Magsi.pdf
8. http://www.ndma.gov.pk/Publications/Development%20Profile%20District%20Jhal%20Magsi.pdf
9. http://waterinfo.net.pk/sites/default/files/knowledge/Important Agency FR wise Socio-Economic Indicators of FATA 2013 - Bureau of Statistics FATA Cell
10. https://fata.gov.pk/cp/uploads/downloads/1412147704542ba4a29b008.pdf
11. *pspu.punjab.gov.pk/system/files/HFA-Ghanche.pdf*
12. http://pndajk.gov.pk/Documents/final%20AJK%20at%20a%20glance%202015.pdf
13. http://www.bos.gop.pk/system/files/MICS_2007-08_LEA.pdf
14. http://layyahonline.net/Union-Council-wise-Information-Layyah/Union-Council-Wise-Information-about-Layyah.html
15. http://www.layyahonline.net/History-Of-Layyah/History-Of-Layyah.html
16. http://www.ndma.gov.pk/Publications/Development%20Profile%20District%20Zhob.pdf
17. https://www.citypopulation.de/GilgitBaltistan.html
18. https://www.citypopulation.de/AzadKashmir.html
19. https://www.politicpk.com/azad-kashmir-list-tehsils-districts-divisions-آزاد-جموں-وکشمیر

	Kohistan	Dassu, Palas, Pattan	40	410,731	54,778	417,811	55,722	7,492[4]
Punjab	Dera Ghazi Khan	Dera Ghazi Khan, Taunsa Sharif[2]	59	1,643,118	208,932	3,063,306	387,847	2,634[1]
	Jhang	Chiniot, Jhang, Shorkot[3]	129	2,879,371	441,805	4,326,633	663,725	8,809[4]
	Multan	Multan city, Jalalpur Pirwala, Shuja Abad	129	3,116,851	432,903	5,214,002	723,332	3,720[4]
	Layyah	Choubara Karor Lal Layyah[13]	44[14]	1120951	152001	2,003,374	271678	6291[15]
Sindh	Shikarpur	Shikarpur Khanpur Garhi Yasin Lakhi[5]	47	880,438	150,107	1,414,463	243,119	2,512[4]
	Kashmore	Kandh Kot, Kashmore, Tanqwani[5]	39	683,662	131,473	1,163,563	223,762	1,303[4]
	Badin	Golarchi, Badin, Talhar, Matli, Tando Bagho	47	949,556	182,474	1,451,879	279,005	6,858[4]
	Thatta	Thatta, Mirpur Sakro, Keti Bunder, Ghorabari	55	1,113,194	220,464	1,705,032	337,698	17,355[4]
Total			**785**	**1,442,6254**	**2,210,765**	**23,731,811**	**3,581,389**	

43. The average household size is 6.31 according to HIES-2015-16. Household size is largest in FATA-9 per household (Table 2.10).

Table 2.10: Average household size[52]

Region	Size
National	6.31
Urban	6.03
Rural	6.47
Punjab	6.04
Sindh	6.22
Khyber Pakhtunkhwa	7.34
Balochistan	7.84
FATA*	9
Gilgit-Baltistan**	8
AJK***	6.7

44. There are 21,277 male and female community organizations and 985 village orgnanisations established by PPAF (Table 2.11). As of March 2017, assets have been transferred to households in DG Khan, Thatta, Badin, Kohistan, and Killa Saifullah. In Torgarh, PPAF has no presence. Except for Kohistan, PPAF in all other proposed districts has given Prime Minister's Interest Free Loans. In Haveli, Hattian, Kashmore and Shikarpur, PPAF has not made any community institutions and no assets have been transferred.

Table 2.11: PPAF's footprint in the proposed districts

Region	Proposed Districts	Community Organisations	Village Organisations	Asset Presence in UCs	PMIFL Presence in UCs
AJK*	Haveli	None	None	None	3
	Hattian	None	None	None	3
Balochistan	Jal Maghsi	559	28	None	3
	Zhob	763	101	4	2
FATA*	South Waziristan	239	27	None	3
Gilgit-Baltistan*	Ghanche	6	35	None	2
	Skardu	6	35	9	1
Khyber Pakhtunkhwa	Torghar	None		None	None
	Kohistan	2125	12	10	None
Punjab	DG Khan	6,958	135	11	53
	Jhang	1,624	106	None	11
	Multan	2,002	41		2
	Layyah	2,017	49	8	16
Sindh	Shikarpur	None		None	4
	Kashmore	None		None	4
	Badin	2,492		189	14
	Thatta	2,470	135	16	14
Total		**21,277**	**985**		

[52] * Source: https://fata.gov.pk/Global.php?iId=35&fId=2&pId=32&mId=13
** Source: http://pndajk.gov.pk/Documents/AJK%20at%20a%20glance%202013%20final.pdf
***Source: http://urban.unhabitat.org.pk/Portals/0/Portal_Contents/Gilgit%20Baltistan/Gilgit/City%20Profile%20-%20Gilgit.pdf

Use of BISP Targeting

45. PPAF will use BISP Poverty Registry data to identify the total number of households under various bands of the poverty scorecard in the proposed districts. This registry will be obtained in the inception phase of the programme and will be validated by baseline surveys and community feedback. PPAF has data of 1020 UCs across the country. Band width 0-18 will be asset transfer recipients. Looking at the proposed districts, the BISP data available with PPAF (Table 2.12) shows that the highest percentage of households in 0-11 band are in Thatta (46%) and Badin (37%) followed by Multan (28%) and Jhal Magsi (27%). Kashmore has the largest percentage of households in the band of 12-18. The households in band 12-40 will receive PMIFL support. Badin and Thatta have on PSC 19-23 and Kashmore, and Jhang on PSC 24-34 host the largest proportion of households.

Table 2.12: BISP PSC Household Data (Available with PPAF)*

	0--11		**12—18**		**19-23**		**24-34**		**35-50**		**51-100**		
District	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Count**	**%**	**Total**
Jhal Magsi	4,251	27	3,434	22	2,019	13	3,943	25	1,630	11	212	1	15,489
Zhob	864	19	810	18	707	15	1,509	33	627	14	75	2	4,592
Ghanche	141	3	675	13	666	13	1,753	34	1,689	33	181	4	5,105
Skardu	533	6	2,010	23	1,697	20	2,385	28	1,778	21	221	3	8,624
Kohistan	8,620	20	11,393	27	5,799	14	11,402	27	4,865	11	500	1	42,579
Dera Ghazi Khan	36,410	17	52,440	25	32,498	15	54,875	26	32,418	15	2,626	1	211,267
Jhang	1,404	5	5,229	17	4,458	15	9,152	30	9,399	31	517	2	30,159
Multan	338	28	335	28	162	13	269	22	94	8	13	1	1,211
Layyah	16,187	13	26,117	21	17,706	14	36,621	29	26,115	21	3,903	3	126,649
Kashmore	847	11	2,448	31	1,266	16	2,619	34	557	7	56	1	7,793
Badin	12,655	37	7,891	23	8,985	26	3,539	10	946	3	176	1	34,192
Thatta	29,629	46	15,273	24	15,239	23	3,355	5	1,222	2	176	0	64,894

*Data not available with PPAF for Haveli, Hattian, Shikarpur, Torghar

Direct/Social Targeting

46. **District targeting**: In order to come up with a national representative model that is scalable and keeping in view the available resources that could demonstrate impact, the seventeen districts proposed are selected on the bases of: 1) Poverty ranking; 2) District contribution to headcount ratio; 3) Presence of Prime Minister's Interest Free Loan; 4) Presence of organized households,; and 5) Districts and UCs where IFAD is not present. Districts with top two weights are categorised as Level 1 and Level 2 for each province/region as shown in Table 2.13.

Table 2.13: District Identification for the Proposed Programme*

Levels	Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	FATA	Gilgit-Baltistan	AJK
Level 1	Bhawalnagar, DG Khan, Jhang, Layyah, Multan Muzzaffargarh	Tharparkar, Thatta, Badin	Kohistan, Upper Dir	Jal Maghsi Killa Saifullah Zhob	South Wazirabad	Sakurdu and Ghanche	Hattian, Haveli, Poonch
Level 2	Rajhanpur, Nankana Saheb, Khushab, Bukkhar	Karachi and Sanghar	Swat	Killa Abdullah	Bajaur, Khyber,	Astor, Ghizer, Gilgit, Hunza Nagar	None where PPAF is already working

* Torghar, Kashmore, Shikarpur proposed as well even though they do not fall in the Level 1 districts. The reasons are given in Para 48.

47. To benefit from the strength and power of the households organized as group, PPAF picked up districts where it has already invested in developing social capital as the groups of households organized as institutions of the poor at the settlement and village levels will be a ready to use and ready to absorb stock of social capital. Then PPAF's multidimensional poverty map guided to identify poverty zones of the districts (proportion of the poor to the total population of the district). Further, equity entailed to take into account district contribution to the national headcount ratio, i.e., the districts with the largest number of poor people.

48. In KP, PPAF is covering 8 districts under LACIP and going further into 5 more districts in the second phase of LACIP. Another 7 districts are being covered under renewable energy programme, 4 under the Programme for Poverty Reduction, and 7 under PMIFL. PPAF is already present or has worked in Upper Dir and Swat (falling under Level 1 and Level 2 categories) in KP. To avoid double dipping, for IFAD interventions, PPAF proposes to work in Torghar for the reason that it has 89.1% poor in the district-thus falling in extreme poverty zone-1 5^{th} Quintile-and has never received any support from PPAF. IFAD and PMIFL Interventions in the future will help address the issues associated with concentration of poverty in this part of KP.

49. Kashmore and Shikarpor do not have existing PMIFL and social mobilisation presence and have low weightage because of which do not fall either in Level 1 or Level 2 bands of districts. However, these districts are in Extreme Poverty Zone-2 and have 63.8% and 51.2% poor in the district and for these reasons they are proposed for NPGP.

50. **Union Council targeting:** The number of Union Council proposed is shown in Table 2.14. Overall, NPGP will work in 372 UCs. This selection has been made on the following criteria.

- Community institutions have been formed in these UCs (either at hamlet or village level);
- Less than 60% of the households in the ultra-poor category have received assets from PPAF or under any other programme;
- PMIFL is present in the UC.

Table 2.14: Proposed Number of UCs

Region	Proposed Districts	Total UCs	UCs
AJK*	Haveli	8	8
	Hattian	14	14
Balochistan	Jal Maghsi	9	9
	Zhob	25	20
FATA	South Waziristan	70 villages	7
Gilgit-Baltistan	Ghanche	16	16
	Skardu	36	24
Khyber Pakhtunkhwa	Torghar	11	11
	Kohistan	40	25
Punjab	DG Khan	59	49
	Jhang	129	30
	Multan	129	30
	Layyah	45	25
Sindh	Shikarpur	48	18
	Kashmore	39	18
	Badin	47	38
	Thatta	55	30
Total		**721**	372

*On the basis of 7villages per UC on average across Pakistan

51. We will do carpet/complete coverage *(100% UC coverage)* of the small districts like (Haveli, Hattian, Jhal Magsi, Ghanche & Torgar etc.).

52. BISP data segregated at UC level will be used for this purpose. Component Households in the UC have recorded address with the name of village. Hence detailed UC data will be segregated village wise. BISP data will serve as a **monitoring tool** for the targeting of individual households in the above five categories (Extremely poor, Chronically poor, Transitorily poor, Transitorily vulnerable, Transitorily non-poor).

53. **Inclusive Community Institutions**: As an index of performance measurement PPAF's work is guided by the principles of: inclusion, participation, transparency, accountability, and sustainability. Since most of the community institutions in the proposed villages and communities are already in place, the POs will ensure that these institutions are inclusive, i.e., recognize demographic and cultural diversity - women, children, elderly, persons with disabilities, indigenous groups, and religious minorities in the community will be part of the process. PPAF places mandates on the formation of community institutions to ensure at least 40% women's participation and 60% participation of poorest households.

54. **Household targeting**: The IFAD target groups are households with a score from 0 to 34. While the initial selection of target households will be on the basis of BISP data, PPAF will be conducting baselines of the proposed UCs to update the BISP data. The data will be further validated in the presence of the community organization in order to address any errors of inclusion or exclusion

or any other change which may have affected the community. Over the IFAD target group, households with 35-40 score will also be selected for PMIFL interventions.

55. The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. As per Poverty Scorecard the categories of target beneficiaries are:

- extremely poor people (band 0-11);
- chronically poor people (band 12-18);
- transitorily poor people (band 19-23);
- transitorily vulnerable people (band 24-34); and
- transitorily non-poor (band 35-40).

56. The Partner Organization will select the eligible households and will use the eligibility criteria as follows:

(a) **Extremely poor households (0-11 score,** constitute 3% of 97 million IFAD target group across Pakistan**)**: The per capita per month income of the household is less than 50 percent of the poverty line.[53] The band features families with a large number of dependents, often these are women headed, are illiterate, do not own house and living standards in terms of housing condition, water, sanitation are very low.

(b) **Chronically poor households (12-18 score,** constitute 20% of 97 million IFAD target group across Pakistan**)***:* The per capita per month income of the household is more than or equal to 50 percent but less than 75 percent of the poverty line.[54] These are 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.

(c) **Transitorily poor households (19-23 score,** constitute 38% of 97 million IFAD target group across Pakistan**):** The per capita per month income of the household is more than or equal to 75 percent of the poverty line but less than the poverty line.[55] These are fluctuating poor, who are poor in some periods but not in others, and have a mean poverty score around the poverty line. [56] These households are likely to have fewer livestock and less land and other physical capital. Transitorily poor are lower dependency ratio than chronically poor households.[57]

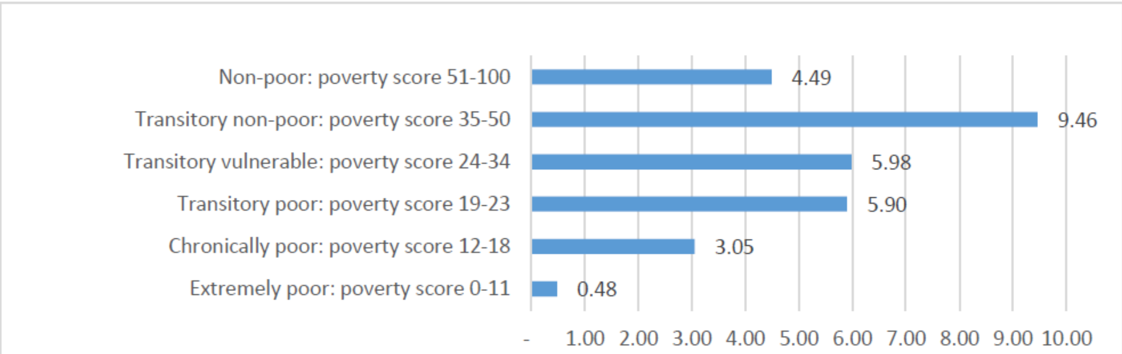
(d) **Transitorily vulnerable households (24-34 score,** constitute 39% of 97 million IFAD target group across Pakistan**):** The per capita per month income of the household is more than equal to the poverty line but less than 125 percent of the poverty line.[58] These

[53] Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in The Lahore Journal of Economics 10 : 1 (Summer 2005) pp. 1-14
[54] ibid
[55] Ibid
[56] ARIF, G. M. and FAIZ BILQUEES (2006) *Chronic and Transitory Poverty in Pakistan: Evidence from a Longitudinal Household Survey;* http://pide.org.pk/Mimap/Report19.pdf
[57] McCulloch, Neil and Bob Baulch, Distinguishing the Chronically from the transitorily poor: Evidence from the Rural Pakistan; https://www.ids.ac.uk/files/Wp97.pdf
[58] Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in The Lahore Journal of Economics 10 : 1 (Summer 2005) pp. 1-14

are households who are occasionally poor, who have experienced at least one period in poverty; although their mean poverty score is above the poverty line.[59]

(e) **Transitorily non-poor (35-40 score)**: These are households with per capita per month income more than or equal to 125 percent of the poverty line but less than 200 percent of the poverty line.[60] These are economically active households, own some productive assets, but any shock can put them into poverty.

Household distribution by poverty status, 2013 estimates (million households)



Note:
Based on monetised consumption/caloric intake (PKR per capita, per month), with a poverty line of PKR 1,959 per capita, calculated by using an average national household size of 6.3.
Source: CPLPM (Masim, QAU).

57. Ultimately the programme will benefit the following:

a) 156,240 households for asset transfer-scoring 0 to 18 on PSC; and
b) 214,000 loans to 157,271 clients through Prime Minister's Interest Free Loans or micro finance-scoring 12 to 40

58. Table 2.15 shows poverty bands and associated interventions under NPGP. It also show the percentage distribution of assets and PMIFL along the various bands. The notes below explain this table.

Table 2.15: Proposed Poverty Bands and Associated Interventions

PSC range		Nomenclature	Intervention Type	Remarks	Percentages
0-11		Ultra- poor/ Extremely poor	Basic business orientation training, asset management training, adult literacy/basic numeracy, tangible asset transfer	*Addition of beneficiaries in BISP NSER*	50% of assets (tangible)
12-18*	12-16.17	Vulnerable poor/ Chronically poor	Basic business orientation training, tangible asset transfer, asset management training, functional	*Addition of beneficiaries in BISP*	40% of assets (tangible)

[59] ARIF, G. M. and FAIZ BILQUEES (2006) *Chronic and Transitory Poverty in Pakistan: Evidence from a Longitudinal Household Survey;* http://pide.org.pk/Mimap/Report19.pdf
[60] Saboor, Abdul and Zakir Hussain (2005) The Dynamics of Rural Poverty in Pakistan: A Time Series Analysis in *The Lahore Journal of Economics* 10 : 1 (Summer 2005) pp. 1-14

			literacy, first PMIFL loan** (graduated from 1st band)	*NSER*	34% PMIFL loans (PSC 12-18)
	16.18-18	Vulnerable poor/ Chronically poor	PMIFL, intangible asset, enterprise development training (EDT), vocational training, financial literacy (SBP module)		10% of assets (intangible)
19-23		Transitorily poor	PMIFL, EDT, financial literacy (State Bank of Pakistan module)		31% PMIFL
24 to 40***		Transitorily vulnerable	PMIFL, financial literacy,	Linking with MFIs/MFBs and PMIC	35% PMIFL
41 and above		Non-poor	Availing conventional microfinance/ PMIC		

a) * Based on the mission discussions last week vis-à-vis the importance of a consumption allowance, we have split 12-18 band into two bands with (minor) variations in interventions:

b) Band one with poverty score between 0 - 16.17 is consistent with BISP, where the beneficiaries are getting a consumption allowance in the form of an unconditional cash transfer (UCT) from BISP and will be provided with a tangible productive asset under NPGP; and

c) Band two with poverty score between 16.18 - 18 are not getting a consumption allowance and therefore they will receive intangible productive assets, such as vocational trainings from NPGP.

d) ** PMIFL has been included in the interventions for band 12-18 also. This has been done to ensure that we meet the targets for PMIFL beneficiaries. Access to finance will also ensure that beneficiaries are able to graduate out of poverty faster. The loans for the 12 – 16.17 poverty band will be given to those beneficiaries who have graduated from the 0 – 11 band.

e) *** This band goes from 24 - 40 because the PMIFL cut off point is poverty score 40. Therefore instead of capping the band at score 34 the PMIFL intervention will be available up to poverty score 40. Differentiated data will, however, be available for the 24 – 34 and 35 – 40 poverty bands.

f) Different NPGP interventions focusing on specific needs of the households in that band have been proposed.

59. The PSC indicators can be broadly categorized into family composition, education, per person room ratio, housing characteristics, ownership of well-being assets and productive assets. Lower the score is greater the likelihood of the poverty. Following are the dimensions of PSC along-with weightage of its each indicator as shown in Table 2.16.

Table 2.16: Proposed Poverty Bands and Associated Interventions

Sr.	PSC Indicators	Categorization of PSC Indicators (Analysis focusing PSLM data)	Indicators' Weight % (Poverty score ranges from 0 to 100)
1	Number of persons a household has? (excluding guest, visitors, etc…)	Family composition	0%
2	Number of persons in the household below18 or above 65 years of age?	Family composition	15%

3	Literacy level of household head?	Education	10%
4	Number of school going children between 5 to 16 years of age?	Education	4%
5	Number of residential rooms under ownership of household?	Residence characteristics	12%
6	What kind of toilet is used by the household?	Residence characteristics	3%
7	Ownership of any washing machine, freezer or refrigerator?	Ownership of well-being assets/ housing	3%
8	Ownership of any heater, geyser, air cooler or air conditioner?	Ownership of well-being assets/ housing	9%
9	Ownership of any microwave oven, cooking range or cooking stove?	Ownership of well-being assets/ housing	5%
10	Ownership of any engine driven vehicles?	Ownership of well-being assets/ housing	24%
11	Ownership of at least one TV?	Ownership of well-being assets/ housing	2%
12	Ownership of livestock?	Ownership of productive assets	6%
13	Ownership of agricultural land? (converted into acres)	Ownership of productive assets	7%

Communication and Media Strategy

60. A Communication and Media strategy will be developed to make all target audience responsive & aware, especially the poor and the vulnerable about programme objectives, activities and outcomes etc. In order to make “Communities our Partners” in the programme, emphasis will be given to follow the horizontal participatory approach instead of opting for a vertical paradigm. Objectives of the Communication Strategy will be derived directly from the programme functions mainly and purposefully designed for poverty alleviation through multi□pronged interventions such as Social Mobilization, Livelihood Enhancement and provision of interest free loans. Effective implementation of this strategy should evolve on the following key objectives.

- All the stakeholders must know, understand and embrace the vision of the programme
- PPAF’s partners have the capacity to productively engage with and empower communities with an inclusive approach
- Partners and communities have the knowledge they need to successfully implement the programme
- PPAF, its partners & the communities make use of multiple dissemination channels to communicate questions, answers, good practices, lessons & grievances

61. To ensure effective implementation of Communication & Media strategy, a detailed activity plan coupled with a defined timeline will be developed. Customized messages on education, nutrition, legal rights, optimum utilization of assets & interest free loans etc. would be the part of this strategy. A progressive team comprising a communication specialist, content developer/copy writer, social media expert along with a graphic designer will spearhead this activity. Both the male and female village

organizations will be involved in the exercise, CRPs can also take a lead in activating the communities to ensure their all-out involvement in these activities.

Gender Strategy

62. PPAF promotes gender mainstreaming within its projects with a focus on women empowerment. The gender strategy of the programme is based on lessons from PPAF's programmes which have been effective in the inclusion of women (Pilot on Ending Gender based Violence under PPAF-III) and also of the previous and on-going programmes (PPAF-III and Renewable Energy 1, LACIP). NPGP will in particular keep in view the existing social capital developed-11,276 Women COs (60% of total COs), 295 Women VOs (40% of total VOs)-and to work with them.

63. Research has shown that inclusion mandate has resulted in benefitting women as well as community. Where participation of women in community organisations is around the threshold of 40%, Randomized Control Trials on PPAF's program has shown positive changes in women's voting patterns and in the ways that boys view girls and women (*the World Bank, Development Economics Research Group (DECRG), 2014)*. Another study of DECRG shows that as a result of inclusion mandate in Village Support Organisation, there appeared to be about a 5% decline in the odds of open drains and a 6% decline in open defecation in inclusion villages, relative to controls. Given the nutrition-WASH nexus, PPAF's approach of including women in development leads to improved water and sanitation situation and hence better nutrition indices of the households.

64. For women empowerment, going beyond women inclusion, PPAF has included men in the process to bank on their support for change. The pilot project mentioned above to reduce violence against women in its communities by involving boys and men built community knowledge through radio programmes. What proved very successful was the formation of local listeners clubs led by trained activists and Gender Community Resource Persons (CRPs) that helped communities-men, women, and boys- in understanding information aired and also spreading this information among friends and neighbours. GBV became the topic of their discussions not only in these clubs but otherwise as well when they sat together – this was true both for men and women. One of the successes of this pilot was that the listeners' clubs provided a platform for both men and women to see and understand social issues around them from each other's perspectives and to understand the negative impact it had overall on the society and not just women.

65. The gender strategy of NPGP is informed by PPAF's previous work, IFAD's Policy on Gender Equality and Women's Empowerment serving as guideline to enable poor rural women and men to improve their food security and nutrition, raise their incomes and strengthen their resilience. Likewise the gender strategy will benefit from GALS (Gender Action Learning System) to mainstream women by making men a part of the process. A tool will be designed following GALS methodology on how to benefit from opportunity to expand livelihood options with a focus on women primarily, but also on men to support women's economic empowerment that helps lead to social empowerment and equality in the proposed district. What underpins this strategy is a series of activities and processes that will be designed and will be used as a Gender Tool. The feature will include:

(a) Following a community driven development process by which community institutions including men and women members articulate their demands and carryout the visioning, planning and implementation process. The GALS methodology tool will ensure this process.

(b) Identifying community needs to bring out the life and livelihood planning skills needs and accordingly the skills training will be imparted.

(c) Addressing gender inequalities through inclusion mandate-at least 40% women's participation in mixed community institutions and there are women community organization and village organisations; ensuring women's decisions are acted upon, and community; setting targets for women's and men's participation in all key activities (asset transfer, trainings, loans) are specified with a primary focus on women; constructing specific message / activities for men and women as part of communications strategy of the programme to raise awareness on human rights and violence against women at bringing hitherto taboo subjects into public.

(d) Forming Common Interest Groups (CIG) of men, women and mixed membership focusing on dominant economic activities in the target areas. These groups will have ample potential to absorb the targeted beneficiaries and be developed around their activities and link the group with market for accessing inputs and selling products.

66. PPAF's Partner Organization will use the Direct Targeting method for selection of households through Community Driven Development Approach. The Women / Men Community Organizations and Village Organization validate households against clearly defined criteria. At this stage, BISP beneficiary list/information can serve as a guide to approach the households. The community will also identify the households which are either not part of the BISP database or are wrongly excluded as BISP beneficiary due to the limitations of Scorecard method and erroneous reporting during the BISP targeting survey. The Partner Organizations will ensure an inclusive approach wherein the eligibility criteria is widely shared and understood by the community to ensure transparency and must avoid conflict and division in the community and stigma for the identified poor. Special attention will be given to include the women groups and those who exclude themselves, in the process. The data of such households shall be collected on a pro forma designed for the purpose and stored in a database. CNIC of the household head will be used as a unique identifier so that there are no duplicate entries.

Appendix 3: Country performance and lessons learned

1. Pakistan is one of the founding members of IFAD. Since 1978 IFAD has approved assistance equivalent of USD 528 million for 25 programmes in the country. Total cost of the programmes including co-financing, government and beneficiary shares comes to about USD 202 billion. Currently two programmes are on-going and one approved in December 2013 is awaiting signing of Financing Agreement. Apart from loans, IFAD has also approved several country specific and regional grants to enhance its strategic objectives in the country.

2. IFAD until recently has mainly been focusing on agriculture development at the community level. IFAD interventions had mostly been characterized by integrated, multi-sectorial, community-based participatory approaches, supporting interventions in agricultural and livestock development, forestry, fishery, community mobilization, and community infrastructures, including rural roads and small-scale irrigation.

3. IFAD experience in Pakistan, and elsewhere, has generated a rich and diverse set of lessons which have been incorporated into the country programme as it evolves and the programme design of National Poverty Graduation Programme has consciously benefitted from this experience and lessons.

4. Some key lessons learnt from programmes in Pakistan, IFAD strategy and approaches and global experiences and PPAF's own experiences have been taken into consideration for incorporating in the design of the Programme.

5. 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.

6. **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.

7. 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 continuous mentoring and 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 SDGs for their union council.

- The development of a Union Council Development Plan (UCDP), by the Union Council Based Community Institution or Local Support Organization (the third tier institution of the poor, which is a federation of village organizations), so that they can track, monitor and adapt the UCDP each year according to evolving needs.

- A multi-pronged focus on nutrition as a sector with its potential to reduce food insecurity and its impact on poverty alleviation has been incorporated into the NPGP design. PPAF past experiences show many of the assets disbursed are agriculture or livestock focused and directly contribute to food and nutrition security by fulfilling the immediate food needs of the household. NPGP will also be giving agricultural inputs as assets. Additionally, PPAF's social mobilization will build the capacity of the households to such an extent that they make informed decisions for water and sanitation activities and practice good hygiene behaviour. The social mobilization regarding nutrition will focus on: Training and raising awareness of community resource persons (CRPs) on malnutrition, improving nutrition habits, and improving sanitation and hygiene practices and thus creating the demand for public health services in the communities, raising awareness of women on mother and child health; awareness on consuming healthy food and building their nutrition knowledge to enhance dietary diversity. Community women will be encouraged to grow kitchen gardens as strategy to enhance food security and nutritional diversity of the household.

- Redefining the role of Community Physical Infrastructure investments as development enablers by linking these investments with productive livelihood and enterprise development initiatives.

- Establishing job centres at the Union Council level to facilitate the youth of the area to either find jobs or set-up their own businesses. These centres identify placement opportunities, vocational institutions, and register those who are underemployed or unemployed.

- Production Centers for market access 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

- Building profitable and sustainable linkages with line agencies

- Provision of flexible financial services

- Inclusion, especially of women, and both poor and non-poor

- Exposure and knowledge management

8. PPAF has expanded its livelihoods programme since 2013 (Livelihoods Employment and Enterprise Development – LEED project) and has transferred assets to over 100,000 households to date. This includes providing related skills training and developing household livelihood investment plans. The PPAF LEED project has two main phases. The first phase focuses on the inclusion of the poor in the community. During this phase community organizations are developed to promote inclusion and augment sustainability. These organizations manage their own development, access services through improved linkages to local government, other development programs and private markets. During this phase, the poor are identified by using the poverty scorecard. Verification of poorest households is undertaken by the community institutions themselves, and this builds ownership for the project within the entire community. In the next phase, the focus is on ultra-poor households. Livelihood investment plans are prepared with support from the community organizations, and integrated support provided, combining wage compensation, training, provision of assets, savings, and access to loans. Common interest groups are also developed, providing better access to markets and other linkages.

9. 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. The survey covered all households (27.2 million) in all districts of the country with the help of independent surveyors consisting of PPAF, RSPs, NGOs and consultancy firms, and backed by a robust monitoring and quality assurance system.

10. The BISP survey categorized the population in six segments. 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 while transitorily non-poor carry score of 35-50. 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.

11. **Compliance with IFAD policies.** The programme is in line with IFAD COSOP for Pakistan 2016-21. The programme activities, implementation arrangements and M&E system have been designed in compliance with IFAD M&E Guide, Targeting Strategy and in line with the policy on Gender equality and women's empowerment and approaches outlined in the Framework for Gender Mainstreaming in PMD Operations. Finally, the programme is aligned with both IFAD Climate Change Strategy and Environment and Natural Resource Management Policy. The programme is considered Category B as far as its environmental classification is concerned[61].

[61] IFAD Environmental and Social Assessment procedures have been reviewed to ensure that the project does not in any way cause any adverse impacts on the environment. The project will contribute to environmental conservation and sustainability because of its emphasis on making the livestock sector more productive and use the existing resources more efficiently and reduce wastage. The project will not support activities that might generate significant irreversible or cumulative environmental impacts. The project will strictly follow the existing environmental laws and regulations applicable in the country and represents an environmentally less stressful approach to using the already degraded natural resource base in the project area.

Appendix 4: Detailed programme description

This appendix comprises of:

Programme Area and Targets:

Programme Approach

Planning and Coordination

Implementation Methodology

(a) Component 1 – sub component 1.1.1.2 and 1.3.

(b) Component 2 – sub component 2.1. and 2.2.

1. Programme Area and Targets:

1. The programme will have a national focus in order to demonstrate the viability of the graduation approach in different geographical settings and socio-economic environments. However, keeping in view the limitations of available resources, the programme will focus on representative poorest nine districts in four provinces (Balochistan, Punjab, Sindh and KPK) and three special regions (AJK, FATA, Gilgit-Baltistan). While Sindh and Punjab both will have two districts each, in view of their population and absolute number of poor, rest of the provinces and regions will have one district each.

2. PPAF and Sustainable Development Poverty Institute have recently launched the report Geography of Poverty. Using the 2012-13 PSLM survey data, the study ranks districts on the basis of poverty headcount ratio, i.e., percentage of people in the population who are identified as multidimensional poor. This gives the extent to which the proportion of population of a district is poor.[62]

3. However, districts drastically vary in terms of their population size and size of the poor population. Equity demands that the population size of each district may also be taken into account to identify the districts with the largest number of poor people or highest contribution to headcount ratio[63]. Apart from the poverty ranking, size of population and poverty headcount ratio, others factors that will be considered in making the final selection include: 1) Presence of Prime Minister's Interest Free Loan; and 2) Presence of organized households. The table below categorizes districts according to their weights. The Level 1 districts carry the highest weight.

Table 1: The distribution of districts is shown the table below.

Region	Number of districts to select	Level 1 Score	Level 2 Score	IFAD Current District Coverage	Proposed Districts
Punjab	4	Bhawalnagar, DG Khan, Jhang, Layyah, Multan Muzzaffargarh	Rajhanpur, Nankana Saheb, Khushab, Bukkhar	Bhawalnagar Layyah Muzzaffargarh Rajhanpur, Bukkhar Bahawalpur	DG Khan, Jhang, Multan, Layyah

[62] Poverty headcount ration and district ranking, Annex 1

[63] So while Kohlo has the highest headcount ratio, its contribution to poor population of the country is only .11% and ranks 85th among 114 districts. While Rahim Yar Khan ranking 58th in headcount ratio has the largest number of poor in the country having a population size of 2.56%. Table 3.5 and Annex 7

Sindh	4	Tharparkar, Thatta, Badin	Karachi and Sanghar		Kashmore, Shikarpur , Thatta, Badin
Khyber Pukhtunkhwa	2	Kohistan, Upper Dir	Swat		Torghar,[64] Kohistan
Balochistan	2	Jal Maghsi Killa Saifullah Zhob	Killa Abdullah		Jal Maghsi, Zhob
FATA	1	South Waziristan	Bajaur, Khyber,		South Waziristan
Gilgit-Baltistan	2	Skardu and Ghanche	Astor, Ghizer, Gilgit, Hunza Nagar	All 10 districts	Ghanche, Skardu
AJK	2	Hattian, Haveli, Poonch		All 10 districts	Haveli, Hattian
Total	**17**				

*Only indicators of PMIFL, ID presence available

4. Scoring and weights: District contribution to poor population is categorized into four percentage ranges. The ranges are assigned weights with the highest weight going to districts with largest contribution to poor population. So districts having more than 1% of the country's poor are assigned a weight of 25 and those with lesser contribution to poor population score lower than 25. For weightage for presence of PMIFL and social mobilization, districts with PMIFL presence score '20'; absence means '0' weight. For social mobilisation presence, a district scores '20' and for absence it scores '10'. In case of absence of social mobilization, the capacity of the communities will be built where necessary.

5. Selection of districts covered by PPAF under Prime Minister's Interest Free Loans (PMIFL) Scheme will enable the PPAF to link beneficiary families and male and female youth within those families to an affordable source of finance once certain capacity has been built through provision of initial assets and skills. Prime Minister's Interest Free Loan (PMIFL) scheme covers households falling in the band of 0-40 on PSC. Further, the criteria to cover districts where PPAF has an existing social mobilization partnership and existing stock of social capital in the form of organized community and village organizations, would enable PPAF to give a quick start to programme activities with lot of knowledge ingredients already available in terms of area and beneficiaries.

6. **Union Council Selection Criteria:** The choice of UCs in a district will be made on the following criteria:

(a) Community institutions have been formed in these UCs (either at hamlet or village level);

(b) Less than 60% of the households in the ultra-poor category have received assets from PPAF or under any other programme;

(c) PMIFL is present in the UC.

Target households and groups:

7. NPGP will use the BISP Poverty Score card as the primary instrument for the targeting of beneficiaries. However, BISP lists will be further validated at the community level to address any

[64] Torghar has been selected as a special case because current and previous PPAF programmes have already made substantial investments in the districts of Kohistan, Upper Dir and Swat. Torghar has a Level 1 score in terms of headcount ratio, but because there is currently no PMIFL programme implemented there, the weightage went against it. PPAF is of the view that this is one of the most marginalized districts and should be included in the NPGP.

inclusion or exclusion errors and to cater for any changes that may have occurred in the situation of potential target families since the survey in 2008.

8. The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. As per Poverty Scorecard the categories of target beneficiaries are:

- extremely poor people (band 0-11);
- chronically poor people (band 12-18);
- transitorily poor people (band 19-23);
- transitorily vulnerable people (band 24-34); and
- transitorily non-poor (band 35-40).

9. NPGP primary target group for asset transfers will be 0-18 on the PSC. Once households falling within the threshold are identified through the PSC and community validation process, each will be supported to develop livelihood investment plans that help identify what are the areas of improvement and income enhancement, based on current skills and resources available that they can access. This will also help determine what kind of package best suits their situation to help them to move up the poverty ladder (see section on asset creation for details of available package and assistance). Households that may not have any capacity or potential to benefit from an asset will be otherwise be linked up with additional sources of social protection assistance and support.

10. Currently the available resources under the NPGP allow distribution of assets to approximately 156,240 households (estimated to cost US$ 467 per package). On average, within a district and Union Council, approximately 12% of total households fall within the 0-18 threshold. Using this analysis, it is safe to say that in a Union Council (average number of households is around 3,500), the target group will consist of 420 households (for asset transfers). However experience has shown that within this group, there is always a small percentage of missing households (as a result of migration or other causes). The case then needs to be made that coverage within a Union Council of extreme and chronic poor will be 70-80% of the total (around 330 households per UC for a total of 372 UCs across the 4 provinces and 3 regions of Pakistan).

11. Households falling between the ranges 12-40 will be supported to access finance (through the PMIFL institutions that have outreach in these areas). There will be opportunities provided to these households to access loans through the availability of 214,000 PMIFL loans provided to 157,271 clients (there will be a split of opportunities where, as evidence has shown, approximately 25% of borrowers will be households that have been transferred assets and/or are BISP beneficiaries, but the remaining will be for households between the 19-40 poverty band that are not BISP or NPGP asset beneficiaries). Loan cycles on average extend over one year or are linked to agriculture seasons (thus seasonal loans that could be 6 months or longer) – each loan will be re-cycled at least 3-4 times during the life of the programme.

12. Asset transfer and credit distribution will together give the programme an approximate beneficiary number of 370,240 households (representing over 2.3 million individuals)65. Other benefits include the impact of social mobilization process on empowerment of the poor, improved human development outcomes for households that participate in community organizations and/or that benefit from the activities of such organizations around improved health, nutrition and education practices in their villages and linkages that are developed and strengthened with public sector services and markets/private sector. Such indirect benefits are estimated to reach a further 4.8 million individuals.

[65] Using a ratio of 6.3 individuals per household as per current GoP household size estimates.

Programme Targets:

13. **The overall goal of the programme** is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change.

14. **Development Objective**: Enabling the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance.

15. Background: GoP through BISP has been running one of the world's largest social protection programme since 2008. BISP's current beneficiary number of monthly cash transfers now stands at 5.4 million households costing US$ 1.2 billion to the government in 2016. Despite this large financial outlay, the small amount of assistance without any other complementary support/intervention, has not resulted in any reduction in number of recipient households. GoP/BISP from the very start have been conscious of the necessity of poverty graduation interventions and attempted two programmes under BISP – Waseela-i-Haq and Waseela-i-Rozgar but both were subsequently closed prematurely due to unsatisfactory results. But the need and desire remains there.

16. IFAD, with its partners like PPAF and RSPs, has attempted pilots on poverty graduation in various projects. The earliest pilot was conducted in MIOP (implemented by PPAF) and independent assessments have shown that the right mix of responsive interventions, tailored to each poor family's situation, and backed by strong social mobilization support, helps the poor to graduate out of poverty sustainably. Elements of same approach were later tested in on-going Southern Punjab Poverty Alleviation Programme which has again demonstrated the viability of such an approach. There is now an ongoing dialogue between BISP and partner donor agencies on possibility of starting a poverty graduation programme either under the aegis of BISP or in close coordination with BISP which could lead to incremental reduction in number of BISP recipients, i.e. incremental increase in number of poor households escaping poverty sustainably.

17. Given the huge geographical, ethnic and socio-political diversity in Pakistan, there is need to develop a scaled up national model of poverty graduation, on the basis of already piloted successful approaches, that would clearly demonstrate to the Government and its development partners the efficacy and feasibility of such an approach for further expansion. The model would be implemented in close collaboration and regular dialogue with BISP and its partners.

18. **The theory of change of this programme** is based on the premise that:

- There is a credible mechanism available to target the ultra poor and poor (BISP PSC data available);
- Previous pilots under IFAD projects and by PPAF have already demonstrated the success of such an approach which can now be scaled up to develop a national model of poverty graduation that works in all regions and socio-political environments of a very heterogeneous Pakistan.
- There is sufficient social capital available in large parts of areas where such rural poor live (PPAF and its partners already have a spread and ground level presence through community organizations and village organizations that can be leveraged to scale up the poverty graduation model at national level);
- The two, tested and proven models and social mobilization capacity and experience at implementation level, can be combined to deliver to the rural poor a flexible and responsive package of assistance, tailored to each household's situation, and within households to ensure the active participation of women and youth;
- Leading to an outcome whereby these households escape poverty and/or attain a higher level of socio-economic wellbeing on a sustainable basis.

19. Pakistan currently has a network of nearly 200,000 community organizations linked to various national and provincial NGOs and rural support programmes. These COs are engaged in a wide range of local social and development initiatives and offer a huge platform of social capital that can be leveraged for rapid poverty reduction.[66] PPAF's partnership with a wide variety of RSPs and NGOs extends its footprint across all parts of Pakistan with outreach to over 130,000 of these community organizations. The extent of this presence, and partnerships, offers an opportunity for representative national level poverty graduation programme that can scale up the existing proven model of poverty graduation. The scale and its impact could open opportunities for GoP and other stakeholders to take the poverty graduation agenda forward and mainstream poverty graduation into its broad social protection agenda, thereby supporting GoP's efforts to contribute to SDGs 1 and 2 (among others).

20. **Expected outcomes**:

Expected outcome indicators are as follows:

Outcome 1

- 60% of the target poorest households (0-18), in particular women (50% WHH), youth and smallholder famers (less than 2.5 acres of land) report increase in income by 30%
- 70% of those who have received skills training and/or assets are employed/self-employed (of whom at least 30% are women and 30% youth) through adopting climate resilient livelihood strategies;

Outcome 2

- 60% of the assets provided to women within target households leading to their increased role in household decision-making like management of household budget, children's health and education
- 60% of target households (50% women) who are member of community institutions reported to have improved knowledge and practices about climate resilient livelihood strategies as well as nutrition promotion and malnutrition prevention behaviours.

Outcome 3

- 50% of the target interest free loan clients show increased monthly incomes by 30% at end of project period;
- 90% of the target households reporting using interest free loans for income generation purposes.

Outcome 4

- 2 research studies conducted and 6 policy briefs developed to have evidence based input and dialogues for pro-poor policies.
- 3 policy research and advocacy events organized to engage policy makers in the dialogue for the enactment of pro-poor policies.

21. ***Key impact indicators*** to achieve the development objective include***:***

- 50% of the target beneficiary households who were eligible for BISP graduated out of BISP programme
- 60% of poorest households (provided with asset transfers (0-18.) move to a higher score on PSC (including WHHs); out of which 20% move out of poverty altogether (over 23 on the PSC)
- 60% of households experience 30% or more increase in income as a result of productive use of assets and access to working capital

[66] PPAF's Project Completion Report (2016) of its World Bank PPAF III Project has shown that investment of US$ 515 into a community organization resulted in community capacity to manage funds worth almost five times the funds invested in its own development.

22. ***Key outputs include:***

Outputs Related to Outcome 1

- 156,240 LIPs developed and implemented for distribution of productive assets (estimated to cost US$ 467 per package).
- 744 Economic CRPs trained and operating in the target communities.
- 372 common interest groups (CIGs) established.
- 140,616 households trained in functional literacy, basic business/asset management training (PSC-0-16.17)

Output Related to Outcome 2

- 222,144women from the target households have attended awareness/sensitization sessions on nutrition promotion, climate resilience, gender, peace and justice etc.
- 32,736 community institutions and 3 2,976 CRPs in 372 target UCs are trained in climate risk management, gender nutrition promotion and malnutrition prevention behaviours

Output Related to Outcome 3

- 214,000 loans availed by 157,271 clients by 12-40 of PSC ($234 average loan size)
- Basic Enterprise Development Training to 154,271 IFL clients

Output Related to Outcome 4

- 2 Research studies on pro-poor policies conducted.
- 6 policy briefs developed and disseminated among key stakeholders.
- 3 Research/advocacy events organized for engaging policy makers in enactment of pro-poor policies

23. A detailed log frame is provided as Annex A to this appendix.

2. Programme Approach

24. The NPGP approach is based on a successful three-tier community-driven development model in Pakistan, the core of which is to develop and strengthen institutions of the poor at hamlet and village levels, federating up to the Union Council level, to be the main articulators of community development needs and interlocutors for the delivery of development interventions. The process is aimed at empowering the rural communities to proactively engage with government non-government development agencies and seek solutions to their development problems. NPGP will benefit from PPAF and its partner RSP's values of social inclusion, participation, accountability and sustainability. PPAF has the largest network of local partner organizations (130 civil society organisations), spread across the country, through which it implements its programmes. All PPAF's current partners have been through a rigorous two-stage appraisal process to ensure that they are aligned with the set of criteria for partnership that is detailed in PPAF's Operational Manual. For new programmes, PPAF extends a call for proposals and hires third party firms to undertake the first stage appraisal, and a combined team manages the in depth review and appraisal of shortlisted applicants. The same process will be used for the IFAD programme.

25. NPGP implementation will follow the PPAF's and its partners' well-tested and effective social mobilization methodology which allows the rural poor to actively participate in the process of development. The three tier social mobilization model consisting of COs, VOs and LSOs has taken a firm root in Pakistan with approximately 200,000 COs established in all parts of the country.

26. Within a Union Council, PPAF and partners aim to build up to at least 65% representation of all households within the UC, through a process of social mobilisation and institutional development at the hamlet level (community organisations COs), federating up to village (village organisations VOs)

and finally to Union Council levels (third-tier organisations TTOs). Representation of communities in participatory planning and development activities is thus ensured. A further institutional requirement is inclusion – with expectation that 60% of CO member households are defined as poor (under 23 on the poverty score card), and that 50% of representation within COs is of women.

27. There are approximately 3,500 households per UC, with an approximate household size of 6.3 which means a total UC population of about 22,000.

28. Poverty score-card surveys of households at revenue village and Union Council level are conducted (or BISP data utilised) to establish approximate percentages of households between 0-11, 12-16.17, 16.18-18, 19-23 and 24-40 on the PSC.

29. Within the ambit of these community organizations, and through proven participatory approaches, the BISP poverty score-card offers an effective tool to target the ultra and vulnerable poor in a credible manner.

30. Strong and sustained mentoring and coaching allows for capacity development within households to identify the best package of interventions that suit their capacities and needs to enable them to move out of poverty sustainably.

3. Planning and Coordination

31. A dedicated NPGP Management Unit will be established within PPAF, headed by a Project Manager (PM). Reporting to the Group Head Grant Operations, the PM will be responsible for the delivery of all aspects of the programme. The PM shall be recruited/appointed through a rigorous recruitment process. The PMU will include sector specialists, PO relationship managers, and support staff with a total of 19 staff expected to be housed herein. The Unit will have its own designated office within PPAF HQ in Islamabad and adequate provision of equipment and mobility to perform its functions effectively. Support and oversight mechanisms will also be provided from other units within PPAF including Monitoring and Evaluation, Communications and Media, Finance, Procurement, etc.

32. Field Activities will be implemented by a network of partners who will be engaged on the basis of their existing presence in the target district, past performance and existing portfolio of activities, extent of target area coverage, and capacity and experience in terms of programme interventions (social mobilization livelihoods and microfinance). A rigorous selection process will be initiated in the pre-inception phase, whereby a RFP will be advertised nationally and applications will be vetted by an independent third party firm on the basis of specific partnership criteria. PPAF will enter into output and performance based agreements with these partners whereby they will be remunerated on the basis of agreed performance indicators. PPAF has put in place a robust and independent monitoring system to assess the quality of performance and achievements by each partner. Implementation Plans are the integral part of the all the financing agreements which contain financial and physical targets. According to these agreements funds are disbursed on quarterly/semiannual basis as stipulated in respective implementation plans. The first installment is given as advance, whereas, all subsequent disbursements are made on the basis of submission of Statement of Expenditure by POs evidencing the effective utilization of previously provided funds for eligible project activities during the period.

33. **Coordination**: Based on the geographical distribution of the programme, and the pool of resources available, approximately 40 partner organizations will be selected through the process outlined above to implement the social mobilization and asset transfer activities. A further 15 are currently implementing the PMIFL scheme, and these POs will be linked to the programme to ensure further outreach to beneficiary households. PPAF enters into contractual agreements with its POs and implementation plans are developed upon signing of the agreement. Through these POs, outreach will be established with community organizations at hamlet, village and UC level within the 331 UCs identified. POs will work through approximately 2,976 village organizations and 372 UC–level local support organizations to access where necessary up to 29,760 hamlet level organizations, for

identification of beneficiary households (asset transfers and skills training), and implementation of the programme activities. Implementation for the Programme Management activities under Component 2 will be directly managed by PPAF using third party firms/consultants for baseline data collection, market analysis, and midline and end-line evaluations. Orientation and capacity building of POs on programme implementation activities will be conducted by the NPGP Unit at PPAF will other units providing full support (finance, procurement, M&E, HR).

4. Implementation Methodology

34. The aim of the programme is to provide the ultra-poor segment of the population (poverty scorecard of 0 to 18) with a combination of safety nets combined with livelihood interventions and training. The process would involve initial grant-based productive asset provision, skill development and enterprise development, and linkage with government's interest free loan schemes (poverty scorecard of 12-40) to expand their busineses.

35. 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. Specifically, this programme will contribute to 2 key objectives of IFAD's gender strategy:

i. Promote economic empowerment to enable rural women and men to have equal opportunity to participate in, and benefit from, profitable economic activities;

ii. Enable women and men to have equal voice and influence in rural institutions and organizations.

36. PPAF will adopt a 'toolbox' approach, where tools for appropriate interventions for poverty graduation will be developed and applied. Each 'tool' will have background, enabling factors, procedures, training outline and expected outputs. For each Union Council, the selection of interventions in relation to asset type and training type will be made within the overall ambit of the NPGP Toolbox. Thus for each Union Council, NPGP will have a tailor-made set of interventions, best suited for its particular situation. Each tool will be assessed and its use monitored, so that it can be updated and improved. Developing this toolbox and working with it, will not only provided a solid framework for NPGP interventions, but also further strengthen PPAF overall grant operations, making it more systematic and comparable across the board.

37. **Component 1: Poverty graduation (US$ 130.8. million).** Component 1 will have 3 mutually reinforcing sub-components:

38. ***1.1 Asset creation****:* This sub-component will be funded through IFAD funds. Under the proposed programme, households in the selected Union Councils, with a score between 0-18 on the PSC, including BISP beneficiaries, and that have demonstrated some potential for employment or entrepreneurial competencies, will be provided with a package (average amount of US$ 467) that consists of a combination of assets along with the relevant skillset training to utilize the asset transferred; and/or are offered technical and vocational trainings for which job placement or self-employment opportunities have already been identified. In order to further facilitate these individuals and ensure the sustainability of the programme after project period, systematic handholding will be offered for linking up households and communities to markets, value-chains, and employment opportunities. Community owned platforms like Common Interest Groups and Production Centers will be created to enhance improved access to markets and jobs.

39. In order to support the identification of relevant training opportunities and relevant markets/value chains, strong district level analysis on relevant occupations and industries, market demand/supply, review of accredited institutions that can provide relevant trainings (which have wide preferably international acceptance) will be ensured at the very start. Required skill training on enterprise development and financial management will be provided to households or community

organizations where there is demand. The key steps for identification and implementation of the asset transfers is as follows:

40. **Creation of CRPs:** PPAF will create a cadre of community resource persons who will serve as local hubs of technical expertise and information that can allow communities to access further expertise as needed by linking to government programmes, environment and climate change adaptation, markets and private sector investment opportunities. Partner Organisations will identify community activists (1 man and 1 woman) from each revenue village of the proposed programme Union Council (UC) who would be trained on PPAF's core values, the Sustainable Development Goals (SDGs), the Sustainable Livelihood Development Framework (SLED) and PPAFs framework for effective Socio Economic Development. These Community Resource Persons will also be trained on the importance and formation of Union Council Development Plan (UCDPs) which will lead the participatory development agenda of their villages. CRPs must meet the following criteria:

a) CRPs (male and female) must be resident of the programme UC and preferably shall have membership of Community Institutions
b) Shall be selected through consensus of CIs
c) Shall have past experience or tendency towards the sectors for which he/she is nominated
d) He/ She must be must be in the age of 18 to 40 years.
e) He/ She must be vocal, good listener and speaker.
f) At least primary literate (illiterate active may be considered if appropriate according to the training type and nature).
g) Willingness to impart services and awareness sessions to their respective communities/cluster of villages as per plan.

41. **Types of CRPs:** PPAF will develop three types of Community Resource Persons:

(a) CRPs for Community Institutions who will be trained in social mobilization, gender and inclusion, environment and climate change, and disaster resilience;

(b) CRPs for Social Sectors who will be trained on health, safe drinking water, food security and nutrition, and sanitation; and

(c) CRPs for Economic Sectors who will be trained in forestry, agriculture, livestock, fishery, trade, commercial enterprises.

42. **Categorization of beneficiary households:** Data of poor and ultra-poor households identified through the Poverty Score Card (PSC) is collected and shared with community organizations in order to ensure ownership of the process, as well as authenticity of the information collected. Households with a score of 0-11 are classified as ultra-poor while those range of 12-18 are classified as vulnerable poor. Some of the interventions (for example, provision of productive assets, and training for livelihood enhancement) may have cut-off points at a score of 18, while training for CRPs may benefit the poor (up to 34 on the PSC) and non-poor.

43. **Preparation of household level Livelihood Investment Plan – LIP:** Livelihoods Development Plans will be developed as part of the process of development of Village Development Plans and Union Council Development Plans with the support and guidance of CRPs and Partner Organizations. LIPs are developed for the households having PSC results between 0-23. These LIPs are closely linked to the economic sectors identified in the VDPs and UCDPs and thus a comprehensive package (trainings, assets provision, access to finance, formation of common interest groups and linkages) for the target households are agreed upon by the community which not only benefit the household but also provide services to the community at large.

44. **Transfer of assets and relevant skills training provision:** Under the proposed project, households with a score between 0-18 on the PSC, including BISP beneficiaries, and that have been demonstrated entrepreneurial competencies will be provided with a combination of asset transfer along with training for skill and business development related to the asset, for a maximum cost per

household of US$ 467. It is assumed, on the basis of experience in previous poverty graduation models, that up to 60% of the targeted poor will graduate to higher levels on the score-card through these interventions.

45. **Establishing linkages and financial access:** PPAF will support the establishment and strengthening of platforms to promote socio-economic activities, e.g. social enterprises to support community members for effective employment (placement) and self-employment; Youth Centers, so that the youth can advocate and support the resolution of issues of health, education, environment, disaster management, recreation, access to civil rights, etc.; Common Interest Groups (CIGs) where community members may engage in collective buying, selling and production, and over time graduate to a local associations or Production Center (PC); access to finance through the Prime Minister's Interest Free Loan (PMIFL). Linkages will also be promoted with the public, private and development sectors to build the larger eco-system to support livelihoods, employment and enterprise development within the rural areas.

46. ***1.2 Interest Free Credit (US$ 50.08 million):*** This sub-component will be entirely funded through PPAF's own interest-free loan portfolio. The component will support both eligible non-poor and poor in the target communities and leverage non-interest bearing products as per existing eligibility criteria under the PMIFL. 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.

47. The PMIFL loan cycle is 12 months with one month grace period. Mode of repayment can be monthly, quarterly, biannually, and/or through lump sum. Currently 80% of repayments are made on monthly basis. Average loan size is US$ 200 and this is for mostly unskilled labour. Loan sizes for skilled labour vary between US$ 300 – 700. NPGP will extend 214,000 loans to 157,271 clients through the programme.

48. Social collateral through community institutions and personal guarantees are used in a group of borrowers. To date recovery rate from the PMIFL is 99%. Experience has shown that in the provinces of KPK, FATA, and Balochistan there is a strong preference for interest free loans. Loans are given for productive purposes-for generation of income. These include livestock, poultry, fish farming, petty trading, agriculture inputs for crops, vegetables and fruits, manufacturing/light engineering, handicraft making. Loan distribution across the poverty bands to date reflects 8% in 0-11 band, 69% in the 12-30 band and 23% for the 31-40 band.

49. The following activities will be carried out to achieve these outputs and to create viable enterprises based on market research for targeted household:

i) Baseline and Value chain analysis/ Market analysis

ii) Selection of Partner Organizations through a competitive process and development of Implementation Plans

iii) Identification of Community Resource Persons (CRPs)

iv) Training of Community Resource Persons (CRPs) around different economic sectors so that they can ensure service delivery, develop market linkages to strengthen the micro-enterprises and the value chain, build linkages with other livelihoods and safety net programmes offered by the Government and other actors;

v) Household categorization, identification and validation through community institutions.

vi) Development of Livelihood Investment Plans for the targeted households aligned with market analysis and value chain;

vii) Training Needs Assessment;

viii) Assessment of numbers of soft and hard assets required per Union Council;

ix) Training of beneficiaries on asset management or micro enterprise development training to eligible beneficiaries and technical assistance to identify and support innovative micro-enterprises and value chain development that will result in improved livelihoods;

x) Formation of procurement committees for Community Demand Driven (CDD) procurement;

xi) Procurement of assets at community level

xii) Asset transfers targeted (through the PSC) at the ultra-poor and poor; vocational, skills and technical training for job placement or self-employment;

xiii) Vocational training institutes identified and reviewed;

xiv) Vocational trainings initiated and completed through credible training institutes;

xv) Formation of Common Interest Groups (CIGs);

xvi) Inward exposure visits for enhancing market access and capacity building of common interest groups around value chain, natural resource management, loss control and productivity enhancement;

xvii) Training of POs on managing the interest free credit;

xviii) Loans extended - Selection of potential borrowers and appraisal will be conducted to release the IFL

xix) Tracking of client household on PSC/BISP beneficiaries

xx) Disbursement of Interest Free Loan (IFL) to the selected borrowers

xxi) Financial Literacy services -Training of borrowers on financial literacy to increase their capacity in savings and the loan repayment.

xxii) Loan repayment schedules followed

50. ***1.3 Training of Livelihood and IFL Beneficiaries (US$ 7.19 million)*:** This sub-component will complement in enhancing the effectiveness of the assets and IFL transferred to the target beneficiaries. The trainings would enable the target beneficiaries to harness their potential to maximize the benefits from the given assets and interest free loans. 157,271 borrowers would receive trainings on financial literacy and enterprise development. Furthermore 15624 beneficiaries of intangible assets would receive enterprise development training while 140,616 beneficiaries for tangible assets would receive functional literacy and basic business training.

51. **Component 2: Social Mobilization and Programme Management (US$ 19.2 million)**

52. *Sub-component 2.1: Social Mobilization*: This sub-component will be supported through IFAD funds, and will finance a tested and proven social mobilization based approach to beneficiary targeting, community organization and mobilization and implementation in which PPAF will engage existing and new suitable partners in all selected 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. Community organisations at the hamlet and village level will be further capacitated and empowered to participate in programme activities, with a special focus on women's empowerment, resilience to climate change and contributing to specific SDGs (especially SDG 3, 5, 13 and 16). In the programme target districts, poorest Union Councils where PPAF has existing community institutions in place will be prioritized for the interventions. The COs will be informed about programme purposes and approach and assisted to identify the

programme target beneficiaries as well as broader community development priorities and required linkages with sources of assistance.

53. Community development interventions will be aimed at improving the broader social and economic environment in the target communities including natural resource management, improved access to health and education with a view to improving nutrition outcomes, access to social services (through government linkages) and private sector engagement. During the first year of the project, community organizations will be provided a set of refresher trainings on community institutional development, financial management, book keeping, governance, and linkage creation. In the subsequent years, these community organizations will be supported to develop and implement activities that take forward contribution to certain SDGs (for example, ensuring that all girls and boys are enrolled in schools, health and nutrition sensitization campaigns, conflict prevention and negotiation, among others.

54. *Entering the Area:* As per PPAF's values, social mobilization has a central role in the community development approach, thus Union Councils where PPAF has existing community institutions in place, or community institutions have been created by other organizations, will be prioritized for the interventions. The institutions will be informed of the project and will come together to participate in and build ownership around the project. As community institutions will already exist, a baseline survey would be conducted to develop the UC and District profiles where the programme would be implemented. PPAF Partner Organizations (POs) and the community institutions will continue to update the profiles over the course of programme thus creating a useful resource for future programming.

55. *PSC Validation:* The available PSC data will be validated through Institutional CRPs with assistance of local community institutions under the guidance of the Partners Organizations. Project beneficiaries will be identified through proper resolutions by community institutions.

56. *Community Engagement:* PPAF Partner Organizations in consultation with community institutions will identify village based Community Resource Persons who will be trained to lead community based dialogues, sensitization sessions and awareness campaigns revolving around specified SDGs and strengthening community institutions.

57. The proposed activities will contribute to the programme as a whole by ensuring that at least 60% of households in targeted Union Councils (UCs) are members of community institutions with 40% women membership. Moreover, there will be special focus on ensuring that inclusive institutions show evidence of democratic decision-making in relation to internal organizational management and external decision-making.

58. Activities will be designed keeping in view their interconnectedness and complementary benefits to contribute to other programme components. Communities will be empowered to talk about their needs and to access the public and private sectors for additional services. This will help in leveraging other resources for comprehensive development of the area. Community engagement will support cross learning and holistic community development through:

- Review and development of VDP / UCDPs to assess the integrated needs, to ensure women and youth participation and taking lead role of overall development, linkages, leveraging and networking with other component's activities;
- Promotion of women in leadership roles for improved access to public services and economic transformation. Women members of community institutions will take active part in awareness campaigns;
- Youth engagement in promoting peace and pluralism;
- Sensitisation and community awareness raising through celebration of national and international days of significance. These events will promote patriotism, women's rights and natural resource management.
- Regular interactions with all community institutions (COs, VOs and LSOs);
- Facilitation by Institutional CRPs to raise awareness and improve governance; and

- Development and distribution of information, education & communication (IEC) material around SDGs especially focusing on gender mainstreaming, health and nutrition, girl's enrolment and climate change resilience.

59. *Building Institutional Capacity:* Community members will be guided to strengthen inclusive community institutions at *mohallah* (community) and village levels to conceptualize and undertake the required socio-economic transformation especially through the poverty graduation model. A cadre of local Institutional Community Resource Persons (ICRPs) would be developed with expertise in management (financial management & financial, literacy, health, nutrition, education, climate change, environment procurement, developing linkages and networking, and poverty ranking. The Institutional CRPs will further facilitate in project implementation by keeping community institutions vibrant. IEC material related to SDGs will be developed and disseminated by the Institutional CRPs for community sensitization sessions and campaigns.

60. *Campaigns on SDGs:* Awareness raising campaigns on SDGs will raise awareness amongst the communities. PPAF Partners Organizations will engage the communities in various awareness raising initiatives through Institutional CRPs.

61. The Social Mobilization component would support the following activities:

- Situation analyses/baseline and poverty targeting, and subsequently the organization of households into COs and VOs through field based social mobilization teams where it would be required. The project mandate will be delivered through these community institutions with assistance of Community Resource Persons;

- Community Resource Persons are the main vehicle who will drive the social and economic agenda and community institutions will be involved in mohalla/settlement level and village level socio-economic planning through developing the livelihood and village development plans respectively, through the active participation and facilitation of CRPs;

- Assessing community institutions and process monitoring, particularly in relation to their governance, inclusiveness, accountability and transparency;

- Providing trainings and awareness especially around specific SDGs and capacity building inputs to target beneficiaries, CRPs and POs;

62. The Social Mobilization process is expected to develop value led community based institutions with the following broad characteristics:

  - democratic in nature by being representative and inclusive;
  - collectively make informed decisions on who is most deserving in order to prioritize access to benefits;
  - training in basic book keeping and accounting so that transparency and good governance be maintained;
  - capacitated to supervise and monitor local level development programmes;
  - capacitated to mobilize resources, both local and external to alleviate poverty; and,
  - Capacitated to synergize and partner with other institutions, organizations and agencies to access resources and attain economies of scale in the service delivery to the community members.

63. *Monitoring:* Process monitoring will be carried out at three levels to keep the programme activities on track. PPAF will carry out quarterly visits to monitor the programme activities and assess progress against awareness raising on SDGs. Partner Organizations will also hire MER Staff to monitor programme activities on a regular basis. The Institutional CRPs will monitor the procurement procedures and financial records of the community institutions. Community institution and Institutional

CRPs roles and responsibilities will also be monitored by PPAF quarterly. For this purpose a "Rating Based Performance (RBP)" monitoring tool will be used to rate the progress of the partners organization.

64. ***Sub-component 2.2. Programme Management:*** The sub-component will cover the dedicated management structure for the programme within PPAF's and its related delivery costs. It will also finance activities such as UC baseline surveys and district level market analysis that inform the other programme components. PPAF will also be responsible for carrying out midline and end-line surveys and other impact assessments as required. Policy level engagement through periodic briefings and workshops will be maintained to keep government and key stakeholders aware of programme outcomes, opportunities and key poverty graduation requirements that can help both federal and provincial governments to improve their poverty targeting and graduation strategies.

65. Main features of Programme management structure include: PPAF as Lead Implementation Partner will house a fully-staffed PMU (31 dedicated staff) within its office and ensure that the PMU has the full support of the pre-existing PPAF structure, that includes Senior Management, Finance & Administration; Institutional Development; Compliance and Quality Assurance; Communications, IT and Climate change; Nutrition and Research & advocacy ; and the Prime Minister's Interest Free Loan Scheme PMU. Key resources for the PMU include the Project Manager, Livelihoods & Value-chain Specialists, Social Mobilization Specialist, Gender Specialist, M&E Specialist, Financial Management Specialist, PO Relationship Managers, Finance officer, MER officer, Climate Change Adaptation specialist; Advocacy & Research Specialist, Nutritionist, MIS officer, Procurement Officer and Admin Officer. The Project Manager will report to PPAF's Group Head Grants (who reports to the CEO).

66. In order to implement NPGP activities at the field level, PPAF will enter into contractual financing agreements with all its 'sub-contractors', which will include PPAF's thirty local partner organizations (POs), as well as consultant firms and individuals. PPAF's contractual agreements follow a rigorous approval process that involves both the management and Board of Directors review and sign-off. A well-defined and existing system of monitoring and evaluation as well as fiduciary management and oversight will ensure that contractual obligations are carried out according to targets set in financing agreements.

67. During the pre-inception phase, PPAF will engage a third-party firm to assess proposals through a competitive bidding process with pre-determined criteria for shortlisting and final selection of organizations that will implement the field activities under the NPGP.

68. *Donor and Development Coordination*: Other pre-start up activities will include creating a coordination platform that allows PPAF to develop effective coordination and experience sharing mechanisms with other IFAD, donor and government funded programmes that are working on similar themes in the identified areas. This will help to reduce any duplication of programme activities as well as support reinforcement of mutual goals and objectives. Specifically IFAD will support PPAF to create a platform with BISP to develop a data clearing house that allows BISP data to be utilized for the purpose of the programme and provides information to BISP as to its beneficiaries that are accessing the NGPG programme (specifically for the asset transfer component). PPAF will also be enhancing its MIS to develop robust data tracking system for individual and household beneficiaries of the programme.

69. **Planning process**: The programme interventions and outcomes have been planned based upon the target communities' needs being compiled by the partner organisations through a consultative process. The proposed programme would follow PPAF's standard planning cycle which consists of three stages. In the first stage, the Monitoring and Evaluation (M&E) plan in line with the log-frame of the programme will be developed. On the second stage, the annual work plan will be developed that would be in line with the overall implementation plan of NPGP. Furthermore, the annual procurement plan shall also be developed by the PMU to determine the procurement needs

and requirements of the programme to help procurement unit ensure timely delivery of required goods and services.

70. **Pre-start up and Start up activities:** Based on lessons learnt in previous IFAD projects in Pakistan, a number of pre-startup and startup activities will be implemented to ensure a timely start for the programme. Among pre-startup activities, PPAF will begin the PO selection process (including hiring a third party firm to conduct the PO selection) which takes an average of 3-4 months. Recruitment for a firm to undertake the baseline data collection and market analysis will also be initiated. Once the POs have been appraised, and the programme begins, a six-month inception phase is planned that will allow PPAF time to review and revise POs implementation plans, and for POs to begin their social mobilisation activities including outreach to the village organizations and others.

71. Furthermore, the programme will undertake following studies/surveys as part of initial planning phase to help customization of programme interventions, setting the programme performance benchmarks and streamline the beneficiary selection process:

(a) **Review of BISP PSC Database:** The MER team shall have consultations meetings with BISP to get access to the PSC database of the selected districts and union councils so that identification of potential beneficiaries for each intervention as per the pre-defined PSC band can be done. The initial list of potential beneficiaries shall be generated from the BISP PSC database that would later on be validated through consultation meetings with target communities as well as during programme baseline survey.

(b) **Baseline Survey:** The baseline survey will be carried out to establish programme performance benchmarks in relation to each indicator outlined in the log-frame. The baseline survey questions shall encompass the log-frame indicators as well as standard PSC questions. Baseline survey sample will be drawn through standard statistical formulas with at least 5% confidence interval and 95% confidence level while ensuring representation of potential beneficiaries from their geographic, ethnic and gender dimension.

(c) **Value Chain/Market Analysis:** In order to rationalize the types of assets and technical skills trainings to be imparted to the target beneficiaries in line with the local market needs and opportunities, a detailed analysis of the current market models as well as the value chain of agriculture, livestock, horticulture, technical and vocational skills will be conducted to facilitate the target poor women and men farmers for improving their access to markets and leveraging on-farm and off-farm employment/self-employment opportunities. The study shall also help to rationalize the number and functions of CIGs to be formed and strengthened under the proposed programme.

72. **Monitoring and Evaluation:** The Programme log-frame will guide the design of the NPGP M&E System along with the performance indicators included in log-frame. The Planning, Monitoring and Evaluation System (PME) will be finalized and made operational, in consultation with all implementing partners, within the first six months of programme start-up. The PME will be part of an overall Information, knowledge management and communication system that will provide timely and accurate information on implementation progress and feedback for management decision making.

The scope of Monitoring and Evaluation in NPGP will be timely collection of reliable data and information for measuring performance and progress related to the impact as well as to assess achievements in relation to programme development objective, outcomes and outputs. It would also help to provide timely information about success and failures, so that corrective measures can be taken for successful implementation of Programme activities. M&E would also be used as a learning tool to provide timely and quality information for critical reflection on Programme strategies and operations to support decision-making. The system is described in the following paragraphs.

Programme log-frame will guide the design of the NPGP M&E System along with the performance indicators included in log-frame.

The M&E system will be multi-layered that includes:

- Implementation monitoring by the POs,
- Joint activity and output monitoring by operational units PPAF
- Process and outcome monitoring by MER unit of PPAF.

The implementation monitoring will be done by the implementing partners themselves and it should form the basis for their regular progress reporting to the PMU. The management and monitoring teams of POs will be responsible for implementation of day to day project activities, performance of their staff, and delivery of inputs and achievement of project outputs/outcomes as per agreed standards.

Joint activity and output monitoring will be carried out by PMU staff and joint activity/output monitoring missions to independently asses the physical and financial progress. The activity and output monitoring by PPAF will focus on spot-checking, verification of output data reported by PO, identification of risks factors and propose mitigation measures, status of utilization of funds by POs against the disbursements, ensure compliance to the financing agreement, efficiency of funds flow mechanism, evaluation of internal control system etc. During joint activity and output monitoring visits, the monitoring team will randomly interview the target beneficiaries; oversee the input delivery process and review procurement, disbursement, training record, beneficiaries' acknowledgements record and programme database maintained by the POs.

Whereas, the ***process and outcome monitoring*** shall be carried out by PPAF's MER unit to ensure independence and objectivity of the outcome and process monitoring. The key activities related to process and outcome monitoring include; process and outcome monitoring visits to the POs, management of annual PSC surveys for poverty graduation tracking by POs, annual outcome surveys in line with RIMS indicators including third party validation of PSC survey conducted by POs, mid-term and end-term project evaluations and value chain studies. An annual M&E plan, as part of Programme's overall AWP/B, will be prepared by M&E wing of PMU and MER unit of PPAF, with inputs from all implementing partners on targets, formats, processes and reporting responsibilities and then each agency, including PMU, will derive their individual plans to meet the requirements of annual M&E Plan.

The monitoring of programme interventions at PO and PPAF level shall be carried out with the help of latest monitoring technologies such as use of mobile data collection through smart phones or tablets having customized mobile data collection application linked with PPAF's central MIS database which would provide real-time information access to PPAF and POs' management. In addition the POs' will have direct access to PPAF's central MIS customized to NPGP monitoring and reporting needs to provide timely monitoring and progress data that would help PMU to efficiently track the physical and financial progress and develop follow-up, progress validation and monitoring plans accordingly.

73. The Capacity Building of Programme staff will be undertaken through structured orientation training programme, refresher training, and information sharing. Orientation training will be done during induction of new staff, and the refresher training on an annual basis. In addition, the Programme will also facilitate the establishment of partnerships with the technical experts from academia and research institutes (e.g. for research studies related to poverty graduation, anthropometric surveys, thematic studies and PME technical assistance), and other development Programmes, to enhance exchange of information and mutual learning.

74. Technical Assistance for: a) KAP surveys, b) participatory M&E, and c) anthropometric surveys would also form part of the capacity building strategy. The aim of technical assistance is to bring in expert and specialist knowledge into the Programme to improve the adoption of M&E practices and

knowledge that would imparted through training, and to improve the process of review by FOs, partner organisations along with Programme Staff, as well as to enhance the quality of surveys.

75. **Reporting and Communication**: Timely reporting and communication is important to take timely corrective actions and to learn from implementation experience to further improve Programme management effectiveness and efficiency. Monthly, quarterly and annual reports including reports from studies would be produced by the Programme. For IFAD corporate reporting, Half-yearly, Annual and annual RIMS Progress Reports will be developed.

(a) Monthly Progress Reports will be prepared for internal consumption the by the PMU through generating data from the Programme MIS developed that would help to review and track programme progress on monthly basis and take corrective actions in time by the programme management as well as by the senior management of PPAF.

(b) Quarterly Progress Reports. The quarterly progress reports will contain physical and financial progress as well as information regarding cross-cutting themes challenges and issues encountered in implementation and key actions taken to deal with the challenges and issues. The quarterly reports will also enunciate the key lessons learnt during the reported period.

76. **Learning and Review:**

(a) Monthly progress review will be convened by the POs at their respective offices as well as by PMU at PPAF office level on the basis of monthly progress reports. It would include reviewing physical and financial progress with implementing partners, and the performance of delivery in terms of adequacy and timely utilization of Programme resources.

(b) Quarterly Review Meetings (QRMs). The quarterly progress report will be used during the QRMs at the PMU. Over and above reviewing physical and financial progress for the quarter against annual targets, the programme will also review the performance of POs, implementation constraints, document lessons, emerging best practices and decide on actions to improve implementation.

(c) A consolidated Annual Programme Review will be carried out towards the end of the fiscal year around first week of April, in addition to the four quarterly reviews. It shall assess performance in the achievement of physical and financial progress against annual targets. Furthermore, review of progress towards development objectives as reflected in the Outcome Surveys will be done assessing success and failures and reasons thereof and lessons learned. Annual reviews will be institutionalized by POs at the District level.

(d) Mid-Term Review (MTR): PPAF and IFAD would undertake a mid-term review in the last quarter of third year of the Programme lifecycle to review Programme achievements and implementation constraints. In particular, it would review the following: (i) achievement and improvements in the production systems, improvement in food security, and increase in income; (ii) the performance of private sector partnerships; (iii) performance of CRPs, CIGs, and other community institutions, (iv) financial and procurement management; (v) and human resources management. A mutually agreed action plan will be prepared based on the MTR findings. IFAD may appoint, in consultation with PPAF, an external agency to evaluate the impact of the Programme if necessary.

(e) Programme Completion Review. As the programme reaches completion point, the PMU would prepare a draft Programme Completion Report. IFAD and the Government will then carry out a joint validation of Programme Completion Review based on the information in the Programme Completion Report and other data.

Annex A: NPGP Detailed Logframe

Log-Frame
National Poverty Graduation Programme
IFAD & Pakistan Poverty Alleviation Fund

Description	Indicators	MoVs	Assumptions/ Risks
Goal: To assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change.	• 50% of the target beneficiary households who were eligible for BISP graduated out of BISP programme.	BISP database District Level HDI Multi-dimensional Poverty ranking studies	Political and social stability in the country and target regions. BISP shares the PSC data timely. POs staff has required M&E capacity.
Development Objective: Enabling the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance	• 60% of poorest households (provided with asset transfers (0-18.) move to a higher score on PSC (including WHHs); out of which 20% move out of poverty altogether (over 23 on the PSC) • 60% of households experience 30% or more increase in income as a result of productive use of assets and access to working capital	Mid-term and End Evaluation BISP database Annual outcome surveys report. PSC survey for poverty graduation tracking by POs	Climatic abnormalities and natural calamities remain within acceptable tolerance levels BISP shares the PSC data timely. Programme activities implemented as per phasing
Outcome 1: The poorest groups /households (women, youth and smallholder farmers) develop climate resilient livelihoods, increase incomes and diversify assets for sustainably moving up the poverty ladder;	• 60% of the of poorest households (0-18), in particular women (50% WHH), youth and smallholder famers (less than 2.5 acres of land) report increase in income by 30% • At least 60% of those who have received skills training and/or assets are employed/self-employed (of whom at least 30% are women and 30% youth) through adopting climate resilient livelihood strategies;	Mid-term and End Evaluation BISP database Annual outcome surveys report. PSC survey for poverty graduation tracking by POs	Political economy of BISP (inclusion errors in NSER data can be rectified through community validation and accepted by BISP) Climate-induced disasters do not complete disrupt the programme.

Outputs Related to Outcome 1	• 156,240 LIPs developed and implemented. • 372 of common interest groups established. • 744 Economic CRPs trained and operating in the target communities. • 140,616 households trained in functional literacy, basic business/asset management training (PSC-0-16.17)		
Outcome 2: Women from ultra-poor and poor households have increased socio-economic empowerment with enhanced capacities in adopting climate resilient livelihood strategies and their families experience improved nutrition and food security	• 60% of the assets provided to women within households leading to their increased role in household decision-making like management of household budget, children's health and education. • 60% of the target households (50% women) who are member of community institutions reported to have improved knowledge and practices about climate resilient livelihood strategies as well as nutrition promotion and malnutrition prevention behaviours.	Mid-term and End Evaluation BISP database Annual outcome surveys report. PSC survey for poverty graduation tracking by POs	Communities and tribal elders fully cooperate to ensure women's participation in programme activities.
Outputs Related to Outcome 2	• 222,144 women from the target households have attended awareness/sensitization sessions on nutrition promotion, climate resilience, gender, peace and justice etc. • 32,736 community institutions and 2,976 CRPs in 372 target UCs are trained in climate risk management, nutrition promotion and malnutrition prevention behaviours	Training reports of CIs and CRPs Database of CIs and CRPs Record of CIs individually maintained at each CI level.	
Outcome 3: Target populations have improved access to financial services and investment opportunities to opt for building climate resilient livelihoods.	• 50% interest free loan clients show increased monthly incomes by 30% at end of project period; • 90% of target households reporting using interest free loans for income generation purposes.	Mid-term and End Evaluation BISP database Annual outcome surveys report. PSC survey for poverty graduation tracking by POs	Low Capacity of POs for reaching out effectively to widely dispersed rural communities in districts with sparse population

Outputs Related Outcome 3	• 214,000 loans availed by 157,271 clients by 12-40 of PSC ($234 average loan size) • Basic EDT to 154,271 IFL clients	IFL disbursement record of POs. Training reports	
Outcome 4 Contributed in promotion and enactment of of pro-poor and climate resilient poverty reduction policies and dialogues through evidence based research ***Outputs Related to Outcome 4***	• 2 research studies conducted and 6 policy briefs developed to have evidence based input and dialogues for pro-poor policies. • 3 policy research and advocacy events organized to engage policy makers in the dialogue for the enactment of pro-poor policies.	Research reports Policy brief Research/advocacy events completion reports Media reports	
	2 Research studies conducted. 6 policy briefs developed and disseminated among key stakeholders. 3 Research/advocacy events organized for engaging policy makers in enactment of pro-poor policies		
Activities	**Means/Inputs**	**Costs in US$ millions**	**Conditions**
Planning and Start-up Activities • Baseline Survey, Value Chain/Market analysis & Thematic Studies • Selection of POs through competitive process • Identification of target beneficiaries through BISP PSC data and community consultation meetings.	3 months consultants time for Baseline 1 month consultant time for Value Chain/Market analysis. Personnel (as designated for PMU) Equipment (Computer, printer, projector, camera, smart phones/tabs for mobile monitoring etc.) Resource person, Space, boarding and lodging for staff training.	Consultancies: US$ 0.18 million **Total : US$ 0.18 million**	

Activities Related to Outcome 1 (Assets Transfer and Livelihood Trainings) • Development of LIPs for target beneficiaries. • Distribution of productive assets to the target beneficiaries. • Climate resilient livelihood trainings of target beneficiaries. • Identification and training of SCRPs.	Personnel for POs Productive Assets for beneficiaries Training consultants/Master Trainers Space, meals and incidentals for trainings/sessions SCRPs time for trainings 3 months training for SCRPs Training courses from technical vocational training institutes and other resource persons.	Productive assets = US$ 73.41 million CRPs Trainings = US$ 1.16million Asset management Training= US$ 3.3 million **Total : US$ 77.86**	
Activities Related to Outcome 2 (Social Mobilization) • Identification and Training of CRPs • Capacity building and sensitization of target beneficiaries on SDGs by CRPs. • Regular training and mentoring of community institutions on VDPs, LMST and SDGs.	Furniture & Equipment Vehicle rental, POL Stationary, office supplies & consumables Registers and other stationary for CIs IEC material Training consultants/Master trainers for CRPs' trainings Boarding and lodging for trainings. Space and refreshment material for community sessions. Resource person, boarding and lodging for annual conferences, workshops and external trainings.	Community capacity building sessions and trainings: US$ 6.07 million Orientation trainings for PO staff = US$ 0.05 million **Total : US$ 6.12 million**	
Activities Related to Outcome 3 (IFL) • Disbursement of interest free loans among target beneficiaries. • Capacity building of beneficiaries of IFL on financial literacy and climate resilient livelihood strategies.	Personnel for POs Furniture and Equipment Vehicle rental & POL Office supplies and consumables Space, stationary, meals and transportation for trainings.	Interest free loans = US$ 49.9 million Training for IFL Borrowers = US$ 3.75 million **Total : US$ 53.65 million**	

• Formation and strengthening of CIGs			
Activities Related to Outcome 4 • 2 Research studies on poverty graduation, climate resilient livelihoods and pro-poor policies • Development of 6 policy briefs • 3 research and advocacy events	12 months consultant time for research studies 4 months consultants time for policy briefs Venue, stationary, SMDs and other logistics for research and advocacy events.	Consultancies & biannual conferences: US$ 0.91 million Total: US: 0.91 million	
Programme Management • Spot-checking, data validation and output and result monitoring (applying mobile monitoring application) v by PMU team. • Post-disbursement surveys, Pre and Post-tests of capacity building sessions, KAP surveys. • Annual PSC survey of target households by POs • Annual outcome surveys and validation of PSC data collected by POs • Mid-term and End of Programme evaluations.	Personnel (for PMU) Staff travel for monitoring (Rental car, air ticket, boarding and lodging) 6 months work time of consulting firm for mid-term and & end evaluation.	Project Management Cost at PPAF = US$ 3.41 million Audit Cost = US$ 0.38 million Evaluations (mid & end) = US$ 0.2 million **Total US$ 3.99 million**	

Tools for Poverty Graduation

1. Today the Government of Pakistan, donors and others are working in silos to provide different interventions for poverty alleviation. Consequently different services and facilities are available in different areas to different degrees. Additionally, Pakistan is a country with a heterogeneous population, differentiated natural landscape and resources and unequal levels of development across provinces, districts and gender.

2. The NPGP as a national level programme must take into account these differences and address the needs of the population of each selected Union Council. The beneficiary population of the programme will be segregated into bands on the basis of the Poverty Score Card with additional participatory wealth ranking – a process through which the community collectively ensures that any inclusion and exclusion errors are accounted for.

(a) For the purposes of the NPGP the ultra-poor and vulnerable poor segments of the population (poverty scorecard of 0 to 18) will be eligible for a combination of asset transfers and training.

(b) For the 0-11 poverty band, the programme will provide basic business orientation training, initial grant-based productive (tangible) asset provision and associated asset management training and adult literacy/basic numeracy. 50% of the assets disbursed will be transferred to beneficiaries falling in the 0-11 poverty band.

(c) The beneficiaries in the 12-18 poverty band will be eligible for basic business orientation training, initial grant-based productive asset provision and associated asset management training, functional literacy and for those beneficiaries who have graduated from the previous poverty band access to finance through the PMIFL. 40% of the total beneficiaries of asset transfers fall in the 12-16.17 band and will receive tangible productive assets. The remaining 10% of asset transfers will be in the form of intangible productive assets, such as vocational trainings, and will be given to those in the 16.18-18 poverty band. 34% of the PMIFL scheme loans will be given to those falling in the 12-18 poverty band, 31% to the 19-23 band and 35% to the 24-40 poverty band.

(d) Skill development, enterprise development; financial training will support income diversification and business expansion. Underpinning this effort will be the social mobilization process to ensure the programme addresses BISP inclusion/exclusion errors and provides a supportive environment for transfer of assets among community members. The creation of three distinct types of community resource persons, for community institutions, for social sectors and for economic sectors will develop local expertise in the area and provide services through and beyond the life of the programme.

PSC range		**Nomenclature**	**Intervention Type**	**Remarks**	**Percentages**
0-11		Ultra-poor/ Extremely poor	Basic business orientation training, asset management training, functional literacy/basic numeracy, tangible asset transfer	*Addition of beneficiaries in BISP NSER*	50% of assets (tangible)
12-18*	12-16.17	Vulnerable poor	Basic business orientation training, tangible asset transfer, asset management training, functional literacy, first PMIFL loan** (graduated from 1st	*Addition of beneficiaries in BISP NSER*	40% of assets (tangible) 34% PMIFL loans (PSC 12-

			band)		18)
	16.18-18	Vulnerable poor/ Chronically poor	PMIFL, intangible asset, enterprise development training (EDT), vocational training, financial literacy (SBP module)		10% of assets (intangible)
19-23		Transitorily poor	PMIFL, EDT, financial literacy (State Bank of Pakistan module)		31% PMIFL
24 to 40***		Transitorily vulnerable	PMIFL, financial literacy,	Linking with MFIs/MFBs and PMIC	35% PMIFL
41 and above		Non-poor	Availing conventional microfinance/ PMIC		

*Taking into consideration the importance of a consumption allowance, the 12-18 band has been split into two bands with (minor) variations in interventions:

(i) Band one with poverty score between 0 - 16.17 is consistent with BISP, where the beneficiaries are getting a consumption allowance in the form of an unconditional cash transfer (UCT) from BISP and will be provided with a tangible productive asset under NPGP; and

(ii) Band two with poverty score between 16.18 - 18 are not getting a consumption allowance and therefore they will receive intangible productive assets, such as vocational trainings from NPGP.

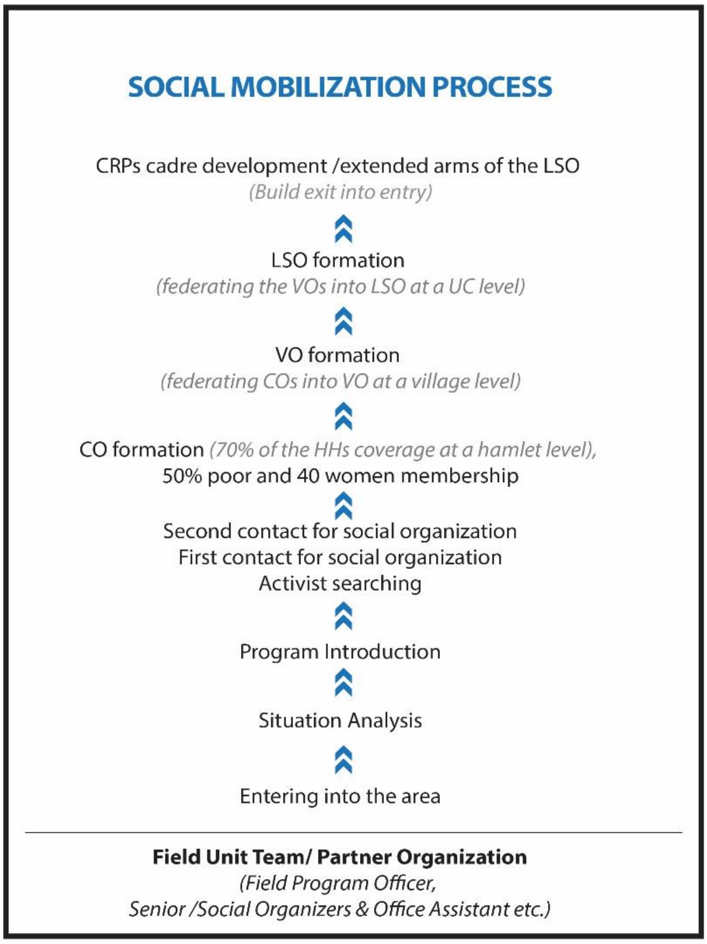
** PMIFL will be made available across bands for Poverty Scores 12 - 40. The loans for the 12 – 16.17 poverty band will be given *to* those beneficiaries who have graduated from the 0 – 11 band under the NPGP asset transfer.

*** PMIFL has been extended to the 40 cut off mark in accordance with the Government of Pakistan cut off. Differentiated data will be available for the 19 – 23, 24 – 34 and 35 – 40 poverty bands.

PPAF’s ‘toolbox’:

3. Social Mobilization:

Formation and Strengthening of Community Organizations (First Tier Organization): The first tier organization also called as Community Organization (CO) is the building block of the approach, working directly with households that are accountable to each other as well as making decisions regarding priorities for interventions. A Community Organization is formed on 25-30 households in a certain locality/mohallah/settlement. It can be a men CO, women CO or a mixed CO. Inclusion of at least 50% of the women and 60% of other poorest groups is ensured. The first tier organization represents preferably all but at least 60% households.



Formation and Strengthening Second Tier Organizations VOs The second tier organization alternatively called as Village Organization (VO) is a cluster organization of first tier organizations that aims to plan and implement activities jointly at the village level. It is created with the objective of developing the village and improving the quality of life of households living in the village. Once 60% of the households are covered by the first tier organizations, they may form a second tier organization comprising of three representatives of each first tier organization. The second tier organization meets on a monthly basis. To maintain the inclusion factor in the second tier organization, the same criteria is followed as that for the first tier organization. These organizations would develop Village Development Plans (VDPs) with the participation of all stakeholders of the said village. These VDPs would be demand driven and community members would hold the responsibility of executing/implementing and operating and maintaining the intervention as a result of a particular VDP.

Formation and Strengthening of Third Tier/UC Level Organizations LSOs: Third tier organizations (TTO), an apex community institution, are formed at the Union Council level. These are also called as Local Support Organization (LSO). Such organizations are representative institutions of second tier institutions, and their members (general body) get elected from the second tier organizations. They assist in the governance and implementation of integrated rural development of the Union Council. They also function as intermediaries with the District Governments, partner organizations' and other agencies and donors for the first and second tier organizations.

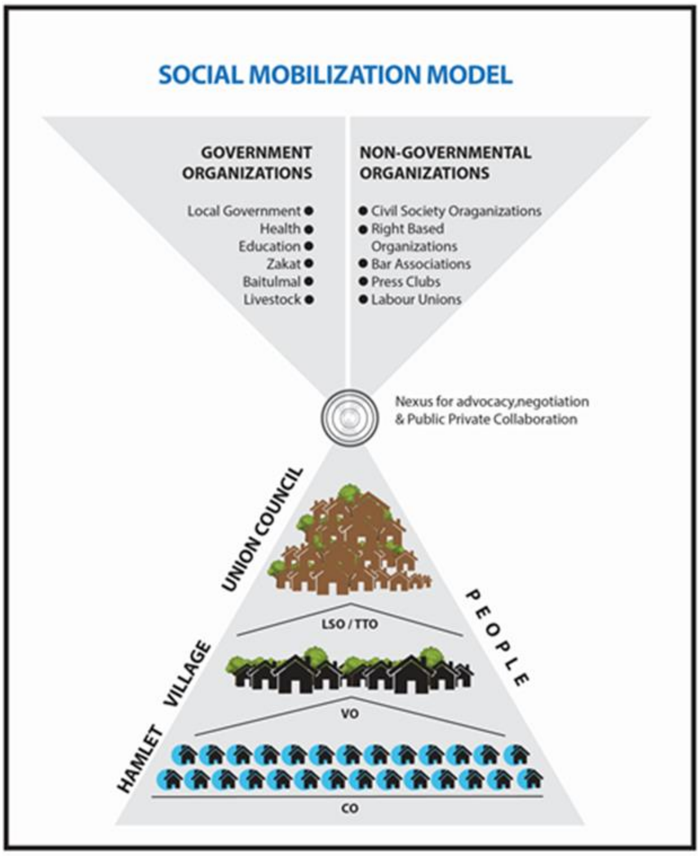
Youth Centres: The Youth Centers (YCs) are strengthened as a semi-formal platform where male and female youth can come together as agents of change to engage in such activities as will bring positive changes to their own lives, and in the lives of their families, other households, the village and the Union Council. The specific activities include those that will improve youth's understanding of their own country, culture, education, health, and economic activities. The end result will be to develop more patriotic, responsible and positively charged youth who will become active socio-economic development change agents.

Linking VDPs and UCDPs to local Government: Formation of integrated village development plan and union council development plans with participatory approach, to assess the integrated needs, to ensure women and youth participation and taking lead role of overall development, linkages, leveraging and networking with other component's activities and local line departments for services delivery and functional excellence . Promotion of women in leadership roles for improved access to public services and economic transformation. Women members of community institutions will take active part in awareness campaigns and decision making of their development.

District Development Forum: The purpose of district development forum is to achieve the sustainable solution for area improvement by involving provincial government and local communities. District development forums engage with government line departments, civil society organizations, communities and local political leaders. District development forums create linkages with government line departments, other donors and communities.

Creation of CRPs and sector specialists: Partner Organizations in consultation with community institutions will identify village based Community Resource Persons who will be trained to lead community based dialogues, sensitization sessions and awareness campaigns revolving around specified sectors and components:

> **Institutional CRPs**: A cadre of local Institutional Community Resource Persons (ICRPs) would be developed to facilitate project implementation by keeping community institutions vibrant. These CRPs will be select on basic criteria and then trained in social mobilization component for further carry forward social mobilization in the communities.
>
> **Social Sector CRPs:** A cadre of sector specialists will be developed to address the social concerns of communities in sectors such as gender, nutrition, climate change, etc. Gender CRPs in particular will be trained on GALS to apply the system as far as possible in the the social mobilization process.
>
> **Economic Sectors CRPs:** A cadre of subject specialists will be trained around economic activities at villages and union councils level to continue facilitation of communities for economic development



Social Mobilization and Institutional Building Framework

Entering the area	Social Mobilization	Capacity Building	Institutional Strengthening	Advocacy and awarenes	Networking	Leveraging
POs Orientation Situation analysis (Socio-economic survey) UC and villages profileing	Searching of activist Interaction / dialogue to initiate process for community institutions formation Program introduction Poverty Score Card Survey / validation of poverty score card through community Community Institutions (CIs) formation (new) / Strenghtening of exsisting CIs Regular meetings of the CIs Bank Accounts opening Mandatory Savings Record keeping (Financial, beneficiaries and meetings record	PO's capacity building to train their field Staff Community management skills trainings for CIs (old and new) Exposure visits to of CIs to visit different SM models Experience & learning sharing workshops among partners organization Financial Management and literacy trainings for CIs.	Ensure Community Plans (VDP and UCDP) with participatory approach CIs capacity building on specific SDGs Capacity Building on Socio-Economic Framework Identification and trainings of Institutional CRPs to train them as an extend arms of Third Tier Organizations i.e. Community Facilitators, CBRDRM, Financial Literacy, Gender and Leadership, ESM, Financial Management and procurement , O&M and youth champions, etc Rural Connectivity and Best Practices Strategic Planning Exercise at Third Tier Organization level Development of systems and procedures for Third Tier Organizations Capacity Building around Values, Governance and Management at LSO Stakeholder workshops and show & tell events (for i. Linkages ii.Sharing iii. Projections) Trainings on linkages development and proposal writing by LSOs	Youth engagement through sports and economic activities Awareness on Open Defecation Free Villages Awareness raising campaigns (nutrition, health, dengue, polio vaccination, Immunization, children enrollment and WASH) Basic Civic rights (right to vote, right to education & access to justice etc.) Inter Provincial Exposure Visits on Peace, pluralism and inter provincial harmony	Developing networks of community institutions, CRPs and local stakeholders Become part of local level associations Tehsil and district level networks of LSOs	Proposal Development for LSOs Ensuring visibility, sharing and projection of community institutions Linkages with public and nongovernmental organizations Access to external resources / resource mobilization Exposure to other best practices and models

Inclusion — Participation — Governance — Accountability — Environment

Cross Cutting Themes

4. Trainings:

Basic business orientation training: Basic orientation of business and financial literacy trainings ensure productive utilization of assets and enables asset beneficiaries to keep basic record of assets and its associated enterprises. The asset beneficiaries are members of community organizations as well. These training are an important element of the graduation program. Whereas, asset transfer provides instant boost to the economic conditions of the beneficiaries, training and capacity-building ensure sustainable livelihoods. These trainings are around identifying business opportunities, resource mobilization, market analysis, personal entrepreneurial competencies, business feasibility, elements of marketing, business linkages, basic Information about costing, simple book keeping and simple business planning.

Financial Literacy: The Financial Literacy Training (FLT) devised by the State Bank of Pakistan is embedded in PPAF's social mobilization and livelihood framework. The purpose of FLT is to impart knowledge and understanding of basic financial concepts, products and services to enable better economic decisions. FLT's main purpose is to help its participants understand how to manage their money along with their rights and responsibilities in order to utilize the system and improve their living standards. Its pictorial handbooks and activity-based workshops are geared to the learning capacity and situations of its target audience, many of whom may be functionally illiterate. The training covers following areas: Budget, Saving, Debt Management, Sources and types of financial services, Rights and responsibilities of Consumer.

Assets management training: This type of trainings concentrates on technical aspect of assets. Unlike the above two, these are more structured training and normally involve expert from relevant sector or technical training institute. However, in certain cases apprenticeship training is also accommodated under this particular category. The above trainings are given to selected members of households identified through Livelihood Investment Plans. Special trainings for beneficiaries of asset transfers on enterprise/marketing training are also organized. Beneficiaries interested in initiating enterprises are provided with trainings related to basic business /enterprise development and marketing. In order to ensure sustainable availability of Business Development Services at the UC level, local CRPs can be trained to conduct these trainings.

Functional literacy/basic numeracy: Functional illiteracy is reading and writing skills that are inadequate "to manage daily living and employment tasks that require reading skills beyond a basic level." PPAF will include functional literacy and numeracy trainings for those CO members who require some capacity enhancement to access employment opportunities or develop enterprises.

Enterprise Development Training: The training consists of basic concepts of entrepreneurship and knowledge of business planning essential for the success of an entrepreneur involved in micro businesses. Basic concepts of entrepreneurship and knowledge of business planning essential to the success of the entrepreneur of a small business are covered including the preparation of a specific, comprehensive business plan tailored to the entrepreneurial needs, develop an understanding of risk management and income diversification, understand saving as a life skill for individual livelihood and business improvement.

5. Asset Transfers

Tangible Asset Transfers: Households with a score between 0-16.17 on the PSC, including BISP beneficiaries, and those who have demonstrated entrepreneurial competencies will be provided with a combination of asset transfer along with training on skill and business development related to the asset, for a maximum cost of PKR 50,000 per household. The broad categories of assets to be provided to targeted households are Productive Assets (e.g. Livestock, poultry, grocery /agri input stores, machines, tools, carts for transportation, Agri- inputs, etc.), assets that contribute in nutrition of the household's members such as kitchen gardening, additional support can include (e.g. Micro Health and life insurance options; insurance of livestock and other assets, health support, consumption allowance, Cash for work); and associated Capacity building (e.g. assets management training/Enterprise Development Training, life skills, marketing, exposure visit, etc. as needed). Past PPAF experience shows that the bulk of assets are selected in the following 6 categories: livestock (54%), small businesses (34%), workshop tools and equipment (6%), transportation (3%), agricultural inputs (2%) and fruit and vegetable carts (1%). Continuous livelihood counselling support is provided to encourage and support the households to come out of the poverty trap by investing their resources and time in economically beneficial activities. After 10 to 18 months (after the completion of the transfer of productive assets), graduation surveys will be conducted to determine the number of households graduating through this program.

Intangible Asset Transfers: Vocational trainings are provided to poor in order to enhance their employability, with a particular focus on youth from the remote areas (both uneducated as well as those who cannot pursue higher education due to various reasons) by equipping them with the skills required in the local, national and international market. Based on the analysis of demand in these markets, skill trainings are provided in various trades. Trainings for such trades are decided based on market analysis as well as on the basis of training facilities available in the technical and vocational trainings centers in the country. Members of the beneficiary households in the productive age group are given appropriate type of vocational, skills or technical training to enhance the income/employability of people from poverty stricken areas by equipping them with marketable skills. Before selecting trainees for a particular type of training, PPAF ensures that the PO carries out a rigorous training needs analysis of the nominated community members, proper counselling and coaching regarding skill trade selection and the potential for utilization concentrating mainly on improving livelihoods and enhancing productivity. Participants for such trainings are identified through Community Institutions. These trainings are done through apprenticeship, on job training/attachment in any industrial units, through local ustads/ resource persons and workshop trainings in training institutions or by local resource persons

6. Access to Finance:

Prime Minister's Interest Free Loan: Under the Scheme PPAF manages access to finance through the Prime Minister's Interest Free Loan Scheme (PMIFL) – initiated by the Government of Pakistan in 2013. The programme focuses on areas where microfinance penetration is low and aims to foster graduation from interest free loans and safety net programmes towards interest bearing microfinance. PMIFL is targeted for individuals between 0 and 40 on the poverty scorecard as they may not be eligible for conventional market based microfinance. It is a revolving fund under which each loan is recycled atleast 3-4 times during the programme cycle. Loans are given for productive purposes-for generation of income to support existing enterprises (livelihoods) as well as set up new ones. Average loans of $200 per borrower are given for poultry, fish farming, petty trading, agriculture inputs for crops, vegetables and fruits, manufacturing/light engineering, handicraft making. Under the PLUS dimension of the PMIFL Scheme, business advisory services and trainings are provided to the borrowers to guide and counsel end beneficiaries towards productive enterprises.

Conventional Microfinance: Given the needs of the microfinance sector, PPAF spin-off its Financial Services group that managed PPAF's microfinance component into a new independent Microfinance Apex entity (PMIC). The new PPAF entity established in equity with DFID and KfW is the first Microfinance Investment Vehicle (MIV) in the world registered as an Investment Finance Company under the Non-Banking Financial Company's rules of Securities and Exchange Commission of Pakistan (SECP). The mission of PMIC is to provide financial and institutional services to strengthen and scale-up provision of sustainable and responsible access to finance to individuals, micro entrepreneurs and micro enterprises in Pakistan to enhance employment and income opportunity for economically poor and underserved citizens and improve the lives of the poor.

In order to promote sustainability, growth and expansion of business enterprise and develop market linkages the PMIFL borrowers will be provided access to conventional microfinance through Pakistan Microfinance Investment Company (PMIC) to enable the transitorily non-poor (PSC above 35) to graduate out of poverty. PMIC and PPAF would promote access to microfinance and financial services to clients graduating from the PMIFL and other grant based programs that have established their businesses and are seeking a larger and market based financing opportunities.

7. Building Exit into Entry:

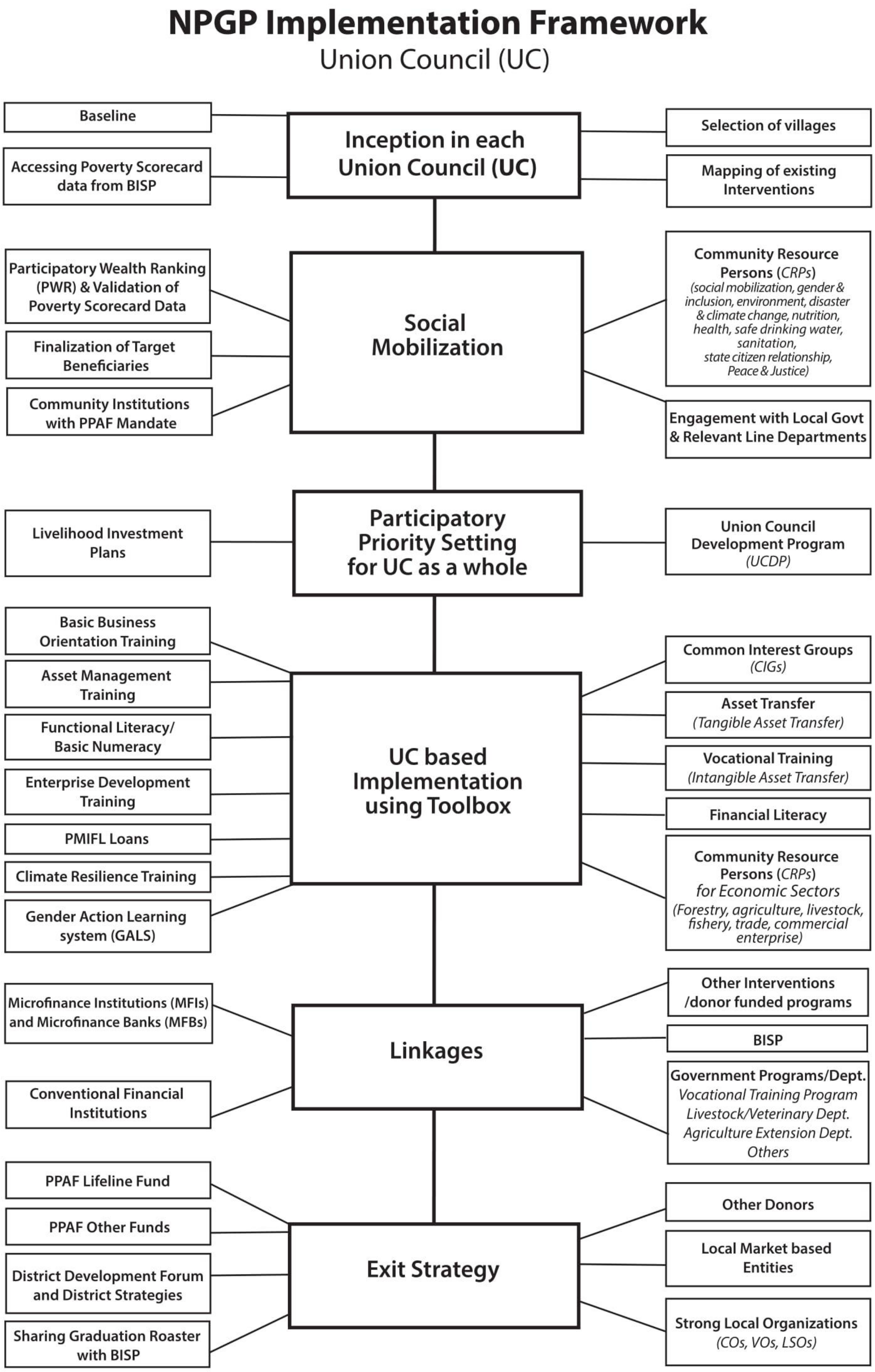
Developing Market Entities:

Common Interest Groups: Based on the identified value chain in program districts, PPAF supports establishment and strengthening of platforms to promote economic activities namely, Common Interest Groups (CIGs) where community members may engage in collective buying, selling and production. In one way this is re-orientation of community institutions from focusing on the public goods towards enhancing economic gains by creating a tangible and critical mass to improve negotiating powers. Primarily, a CIG is constituted of members that are involved in the same business enterprise and related activities that support these or/and are part of the supply/value chain of an enterprise. Common Interest Groups (CIGs) are supported to mature into vibrant and sustainable Production Centers (PCs). After identifying those households that deserve support, CI members play an active role in assisting the households to commit to ways in which they can improve their incomes, reduce expenses, and enhance the quality of life for all members of the household. The CIGs are expected to contribute towards increasing the bargaining power of the poor; creating economies of scale through collective purchases and coordinated marketing; developing linkages with the markets and public sector service providers, and reducing vulnerability of the poor through support mechanism and making these small enterprises part of the larger supply/value chain. Village and UC level livelihood plans provide the basis for decision regarding enterprise of CIGs to be formed in the areas. Over time these CIGs form apexes at UC level and graduate as local associations or Production Center (PC). This forum helps in enhancing income of the poor by: increasing his bargaining power, creating economies of scale through collective purchases and coordinated marketing; and developing linkages with markets and public sector service providers. Specific trainings manuals are used to build the capacity of CIG members. An important activity under the Common Interest Groups includes productive backward and forward linkages with markets and other institutions. Initially for NPGP the funding needs would be met through IFL, especially to those organizations that fulfill the criteria, once CIGs are strengthened and mature they would be able to access financial recourses through commercial and financial institutions including MFIs independently and directly.

Production Centres: As a Common Interest Group (CIG), the Production Centers (PCs) serve as a formal or informal enterprise group, where individuals specialize in similar on-farm or off-farm businesses. The members of this CIG benefit due to bulk buying, selling or marketing, or through common production, access to training or technology or storage facility. Such groups (comprising 15 – 20 members (m/f) willing to work together on a single trade (must be LEP beneficiary group with PSC: 0-18-23); PCs' viability and practicability must be assessed before the intervention) could assist in revitalizing existing resources, including agriculture, livestock and arts and crafts. This also includes: Training need assessment of the beneficiaries; linkages to trainers (individuals or organizations); Provision of Skills Training and EDTs; Design of the complete value chain; production process and cycle; Setup an input supply shop (where appropriate); Setup market place (where appropriate); Produce Social Entrepreneurs for linking products and services to local, national and international markets; Facilitate the PCs in market linkages (local, national, international or virtual through e-commerce.

Employment or Enterprise Centres (Naukri ya Karobar (NYK) Centres: NYK is a unique employment promotion service because it combines both self- and wage-employment services along with skill enhancement opportunities. The Naukri Ya Karobar (NYK) is the first homegrown, non-profit employment promotion agency for the people in underprivileged and rural masses; it the first of its kind local recruitment center that is being run by local representatives offering its services to the for-profit market. The main activities undertaken by the Naukri Component of the NYK include: Establishment of a Management Information System (MIS) and online portal that will provide information about potential employers and employees, Capacity Building Services at NYKs for job seeker youth, Capacity Building by PPAF for PO, LSOs and NYK Staff, Activities such as job fairs, linkages, exposure visits that would educate and inform about potential options and opportunities, Branding, promotion, documentation and creation of an Alumni Association.

At the UC level the implementation framework will be:


NPGP Implementation Framework
Union Council (UC)
Baseline
Accessing Poverty Scorecard data from BISP
Inception in each Union Council (UC)
Selection of villages
Mapping of existing Interventions
Participatory Wealth Ranking (PWR) & Validation of Poverty Scorecard Data
Finalization of Target Beneficiaries
Community Institutions with PPAF Mandate
Social Mobilization
Community Resource Persons (CRPs) (social mobilization, gender & inclusion, environment, disaster & climate change, nutrition, health, safe drinking water, sanitation, state citizen relationship, Peace & Justice)
Engagement with Local Govt & Relevant Line Departments
Livelihood Investment Plans
Participatory Priority Setting for UC as a whole
Union Council Development Program (UCDP)
Basic Business Orientation Training
Asset Management Training
Functional Literacy/ Basic Numeracy
Enterprise Development Training
PMIFL Loans
Climate Resilience Training
Gender Action Learning system (GALS)
UC based Implementation using Toolbox
Common Interest Groups (CIGs)
Asset Transfer (Tangible Asset Transfer)
Vocational Training (Intangible Asset Transfer)
Financial Literacy
Community Resource Persons (CRPs) for Economic Sectors (Forestry, agriculture, livestock, fishery, trade, commercial enterprise)
Microfinance Institutions (MFIs) and Microfinance Banks (MFBs)
Conventional Financial Institutions
Linkages
Other Interventions /donor funded programs
BISP
Government Programs/Dept. Vocational Training Program Livestock/Veterinary Dept. Agriculture Extension Dept. Others
PPAF Lifeline Fund
PPAF Other Funds
District Development Forum and District Strategies
Sharing Graduation Roaster with BISP
Exit Strategy
Other Donors
Local Market based Entities
Strong Local Organizations (COs, VOs, LSOs)

Annex 1: Social Mobilization & Institutional Development Key Topics

Social Mobilization

- The concept and dimensions of poverty
- Development and its approaches
- The training cycle
- The historical background of social mobilization
- The concept of CRPs, identification and capacity building
- Work plan development for CRPs
- Role and responsibilities of CRPs
- Programme introduction for community organization formation
- What, why and how community organization?
- The concept of village organizations
- The concept of local support organizations
- Productive linkages and resource mobilization
- The role of CRPs in conflict resolution
- The concept of motivation and CRPs
- The role of CRPs in gender and development

Financial Management for Community Institutions

- The concept, need and importance of bookkeeping/record keeping
    - Financial record keeping
    - Non-Financial record keeping
- The concept of procurement and purchase committee
- Record Keep at CIs level
    - Record keeping at CO level
    - Record keeping at VO level
    - Record keeping at LSO level
- The concept and principles of financial management for illiterate members of CIs

Union Council Development Plan

- The concept of poverty, its different dimensions and basic concepts of development.
- Introduction to Livelihoods opportunities, vulnerability and sustainable sectors
- The broader and limited aspects of development (at country, district, UCs and household levels)
- The philosophy of PPAF
- Role of community based institutions and their members in developmental planning
- Social and economic problems and issues at union council level
- The concept of problem tree analysis, need prioritization and its identification
- Analysis of available, required resources and solution tree
- Introduction to the concepts of moving upward from problems to sustainability.
- The need and importance of UC development plan
- The concept, procedure and technique of preparing a developmental plan at UC level
- Practical demonstration and simulation of developmental plan at union council level.

Employment or Enterprise (Naukri Ya Karobar) Centres (NYK)

- Concepts of NYK Model
- Concept of Livelihoods Jobs & Enterprises
- What, Why and How NYK

Formation & Strengthening of Common Interest Groups (CIG)

- The concept of CIG
- Difference between CI and CIG
- What, Why and How CIG
- Concept of enterprise development and Value chain

Setting up Youth Centers
- Introduction of Youth centers
- Goals , Objectives and management of YCs
- Developing and implementing social action plan
- Planning and proposal writing & YC action planning

Enterprise Development Training
- Basic Concepts
- Feasibility and Business Plans
- Costing and price determination

Mainstreaming Disability in Development Programming
- Basic Concepts and Models of Disability
- Disability and its movements
- Disability and Development
- Action Plan

Disaster Climate Change Resilience and Mitigation

- Concepts of CBDRM
- Disaster Risk Management
- Basic search & rescue, evacuation,
- Emergency health care/First-aid,
- Food Security & Livelihood
- DRR integration, CC resilience & adaptation
- Firefighting,
- Need and importance of community based Early Warning Systems.
- Need and importance of preparedness, resilience and mitigation, Community level. DRR plan
- Hazard vulnerability and capacity assessment
- Roles and Importance of establishing Disaster management committees (UCDMC) & Union Council Emergency Response Teams (UCERT) in each UC under the umbrella of existing local institutions.
- Coordination and linkages with DDMA, PDMA and other stakeholders.
- Identification of safer routes and places in case of any emergency if evacuation is needed.
- Environmental and social management framework
    - Role of Partner organization in Environmental and social management practices
    - Role of CIs &CRPs Environmental and social management practices

Nutrition CRPs

- Hand Washing before and after five daily habits and its link towards prevention of infectious disease, leading to improved health and nutritious status of community.

- Clean drinking water - Cleanliness at the level of water source, at storage level and at the time of utilization leading towards prevention of intestinal infection and thus preventing undernutrition.
- Household level method of water purification for drinking purpose and its link with intestinal absorption of nutrition, leading to improved nutritious status.
- Awareness regarding hazards of open defection, importance of latrine and its utilization and its link with repeated diarrhea, leading to undernutrition.
- Importance of balanced diet during pregnancy thus preventing underweight newborns.
- Awareness regarding prevention of anemia during pregnancy and its impact on mother’s and child’s health
- Exclusive breastfeeding for the first six months of life, fulfilling nutritious requirement of newborn.
- Importance of Child Immunization which in turn prevents communicable disease among children, resulting in better food absorption.

Gender CRPs

Beyond PPAF’s inclusion mandates which apply in allow programmes, Gender CRPs for the NPGO will be trained in the GALS methodology for further community mobilization, gender mainstreaming and higher levels of socio-economic empowerment.

Appendix 5: Institutional aspects and implementation arrangements

A. Institutional Analysis:

8. Pakistan Poverty Alleviation Fund (PPAF) is the lead apex institution for community-driven development in the country. Set up by the Government of Pakistan, as an autonomous not-for-profit company, PPAF was registered in February 1997 and operations commenced in the year 2000. PPAF works as a private sector organization in support of public policy to serve the poorest and most marginalised rural households and communities across the country providing them with an array of financial and non-financial services.

9. The Articles of Association of PPAF prescribe a three-tier governance structure, comprising a General Body, a Board of Directors and a management team headed by the Chief Executive.. PPAF is governed by a Board of Directors which consists of twelve members, out of which three are nominated by the Government from among Government-nominated members of the General Body, and eight are elected by the civil society members of the General Body (four each from NGO/Partner Organization category of members, and the academic/professional/business category of members). The main responsibility of the Board is to determine the direction and scope of activities of the Company. PPAF also consists of a General Body that is intended to consist of 30 members out of which 8 members are nominated by the Government and the remaining 22 members represent civil society. The General Body of PPAF has been vested with powers to give overall policy guidance; consider the financial statements of the Company; peruse the annual budget approved by the Board of Directors; consider the annual report prepared by the Board of Directors; and appoint auditors. A Chief Executive is responsible for the day-to-day management of the Company and is assisted by a Chief Operating Officer and the management team.

10. ***Federal and Provincial Level:*** Economic Affairs Division (EAD) is the focal agency at the Federal level for all foreign loans and grant funded assistance and is a counterpart Ministry for IFAD at the Federal Level. PPAF will be responsible for implementation of the NPGP activities through POs under supervision of IFAD through regular Implementation Support Missions (ISMs). POs have regular interface with provincial Governments and concerned authorities at district level to ensure smooth programme operations.

11. PPAF's approach (which is highly pertinent to NPGP programme objective and interventions) is based on its experience of community-driven development, the core of which is to develop and strengthen institutions of the poor at hamlet and village levels, and federating them up to the Union Council level. This process empowers communities to seek solutions to their development problems, leading to greater resilience and improved quality of life. PPAF aims to ensure that its core values of social inclusion, participation, accountability, and sustainability are built in to all it processes and programmes. CDD promotes a culture of government-community-civil society partnership that views local communities as development partners in their own right, rather than as simply recipients of benefits through public expenditure.

12. PPAF has the largest network of partner organizations and geographical outreach in Pakistan; and its partners have their presence in most of the proposed project districts. One of the key reasons for the success of the organization is its well-established procedures for implementation of its activities through its Partner Organizations. In addition, PPAF has had long standing relationships with most of the Partner Organizations that were used to implement the projects and has helped to build its own and its partners' capacity to comply with the financial management, environmental and social safeguards required under the project. PPAF partners can be classified into large, medium and small categories in terms of their capacity, size of portfolio management and sectoral expertise. Some of the partners have national level presence like NRSP, HDF, etc. while other RSPs have provincial level outreach. The social capital (COs and VOs)created and investments made in human development

through these efforts are invaluable resources to leverage the project implementation including validating the beneficiary targeting and CDD procurement through its existing community institutions and where required some new community intuitions will also be formed.

Overall Capacity Assessment:

13. Since its inception, PPAF has an outreach to across 130 districts of the country, supporting communities to access improved livelihoods, micro-finance, infrastructure, energy, health, education, , and build resilience to disasters. PPAF has invested in developing the capacities of our 130 implementing partners (civil society organizations), around 120,000 organised community groups, 440,000 community credit groups, 11,800 village organisations, and over 800 union council level federations to date. To date, PPAF has disbursed USD 2 billion through grants and financial services to effectively respond to evolving community needs in nearly 2,000 Union Councils through our network of partners.

14. Economic Affairs Division (EAD) is the focal agency at the Federal level for all foreign loans and grant funded assistance and is a counterpart Ministry for IFAD at the Federal Level. PPAF will be responsible for implementation of the project activities through its POs under supervision of IFAD through regular Implementation Support Missions (ISMs).

15. The programme implementation will start immediately as institutional and sectoral capacities are available both at PPAF, POs and communities level for efficient and effective execution of NPGP interventions.

16. ***Human Resource Capacity.*** PPAF has gradually expanded its expertise in order to manage a growing micro-finance, rural development and social sector programme. PPAF's senior management has considerable experience of multi-sectoral rural development and poverty alleviation programmes. PPAF's senior management understands the key dimensions of the Programme related to poverty graduation through customized support to the ultra-poor and poor households with assets transfer, trainings and micro-financing. PPAF has well-structured multi-sectoral operational units headed by the General Managers in the areas of Livelihoods, Community Physical Infrastructure, Poverty Reduction & Rural Development, Hydro & Renewable Energy and Interest Free Loans. The existing expertise and experience in the related fields can play vital role in maximizing the outcomes of NPGP. PPAF management has strong relations with financial institutions, Govt. of Pakistan, partner organziations and other stakeholders that can be leveraged further in the effective delivery of the NPGP interventions.

17. *Financial Capacity*. PPAF has demonstrated sufficient financial management capacity to implement NPGP and the programme is expected to have a positive net benefit for the target beneficiaries, community institutions, partner organizations and PPAF. PPAF has managed mega projects funded by World Bank and other multilateral donors. PPAF-III, project which was completed recently in March 2016, had the total budget of US$ 230 million out of which the components having similar interventions were comprising of around 50% of the total project budget. The current donor-supported grants portfolio managed by PPAF is worth approximately USD 25 million annually with another USD 5 million annually that comes from PPAF's own resources.

18. The Pakistan Poverty Alleviation Fund has played a critical role in sector development specifically in livelihood and microfinance by providing an impetus to the sectors through increasing implementation and absorptive capacity of local and national NGOs, by fostering the entry of new players and by providing financing for the exponential growth in the sectors. The organizations that PPAF supported under micro-finance and livelihoods provide more than 60% of the total coverage in the sector today. Without its support many of its partner organizations would not have been able to emerge as potential leaders in the field of poverty alleviation. Many are now poised for rapid growth and are expected to be key vehicles of poverty graduation in the country.

19. Overall 40 POs will be selected though competitive procurement process. Out of which 25 POs will exclusively be responsible for assets transfer component while remaining 15 POs will implement IFL. POs having relevant sectoral expertise and experience, already present or having ample capacity to immediately start programme interventions in the NPGP proposed districts would be given preference. There may be an overlap of 5-6 partners which are involved in both the grant activities and the interest-free loan scheme. PPAF enters into contractual agreements with its POs and implementation plans are developed upon signing of the agreement. Through these POs, outreach will be established with community organizations at hamlet, village and UC level within the 372 UCs identified. POs will work through approximately 2,976 village organizations and 372 UC–level local support organizations to access where necessary up to 29,760 hamlet level organizations, for identification of beneficiary households (asset transfers and skills training), and implementation of the programme activities.

20. **POs General Eligibility Criteria:** All those NGOs, RSPs, Microfinance Institutions (MFIs), CBOs, private sector institutions and entities that are involved in the work of poverty alleviation can be considered as partner organizations of the PPAF. In order to be eligible for support from the PPAF, POs have to meet the following eligibility criteria established by the Board of Directors of the PPAF:

- The potential partner organization must be registered under one of the existing registration laws of Pakistan. Preference will be given to organizations registered under the Voluntary Social Welfare Agency Ordinance 1961, the Societies Registration Act 1860, Trust Act 1882, or Section 42 of the Companies Ordinance 1984.
- In order to be eligible to work in any of the areas of PPAF assistance it must have a proven track record of at least two years in the sector(s) and geographical area(s) for which it has submitted a proposal.
- It should be involved in participatory development at the grass-roots level, have the capacity to expand its outreach and have a well-developed strategy and work plan for the future.
- The sources of present funding should be transparent. The organization must have a proper accounting system supported by balance sheets and profit and loss account statements or income and expenditure statements with the minimum requirement of a cash-book supported by a bank statement.
- The organization must have a system of internal controls and external audits, in accordance with the relevant laws of its registration, with audit scope acceptable to the PPAF and annual audits by a reputable Chartered Accountant firm. It should be willing to accept mandatory external audits by a firm of Chartered Accountants acceptable to the PPAF.
- The organization must be financially sustainable, or on the path to sustainability. In this regard, it should have a realistic business plan for achieving self-sufficiency, and show steady progress towards that goal.
- The organization should have good and strong governance, emphasizing accountability and transparency.
- The management structure should be strong at all levels, including the national and field levels.
- The organization should not be political, discriminatory, ethnic, sectarian or exclusionary in nature.

21. **Activities, Goods and Services Ineligible for PPAF Financing:** The PPAF will, under no circumstances, provide grants or loans for the following activities:

- Property/ Real estate development (except for housing finance as per PPAF requirements)
- Commercial construction
- Hazardous toxic waste, plastic bags, radio-active material
- Deforestation
- Explosives, armaments, ammunition
- Cultivation/ processing of poppy and/ or other prohibited varieties
- Alcohol processing, marketing and sale

- Poaching/ hunting
- Informal cross-border trade
- Pesticides/insecticides, chemicals banned under GoP and/or WHO regulations
- Dams with height more than 10m (except at PPAF discretion)
- Open drains
- Drainage system without safe waste disposal mechanism
- Purchase of land
- Reconditioned, used vehicles/equipment
- Any other item considered luxurious by PPAF management

22. **Organizational Setup:** Pakistan Poverty Alleviation Fund (PPAF) acts as an Apex Organization carrying out programmes through 130 Partner Organizations (POs) 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 of infrastructure, health and education, livelihood, and microfinance.

23. PPAF has a lean management structure realizing its objectives through maximizing efficiency and productivity. There are several distinct components of the Fund reporting to the Chief Executive Officer. PPAF functions/units are organized in 3 Groups namely Grant Operations Group, Compliance and Quality Assurance Group and Financial Management & Corporate Affairs Group. The CEO Secretariat, Human Resources and Procurement Units report directly to the CEO. The Internal Audit Unit reports to the Audit Committee of the Board of Directors and for administrative purposes it reports to the CEO. Under Grants group, there are six programme implementation units that constitute the operational components of PPAF. The implementation units are headed by the General Managers. The implementation units include; Institutional Development, Training & Capacity Building (IDTCB), Livelihood Support & Promotion of Small Community Infrastructure Project, Poverty Reduction through Rural Development Unit (PPR), Interest Free Loan (IFL), Hydro & Renewable Energy (HRE), PPAF-Own Resources Projects To provide accelerated and enhanced support to the communities and POs of Balochistan, PPAF has also established a liaison office in Quetta with few staff for coordination with the Govt. departments and the POs.

24. PPAF supports the Government’s social protection programme by providing a poverty graduation approach for the poorest households in over 1,600 of the 6,000 Union Councils in the country. It assists ultra or very poor household (as per poverty scorecard score 0-23) to lift them 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 through Prime Minister’s Interest Free Loan 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.

25. The Ministry of Finance acknowledges the contribution of PPAF to achieving overall growth and poverty alleviation objectives in Pakistan's Economic Survey on an annual basis. The specific coverage and outreach of PPAF is highlighted as an integral part of the Government's social safety net programmes.

26. PPAF has the largest network of partner organizations and geographical outreach in Pakistan and its partners have their presence in most of the proposed project districts. The programme implementation will start immediately as institutional and sectoral capacities are available both at PPAF (including the proposed Programme Management Unit) level and at POs level to expedite NPGP execution. Under World Bank Funded PPAF-III project, almost all the grant based partners were expert in Institutional development and livelihoods implementation. Similarly, Prime Minister's Interest Free Loan Scheme is also being implemented by PPAF wherein disbursement of 283,000 interest free loans to eligible households has been done as of March 2017. Some of the partners have national level presence like NRSP, HDF, etc. while other RSPs (such as BRSP, PRSP, SRSP, AKRSP and SRSO) have provincial level outreach.

27. **Implementation Arrangements: Roles and Responsibilities, Rationale and Approach:** The implementation of programme activities will be spear-headed by a fully functional Programme Management Unit (PMU) in PPAF with a strategic oversight by the Steering Committee. The implementation approach of NPGP is based on a successful three-tier community-driven development model in Pakistan, the core of which is to develop and strengthen institutions of the poor at hamlet and village levels, federating up to the Union Council level, to be the main articulators of community development needs and interlocutors for the delivery of development interventions. The process is aimed at empowering the rural communities to proactively engage with government non-government development agencies and seek solutions to their development problems. NPGP will benefit from

PPAF and its partner RSP's values of social inclusion, participation, accountability and sustainability. PPAF has the largest network of local partner organizations (130 civil society organisations), spread across the country, through which it implements its programmes. All of PPAF's current partners have been through a rigorous two-stage appraisal process to ensure that they are aligned with the set of criteria for partnership that is detailed in PPAF's Operational Manual. For new programmes, PPAF extends a call for proposals and hires third party firms to undertake the first stage appraisal, and a combined team manages the in depth review and appraisal of shortlisted applicants. The same process will be used for the IFAD programme.

28. NPGP implementation will follow PPAF's and its partners' well-tested and effective social mobilization methodology which allows the rural poor to actively participate in the process of development. The three tier social mobilization model consisting of COs, VOs and LSOs has taken a firm root in Pakistan with approximately 200,000 COs established in all parts of the country.

29. Within a Union Council, PPAF and partners aim to build up to at least 65% representation of all households within the UC, through a process of social mobilisation and institutional development at the hamlet level (community organisations COs), federating up to village (village organisations VOs) and finally to Union Council levels (third-tier organisations TTOs). Representation of communities in participatory planning and development activities is thus ensured. A further institutional requirement is inclusion – with expectation that 60% of CO member households are defined as poor (under 23 on the poverty score card), and that 50% of representation within COs is of women.

30. Poverty score-card surveys of households at revenue village and Union Council level are conducted (or BISP data utilised) to establish approximate percentages of households between 0-11, 12-16.17, 16.18-18, 19-23 and 24-40 on the PSC. Within the ambit of these community organizations, and through proven participatory approaches, the BISP poverty score-card offers an effective tool to target the ultra and vulnerable poor in a credible manner.

31. Strong and sustained mentoring and coaching allows for capacity development within households to identify the best package of interventions that suit their capacities and needs to enable them to move out of poverty sustainably.

Economic Affairs Division:

32. At the federal level, the Economic Affairs Division (Ministry of Finance) will be the main coordinating body for the IFAD Financing Agreement on behalf of the borrower and will facilitate subsequent programme supervision and review. Joint Secretary WB/ADB/UN will be the main focal person in this regard.

Lead Executing Agency:

33. Pakistan Poverty Alleviation Fund will be the lead agency responsible for execution of the programme. PPAF is an apex development sector organization working through implementing partners in the poorest districts of Pakistan. PPAF is a public-private partnership registered as a not-for-profit under Section 42 of the Companies Ordinance, 1984, accountable to the Securities and Exchange Commission of Pakistan. During the last 16 years, PPAF has achieved outreach and scale in terms of geographic coverage and expertise across a variety of thematic components. The organization works through a collaborative model of community-driven development (CDD), and has invested in developing the capacities over 140,000 community organizations (COs), 440,000 community credit groups, 11,926 village organisations (VOs), and 639 union council based organizations (UCBOs) to date. PPAF has disbursed USD 2 billion in the past 16 years through grants and financial services to effectively respond to evolving community needs. PPAF has often been requested by the government and Army to enter conflict-affected / no-go areas for supporting development activities, and it has easy access and outreach across the country. In 2016 PPAF spun-off its microfinance component into a separate for-profit entity called the Pakistan Microfinance Investment Company. PPAF's current microfinance portfolio is now being managed through PMIC.

The current donor-supported grants portfolio managed by PPAF is worth approximately USD 25 million annually with another USD 5 million annually that comes from PPAF's own resources.

34. There will be a dedicated NPGP programme management team within PPAF responsible for planning, coordination, implementation, monitoring and reporting. Support and oversight mechanisms will also be provided from other units including Monitoring and Evaluation, Communications and Media, Finance, Procurement, etc. The PPAF Board of Directors approves the annual plans and budgets for the PPAF programme and play the same role for NPGP annual plans.

35. **Governance Structure:** PPAF is an independent legal entity under the Companies Ordinance 1984. The Articles of Association of the PPAF give it full authority to enter into contracts, recruit staff on a competitive basis, and establish its own personnel and operating policies and procedures, including procurement and disbursement. The Securities and Exchange Commission of Pakistan, the Federal Board of Revenue, the Employees Old Age Benefits Institution and other relevant authorities mandated under the law of the land for specific purposes regulate the affairs of the PPAF. The Articles of Association of the PPAF prescribe a three-tier governance structure comprising of a General Body, Board of Directors and a Management Team headed by a Chief Executive Officer (CEO). The Board is supported by three Committees; (i) Audit Committee; (ii) Risk Oversight Committee; and (iii) Compensation Committee of the Board.

36. **Organizational Structure:** Since the spin-off of the microfinance arm into a separate for-profit subsidiary (Pakistan Microfinance Investment Company) PPAF functions/units are organized in 3 Groups namely Grants Group, Compliance and Quality Assurance Group and Financial Management & Corporate Affairs Group. The CEO Secretariat, Human Resources and Procurement Units directly report to the CEO. The Internal Audit Unit reports to the Audit Committee of the Board of Directors and for administrative purposes it reports to the CEO.

37. **Programme Operations:** The operational activities of the programmes are mainly governed by a Comprehensive Operational Policies Manual of the Company updated from time to time and duly approved by its Board of Directors. The work and activities of core support services i.e. Finance and Accounts; Human Resource; Administration; Procurement; Communication and Media; Corporate Relations Management; Internal Audit; and Environmental and Social Management are governed by their respective manuals and technical guidelines.

38. **Project Supervision:** The project will be directly supervised by IFAD through fielding of Implementation Support and Supervision Missions led by the IFAD and composed of various experts, consultants or other IFAD HQ staff whose profile will be determined on a case-by-case basis upon analysis of Programme specific needs at the time of each mission. At least two supervision missions will be organized each year to assess overall progress and performance, gaps and constraints, with particular attention on fiduciary aspects, private sector linkages, and identify the necessary implementation support requirements. Ideally, at least one Supervision Mission per year should be organized.

39. **Steering Committee:** A steering committee comprising of CEO and Group Heads, will be constituted to provide overall policy and administrative oversight and direction, in accordance with the Financing Agreement with IFAD. The steering committee will also review the project implementation status on fort-nightly basis. The committee will share its recommendations for immediate corrective action to ensure smooth implementation of the project activities.

40. **NPGP Management Unit**: A dedicated NPGP Management Unit will be established within PPAF, headed by a Project Manager (PM). Reporting to the Group Head Grant Operations, the PM will be responsible for the delivery of all aspects of the programme. The PM shall be recruited/appointed through a rigorous recruitment process. PPAF is an equal opportunity employer and employee retention is a key focus of HR. PPAF uses a robust performance based management system with measureable Key Performance Indicators. Believing in gender equity at its workforce, PPAF has taken affirmative initiatives resulting in a very high women staff ratio of 30% as compared to the market

average of 10%. The PMU will include sector specialists, PO relationship managers, and support staff with a total of 31 staff expected to be housed herein. The Unit will have its own designated office within PPAF HQ in Islamabad and adequate provision of equipment and mobility to perform its functions effectively.

41. The PM shall be recruited/appointed through a rigorous recruitment process. PPAF is an equal opportunity employer and employee retention is a key focus of HR. PPAF uses a robust performance based management system with measureable Key Performance Indicators. Believing in gender equity at its workforce, PPAF has taken affirmative initiatives resulting in a very high women staff ratio of 30% as compared to the market average of 10%. The PMU will include sector specialists, PO relationship managers, and support staff with a total of 31 dedicated staff expected to be housed herein. The Unit will have its own designated office within PPAF HQ in Islamabad and adequate provision of equipment and mobility to perform its functions effectively.

42. **Key Implementing Partners:** PPAF has the largest network of partner organizations and geographical outreach in Pakistan and its partners have their presence in most of the proposed project districts. One of the key reasons for the success of the organization is its well-established procedures for implementation of its activities through its Partner Organizations. In addition, PPAF has had long standing relationships with most of the Partner Organizations that were used to implement the projects and has helped to build its own and its partners' capacity to comply with the financial management, environmental and social safeguards required under the project. PPAF partners can be classified into large, medium and small categories in terms of their capacity, size of portfolio management and sectoral expertise. Some of the partners have national level presence like NRSP, HDF, etc. while other RSPs have provincial level outreach that demonstrate readiness of PPAF and its POs to immediately mobilize programme operations of NPGP. Although PPAF has 130 POs across Pakistan including NRSP and other RSPs in all the provinces and regions yet selection of POs for NPGP will be done through a competitive process. Following is the brief capacity analysis of PPAF's large and medium sized POs that would play pivotal role in smooth and efficient execution of NPGP.

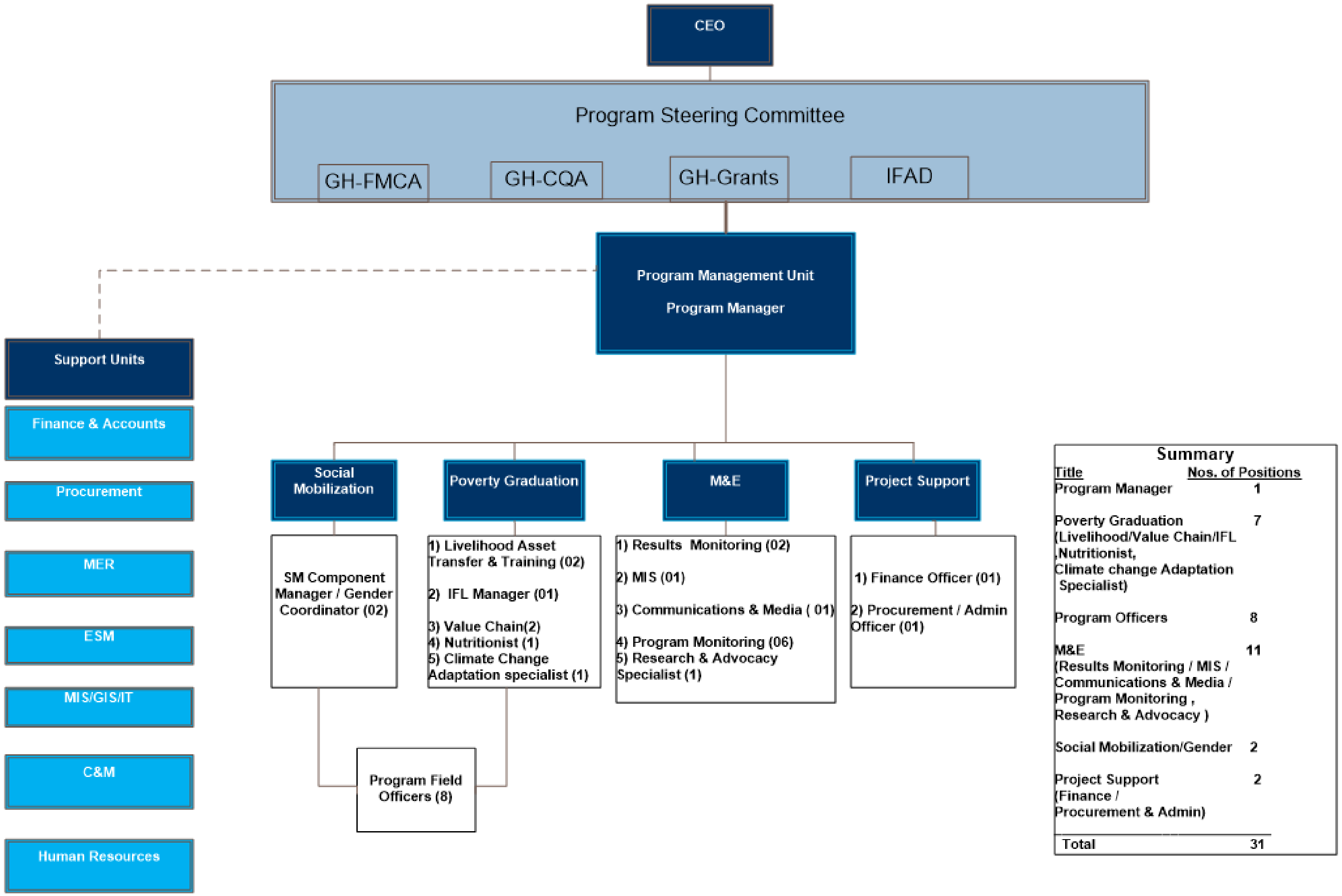
43. PPAF has been working with local NGOs and RSPs in all the provinces and regions of Pakistan since its inception. PPAF's more than 16 years partnership and investments in social capital has built sectoral and organizational capacities of its partner organizations including RSPs to be better positioned for any poverty alleviation programme. The local partner NGOs and RSPs have fully functional setups at provincial and district level (including most of those proposed under NPGP) that enable PPAF's partner organizations to mobilize NPGP programme interventions with minimum inception time.

44. **Assessment of Readiness for Implementation:** The programme implementation will start immediately as institutional and sectoral capacities are available both at PPAF level and at POs level to implement NPGP activities. PPAF has over 16 years of experience of managing similar interventions and has established systems and structure with qualified and experienced human resources in the fileds required for NPGP. In addition, PPAF also has strong partnerships with its partner organizations in all the provinces and regions of Pakistan. The already established institutional and sectoral capacities of PPAF and its partnerships with NGOs including RSPs would be leveraged to immediately start NPGP interventions.

45. Overall 40 POs will be selected for NPGP programme interventions though competitive procurement process. There are currently 15 POs implementing the PMIFL scheme, and these POs will be linked to the programme to ensure further outreach to beneficiary households. There will be an overlap of 5-6 partners which are involved in both the grant activities and the interest-free loan scheme. The social capital (COs and VOs) created and investments made in human development in proposed districts are invaluable resources to leverage the project implementation including validating the beneficiary targeting and CDD procurement through its existing community institutions and where required some new community intuitions will also be formed.

46. For NPGP, PPAF has designed the programme structure (attached below as Appendix-1) that delineates responsibilities at different tiers and levels to ensure defined roles and responsibilities as well as clear communication/reporting lines. Most of the required resources as indicated in the programme structure are available in-house and can be readily engaged as soon as NPGP is officially approved and initiated.

Appendix – 1
PROGRAMME MANAGEMENT STRUCTURE OF NPGP



Appendix – 2

NPGP Management Structure & ToRs of Key Staff

I. Programme Management Unit-NPGP

A dedicated NPGP Management Unit will be established within PPAF, headed by a Programme Manager (PM). Reporting to the Group Head Grant Operations, the PM will be responsible for the delivery of all aspects of the programme. Under strategic guidance by PSC, the PMU will be responsible for formulating programme's implementation strategy, development of strategic guidelines, preparation of annual work plan and budget, procurement of goods and services, financial management and disbursements and overall implementation coordination of the Programme.

The PM shall be recruited/appointed through a rigorous recruitment process. PPAF is an equal opportunity employer and employee retention is a key focus of HR. PPAF uses a robust performance based management system with measureable Key Performance Indicators. Believing in gender equity at its workforce, PPAF has taken affirmative initiatives resulting in a very high women staff ratio of 30% as compared to the market average of 10%. The PMU will include sector specialists, PO relationship managers, and support staff with a total of 31 staff expected to be housed herein. The Unit will have its own designated office within PPAF HQ in Islamabad and adequate provision of equipment and mobility to perform its functions effectively.

The Programme Manager will report to PPAF's Group Head (Grants) who will be the direct liaison with NPGP's Steering Committee. The PMU will be provided with a strategic and policy oversight by the Programme Steering Committee headed by the CEO of PPAF. The program steering committee, reporting to the CEO, will include all PPAF Group Heads and IFAD focal person.

The PMU team will consist of the following multi-sectoral and multi-disciplinary staff:

- Programme Manager (1),
- Livelihood Asset Transfer & Training Specialist (2),
- Value Chain Specialist (2),
- Social Mobilization & Gender Coordinator (2),
- MER Specialist (2),
- MIS Specialist (1),
- Programme Field Officers (8),
- Programme Monitoring Officers (6),
- Finance Specialist (1),
- IFL Expert (1)
- Procurement/Admin Officer (1),
- Media & Communication Officer (1)
- Nutritionist (1)
- Climate change Adaptability specialist (1)
- Research & advocacy specialist (1)

1. ToRs of Programme Manager

Job Description:

- Provide strategic, technical and operational guidance to the PMU team, consultants and POs to ensure that the program delivery is done in compliance with PPAF and donor's guidelines.
- Liaison with the donor and donor supervision mission, create linkages and build relationships with them.
- Ensure timely delivery of outputs and outcomes of the program.
- Ensure timely and quality delivery of periodic progress reports of NPGP in line with the donor guidelines.

- Oversee the knowledge management and learning sharing activities of the program.
- Build linkages and coordinate with other key stakeholders to support and facilitate the project and PPAF at large resulting in leveraging with various stakeholders.
- Encourage and facilitate leveraging among PO's and other institutions.

Qualification and Experience

- Master's degree or 16 year education preferably in Business Administration, Social Sciences, or Project Management from a recognized institution.
- Minimum 10 years of field level experience in project management of poverty alleviation livelihoods program with multilateral donors.
- Experience of donor coordination including progress review meetings and handling donor missions.
- Excellent report writing skills including donor reporting.
- Experience and skills in managing relationship with partner organizations.
- Ability to handle large size multidisciplinary team.

2. ToRs of Livelihood Asset Transfer & Training Specialist

Job Description

- Develop strategies and SoPs for assets transfers in consultation with the Program Management and POs.
- Develop/customize monitoring and data reporting/validation tools used at different levels regarding assets transfer and trainings.
- Review monitoring reports related to assets transfers and training and provide timely input to Programme Manager regarding any corrective action to be taken.
- Provide guidance on livelihood training design and delivery process.
- Provide technical support and backstopping to the POs in effective implementation of the program.
- Build and manage relationships with skill development institutions, Partner Organizations, and community institutions.
- Document and report all the major activities occurring during the project life cycle.
- Develop and conduct the presentations/ orientations for the partner organizations to build their capacity on program interventions.
- Reviewing statement of expenditure (SOE) and ensuring the disbursement of funds to partner organizations.
- Ensure Data management and analysis on day to day basis.

Qualification & Experience

- Master's degree or 16 year education preferably in Business Administration, Social Sciences, Agriculture / Livestock, or Project Management from a recognized institution.
- Minimum 7 years of field level experience in livelihoods asset transfer program.
- Experience of handling multi-stakeholders development sectors projects including community development and trainings; technical vocational education and livelihoods.
- Thorough understanding of Skill Development and Employment in the rural context.
- Excellent report writing skills.
- Experience and skills in managing relationship with partner organizations.

3. ToRs of Value Chain Specialist

Job Description

- Provide technical, operational and administrative support to activities and PO staff in improving competitiveness of selected value chains
- Provide technical support to PO staff regarding identification of value chain actors and potential actors in achieving value chain development goals.
- Along with project team counterparts:
    - ensure that activities are closely tracked to identify what is and is not working and why, and
    - adjust work plans as needed in response to learning to achieve deliverables defined within the annual work plans.
- Oversee and manage value chain/market analysis conducted by the external consulting firm.
- Provide technical support to POs and CRPs in strengthening CIGs and developing market linkages.
- Provide technical support to PO staff

Qualification & Experience

- Master's degree or 16 year education in Management Sciences (preferably major in marketing), Economics, Agriculture, Horticulture, Livestock Management/Animal Husbandry or related from a HEC recognized institution.
- Minimum 7-8 years of relevant experience in livelihoods and value chain development with international and national development agencies.
- Experience in Project Management and budgeting skills to forecast budget for the unit/program.
- Excellent report writing and communication skills.
- Team management and relationship management with POs and other stakeholders.

4. ToRs of Social Mobilization/Gender Coordinator

Job Description

- Provide technical guidance to POs in strengthening community institutions to ensure their effective role in the programme.
- Supervise development of social mobilization strategy for the programme.
- Developing proposals to collaborate with existing programmes and local initiatives according to approved guidelines for collaboration.
- Ensuring that program of institution building is developed on a solid foundation and is replicated in rural areas of all districts within the given framework.
- Organize capacity building sessions/trainings for POs on social mobilization and gender mainstreaming.
- Ensure meaningful participation of women and inclusion of other vulnerable groups is articulated across all activities including community institutions, implementing a gender framework and ensuring disaggregation of data reported at all levels.
- Review each proposal presented to PPAF for financing to ensure social mobilization strategy and Gender aspects are incorporated effectively.
- Provide technical assistance to partners to develop and review gender policies and action plans

Qualification & Experience

- Master's degree or 16 year education in Social/Management Sciences, Rural Development or Gender Studies from a HEC recognized institution.

- Minimum 7-8 years of relevant experience in Community Development Programming preferably in the field of Social Mobilization, Institutional Development and Gender Mainstreaming.
- Experience in Project Management and budgeting skills to forecast budget for the unit/program.
- Experience of managing program team and relationship with POs and other stakeholders.

5. ToRs of Result Monitoring Specialist

Job Description

- Assist PMU in development of programme M&E framer work and tools in line with the log-frame.
- Coordinate and manage surveys, studies and evaluations conducted through external consulting such as baseline survey, mid-term and end of programme evaluations, thematic studies.
- Conduct result monitoring of the programme interventions
- Closely work with MIS specialist to provide timely input to the PMU team regarding programme progress updates and outcomes.
- Coordinate and participate in joint outcome monitoring visits as well conduct spot-checking and independent data validation exercises.
- S/he will also assist in statistical analysis to deduce programme progress updates regarding upward movement of target poor and ultra-poor households from one PSC band to the next as well as graduation of the target poor in general.
- Ensure that the organization delivers on all internal and external ME requirements in a timely manner and with high quality information.

Ensure quality review and input of programme progress reports submitted to the donor.

Qualification & Experience

- Master’s degree or 16 year education preferably in Statistics or Economics from a recognized institution.
- Minimum 7 to 8 years of field level experience of program monitoring and evaluation preferably in livelihoods related programs.
- Experience of developing M&E frameworks and monitoring tools, databases for large-scale programmes.
- Ability of implementing/coordinating M&E systems for a development organization
- Experience of collecting and analyzing qualitative and quantitative data
- Knowledge of logical framework design.
- Good understanding of Skill Development and Employment in the rural context.
- Excellent report writing skills.

6. ToRs of IFL Specialist

Job Description

- Develop strategy and systems for growing IFL Operations. Plan periodic objectives / targets and budgets.
- Ensure effective systems (policies, processes, procedures and tools) are in place at field level.
- Provide leadership and manage the project through interaction with all stakeholders.
- Coordinate with Partner Organizations to ensure enhanced accessibility of services and management of quality IFL portfolios.
- Ensure mitigation of operational risk in overall IFL operations adhering to compliance standards in line with PPAF policy frame works and guidelines.
- Set targets for outreach, scale, portfolio quality, employee productivity, and PO management.
- Conduct orientation session and capacity building of PO staff.

Qualification & Experience

- Master's degree or 16 year education in Management Sciences, Economics, Social Sciences or related discipline from HEC recognized university.
- Minimum 7-8 years of relevant experience in livelihoods and Interest Free or Microfinance sector.
- Experience of handling multi-stakeholders development sectors projects including community development and trainings; technical vocational education and livelihoods.
- Thorough understanding of graduation model in the rural context.
- Excellent report writing skills.
- Experience and skills in managing relationship with partner organizations.

7. ToRs of MIS Specialist

Job Description

- S/he will coordinate in customization of PPAF MIS for NPGP programme reporting requirements.
- Provide orientation and technical backstopping to the POs for smooth, timely and maximum optimization of MIS for progress data entry and reporting.
- MIS Specialist will also oversee development/customization of mobile application.
- Provide time-to-time technical backstopping in efficient and effective management of the mobile application for real-time monitoring by PO and PPAF staff through smart phones and tablets.
- Provide technical backstopping to PMU in developing tailor-made on-line NPGP progress updates.

Qualification & Experience

- Graduate degree in Software Engineering from a recognized institution.
- Advanced certifications in development of mobile monitoring/GIS based reporting tools etc. will be considered as an advantage.
- Minimum 3 years of related experience in software and mobile application development preferably with international or national development agencies.
- Excellent analytical and communications skills.
- Ability to provide effective solutions in minimum possible time.

8. ToRs of Programme Monitoring Officers

Job Description

- Provide technical support to partner organizations in effective monitoring and reporting of the program interventions.
- Perform regular output monitoring functions of the program interventions carried out by the POs.
- Provide quality input in periodic progress reports of the program.
- Validate and verify the progress reports/data submitted by POs for overall program progress reporting and payment disbursement to the POs.
- Conduct capacity building sessions of Partner Organizations for monitoring of program activities.
- Contribute to the development of a comprehensive overall monitoring and evaluation framework, toolkits including performance indicators and benchmarks to ensure transparency and accountability.
- Put systems and mechanisms in place for collecting data to monitor the development of defined indicators under the comprehensive reporting framework. Integrate periodic evaluations as an integral part of the M&E system.
- Assist M&E specialist to ensure that the organization delivers on all internal and external ME requirements in a timely manner and with high quality information.

Qualification & Experience

- Master's degree or 16 year education preferably in Statistics, Business Administration, Social Sciences, Agriculture / Livestock, or Project Management from a recognized institution.
- Minimum 3 years of field level experience of program monitoring activities in livelihoods asset transfer programmes.
- Ability of implementing/coordinating M&E systems for a development organization
- Experience of collecting and analyzing qualitative and quantitative data
- Knowledge of logical framework design.
- Good understanding of Skill Development and Employment in the rural context.
- Excellent report writing skills.

9. ToRs of Programme Field Officers

Job Description

- Review the proposals submitted by POs and prepare observations for consideration and short-listing.
- Perform desk & field appraisals of POs, prepare appraisal reports for Credit Committee/ BoD consideration, contract agreement, and disbursement of funds as per Financing Agreement.
- Provide technical support to partner organizations in effective implementation of the program interventions.
- Review and analyze program related documents and reports, maintain a reference system for these documents, follow up on future programmes and action.
- Develop capacity building plans of Partner Organization staff.
- Prepare minutes on different meetings, workshops and programmes;
- Maintain appropriate file system for both incoming and outgoing communications;
- Ensure Data entry of projects activities at PO level and carry out analysis of data.
- Coordinates collection of information from different sources, compilation of information and information management;
- Develop and conduct presentations/ learning sessions for Partner Organizations to build their capacity on Programme interventions.
- Review statement of expenditure (SOE) and ensure disbursement of funds to partner organizations.
- Collect case studies of programme beneficiaries from POs for dissemination to stake holders.
- Perform activity monitoring of the program interventions carried out by the POs.

Qualification & Experience

- Master's degree or 16 year education preferably in Business Administration, Social Sciences, Agriculture / Livestock, or Project Management from a recognized institution.
- Minimum 3 years of field level experience in livelihoods asset transfer programs.
- Experience of handling projects including community development and trainings; technical vocational education and livelihoods.
- Good understanding of Skill Development and Employment in the rural context.
- Excellent report writing skills.
- Experience and skills in coordination and relationship management.

10. ToRs of Value Chain Officer

Job Description

- Assist Value Chain Specialist in providing technical, operational and administrative support to activities and PO staff in improving competitiveness of selected value chains.
- Provide technical support to PO staff regarding identification of value chain actors and potential actors in achieving value chain development goals.
- Ensure that activities are closely tracked to identify what is and is not working and why, and
- Adjust work plans as needed in response to learning to achieve deliverables defined within the annual work plans.
- Assist in managing value chain/market analysis conducted by the external consulting firm.
- Provide technical support to POs and CRPs in strengthening CIGs and developing market linkages.
- Provide technical support to PO staff

Qualification & Experience

- Master's degree or 16 year education in Management Sciences (preferably major in marketing), Economics, Agriculture, Horticulture, Livestock Management/Animal Husbandry or related from a HEC recognized institution.
- Minimum 3 years of relevant experience in livelihoods and value chain development.
- Experience in Project Management and budgeting skills to forecast budget for the unit/program.
- Good report writing and communication skills.
- Team management and relationship management with POs and other stakeholders.

11. ToRs of Procurement / Admin Officer

Job Description

- Supervise transparent procurement processes complying with PPAF / IFAD guidelines
- Manage timely and efficient delivery of goods and service to be procured
- Establish control mechanisms and internal audit systems.
- Supervise the transparency of Programme procurement processes. Oversee filing of relevant procurement documentation
- Collect Financing Agreements from Units and update list of all the projects
- Maintain record of Financing Agreements for all POs
- Conduct trainings under "Team PPAF", Capacity building of POs
- Coordinate with Internal/External Auditors and respond to the queries/observations
- Provide Admin support regarding travel / boarding / lodging arrangements

Qualification & Experience

- Master's degree or 16 year education in Business Administration, Social Sciences, Supply Chain Management.
- Minimum 5 years of procurement experience in international or national development sector organization.
- Knowledge of procurement rules and regulations
- Strong administrative skills to support the program team.
- Experience of supporting multi-stakeholders development sectors projects especially in livelihoods asset transfers.
- Excellent report writing skills.

- Experience and skills in managing relationship with partner organizations.

12. ToRs of Finance Specialist

Job Description

- Manage financial portfolio of the program.
- Ensure compliance with policies and procedures and with internal control systems as stipulated in the Agreements signed for the Programme.
- Ensure timely preparation and submission of Financial Reports and other advance requests/ liquidation reports to IFAD.
- Ensure timely preparation and audit of programme specific financial statements.
- Maintain necessary financial records and follow up as per program requirement.
- Provide regular program status updates.
- Facilitate in preparing Annual Work Plan and Budgets (AWPB) for the Programme.
- Provide forecast of funds utilization for release of program funds to Partner Organizations.
- Coordinate with donor during the donor review missions.
- Ensure preparation of bank reconciliations of program bank accounts.
- Ensure regular reconciliation of program records with PPAF’s financial record.
- Ensure regular claim of reimbursements for eligible expenses of PPAF.
- Send Financing Agreements with POs to Legal Advisor for vetting and opinion.
- Review PO wise disbursements and maintain records for unspent balances.
- Consolidate the records for statements of expenditures (SOE’s) submitted by Partner Organizations
- Conduct orientation session and capacity building of POs’ staff.

Qualification & Experience

- Master’s degree or 16 year education in Business Administration or CA intermediate, ACMA, ACCA or M.Com.
- Minimum 5 years of relevant experience in Financial Management.
- Experience of supporting multi-stakeholders development sectors projects including community development and trainings; technical vocational education and livelihoods.
- Excellent report writing skills.
- Experience and skills in managing relationship with partner organizations.

13. ToRs of Media & Communication Officer

Job Description

- Ensure visibility and promotion of Program work as per guidelines of program steering committee as well as in line with the donor’s visibility and communication guidelines.
- Ensure effective internal and external communication with multiple stakeholders
- Develop informative and engaging material (brochures, newsletters, success stories, articles etc.) to create awareness amongst communities at grassroots level.
- Support the Program in developing literature and other materials to showcase, share and communicate details of various projects and interventions with multiple stakeholders
- Develop and maintain strong external and internal Program related communications
- Responsible for writing script and editing video/audio documentation of Program success stories.
- Record keeping of program M&C activities
- Ensure translations and composing of text in local languages.

Qualification & Experience

- Master's degree or 16 year education in Business Administration, Social Sciences, Media & Communication.
- Minimum 5 years' marketing, communications, media or public relations experience preferably in international or national development sector organization.
- Knowledge of a broad range of communications activities – media, websites, publications, marketing, social media, events, etc.
- Pays attention to details
- Excellent report writing and presentation skills.
- Experience and skills in managing relationship with partner organizations.

14. ToRs of Nutritionist

Job Description

- Provide technical input to NPGP, PMU, social mobilization team and POs in mainstreaming nutrition promotion and malnutrition preventions behavior in social mobilization and livelihood programmes.
- Oversee and manage ToTs for Community Resource Person on nutrition promotion and malnutrition prevention through behavioral change communications (BCC).
- Organize capacity building trainings for POs and Community Resource Persons in climate change adaptation/resilience.
- Develop IEC and awareness material for nutrition capacity building sessions for CIs and target beneficiaries.
- Facilitate NPGP, PMU team and POs in development of capacity building, reporting and monitoring tools to record progress of capacity building sessions on nutrition.
- Provide technical input to Social mobilization team and PO staff in facilitating community institutions in mainstreaming nutrition sensitive approaches in UCDPs/VDPs

Qualification & Experience

- Master's degree or 16 years of education in Community Health, Nutrition, Public Health or related field from a HEC recognized institution.
- Minimum 03 years of post-qualification and management experience in community health and nutrition context or relevant field.
- Knowledge and experience of nutrition / primary health care principles and management. Clinical skills within a Primary Health Care setting desirable.
- Experience of designing and managing capacity building (preferably with NGOs./INGOs or donor agencies) programme for communities on nutrition promotion and malnutrition prevention approaches.
- Able to prioritize clearly and oversee multiple tasks; able to take the initiative in project decisions.

15. ToRs of Advocacy & Research Specialist

Job Description

- Oversee research and advocacy component related activities.
- Coordinate and oversee research studies, development of policy briefs and management of policy dialogues/research dissemination and advocacy events.
- Provide technical input to existing research initiatives
- Develop and implement research and data analysis projects, in coordination with partner organizations and donor agencies.

Qualification & Experience

- Master's degree or 16 year education in development studies, social sciences or related field from a HEC recognized institution.
- Minimum 5 years of relevant experience in research and advocacy related activities.
- Proven capacity to produce high quality research.
- Knowledge of SPSS statistical analysis software is preferable.
- Highly developed communications skills, especially in a multi-cultural and multi-actor environment.
- Proficiency to handle sensitive information with discretion and professionalism
- Experience in policy development processes associated with climate change preferably with an international organization.
- Able to prioritize clearly and oversee multiple tasks; able to take the initiative in project decisions.

16. ToRs of Climate Change Adaptation specialist

Job Description

- In line with NPGP, conduct contextual climate risk analysis of the targets and identify options for climate resilience strategies for the proposed livelihood interventions under NPGP
- Provide technical input to social mobilization and livelihood teams of NPGP in designing and implementing capacity building sessions on climate change adaptation/resilience.
- Organize capacity building trainings for POs and Community Resource Persons in climate change adaptation/resilience.
- Develop IEC and awareness material for CCA sessions for communities/livelihood beneficiaries.
- Facilitate NPGP, PMU team and POs in development of capacity building, reporting and monitoring tools to record progress of capacity building sessions on CCA.
- Provide technical input to Social mobilization team and PO staff in facilitating community institutions in mainstreaming CCA/climate resilience in UCDPs/VDPs.

Qualification & Experience

- Master's degree or 16 year education preferably in Environmental Sciences, Development Economics, Energy, Public Finance, Environmental Law or related field from a HEC recognized institution.
- Minimum 5 years of relevant experience in the area of climate change and natural resources management, vulnerability mapping, governance, community based development programmes.
- Experience in policy development processes associated with climate change preferably with an international organization.
- Able to prioritize clearly and oversee multiple tasks; able to take the initiative in project decisions.

Coordination Framework

Within PPAF, a formal structure for coordination with donors and other stakeholders will be established. The body will be responsible for coordinating with donors to share experiences and exchange knowledge. The section below provides a template of Coordination Framework which will be detailed out and finalised with IFAD in the inception phase.

1) Experience Mapping

The experiences of district governments, donors, development agency, and IFAD will be mapped. The NPGP will be implemented in districts in Punjab and Balochistan where IFAD is already not present and in the UCs where IFAD is already not working in Gilgit Baltistan (GB) and AJK (Azad Jammu and Kashmir). However, these projects will on the radar of NPGP for the reason of producing a greater effect of the NPGP and multiplying the gains of this $100 million investment. IFAD has four ongoing projects as shown in the table below.

IFAD ongoing projects

Project	Province	Geographic Coverage	Implementing partner
Southern Punjab Poverty Alleviation Project	Punjab	Bahawalpur, Bahawalnagar, Muzaffargarh, Rajanpur	NRSP, IRM, BZU
Gwadar Lasbela Livelihoods Support Project	Balochistan	Gwadar, Lasbela	NRSP
Economic transformation Initiative in GB	Gilgit Baltistan	Entire GB (10 Districts)	AKRSP
AJK Community development Programme - II (Pipeline)	AJK	Entire AJK (10 Districts)	tbd

Likewise, a government district department map will be prepared to reflect the following information.

District Government Mapping

District	Areas			Contact person
	Agriculture	Livestock	Skills	

To have an idea of other donor experiences in the project districts, donor mapping will be done that will list down the donors, districts, intervention areas, beneficiary size, investment size, and project completion date.

Donor Mapping

Donor	Districts	Implementing Partner	Intervention areas	Beneficiary type and number	Investment	Completion date	Contact person

2) Developing Donor Coordination Framework

A coordination framework will be designed based on the preliminary framework provided below. This framework will be finalized with IFAD in the inception phase of NPGP.

Donor Coordination Framework

Mechanisms	Lead	Scope	Participants	Frequency	Level
Livelihood Focused Donor Coordination Meetings	NPGP	Discuss livelihood related best practices, issues and challenges	District Agriculture, Veterinary department TEVTA; Development agencies	Biannual	District
Donor Coordination Meetings	NPGP Team	Discuss challenges and issues, mitigation measures and success of the overall programme	Additional Deputy Commissioner, Line departments and development agencies	Biannual	District
IFAD Teams	NPGP	Share learnings	Members of IFAD team in Punjab, Balochistan, GB and AJK	Biannual	Islamabad
Donor Coordination Roundtable	IFAD/NPGP		International development agencies	Annual	Islamabad

3) Implementing the learnings

Following the donor coordination framework, the learnings will be documented and the NPGP team will discuss the lessons for addressing risk and challenges and designing mitigation measures. The common areas of advocacy and lobbying will be identified and followed through research/advocacy events to be organized for engaging policy makers in enactment of pro-poor policies.

Appendix 6: Planning, M&E and Learning and Knowledge Management

A. Planning process

1. The programme interventions and outcomes have been planned based upon the target communities' needs compiled by the partner organizations through a consultative process. The proposed programme would follow PPAF's standard planning cycle. The programme planning process comprise of three stages. At first stage, M&E plan in line with the log-frame of the programme will be developed. On the second stage, annual work plan will be developed that would be in line with the overall implementation plan of NPGP. Furthermore, annual procurement plan shall also be developed by the PMU to determine procurement needs and requirements of the pogramme to help procurement unit ensure timely delivery of required goods and services.

Pre-start up and Start up activities:

2. Based on lessons learnt in previous IFAD projects in Pakistan, a number of pre-startup and startup activities will be implemented to ensure a timely start for the programme. Among pre-startup activities, PPAF will begin the PO selection process (including hiring a third party firm to conduct the PO selection) which takes an average of 3-4 months. Recruitment for a firm to undertake baseline data collection and market analysis will also be initiated. Once the POs have been appraised, and the programme begins, a six month inception phase is planned that will allow PPAF time to review and revise POs implementation plans, and for POs to begin their social mobilisation activities including outreach to the village organizations and others.

3. Furthermore, the programme will undertake following studies/surveys as part of initial planning phase to help customization of programme interventions, setting the programme performance benchmarks and streamline the beneficiary selection process:

Review of BISP PSC Database

4. MER team shall have consultations meetings with the BISP to get access to the PSC database of the selected districts and union councils so that identification of potential beneficiaries for each intervention as per the pre-defined PSC band can be done. The initial list of potential beneficiaries shall be generated from BISP PSC database that would later on be validated through consultation meetings with target communities as well as during programme baseline survey.

Baseline Survey

5. The baseline survey will be carried out to establish programme performance benchmarks in relation to each indicator outlined in the log-frame. The baseline survey questions shall encompass the log-frame indicators as well as standard PSC questions. Baseline survey sample will be drawn through standard statistical formulas with at least 5% confidence interval and 95% confidence level while ensuring representation of potential beneficiaries from their geographic, ethnic and gender dimension.

Value Chain/Market Analysis

6. In order to rationalize the types of assets and technical skills trainings to be imparted to the target beneficiaries in line with the local market needs and opportunities, a detailed analysis of the current market models as well as the value chain of agriculture, livestock, horticulture, technical and vocational skills will be conducted to facilitate the target poor women and men farmers for improving their access to markets and leveraging on-farm and off-farm employment/self-employment opportunities. The study shall also help to rationalize the number and functions of CIGs to be formed and strengthened under the proposed programme.

Component Specific Planning

Component 1.

7. **Subcomponent 1: Assets transfers:** PSC database will be utilized for the selection of potential beneficiaries. Subsequently, household categorization, identification and validation will be done by the POs. PO livelihood staff will facilitate development of Livelihood Investment Plans (LIPs) for each of the selected beneficiary that would help to determine the value of productive assets to be provided. After completion of LIPs and subsequent verification by PPAF the procurement plans shall be prepared by POs and accordingly approved by PPAF. To have holistic impact on the target beneficiaries regarding poverty graduation, the assets transfer will be supplemented with trainings related to assets management. For this value chain/market analysis will be conducted that would also serve the basis for TNA and scope of training modules to be developed. The trainings would be conducted through trained Sectoral Community Resource Persons (SCRP) and other relevant training providers SCRPs will be selected in relation to the target UC-wise and sector wise number of target beneficiaries will be identified. In addition, core functional areas and capacity development plan for CIGs will also be finalized.

8. **Subcomponent 1.2: Interest Free Loans***:* For interest free loans 17 of the existing POs will be linked to the NPGP programme interventions in the selected districts and UC. The beneficiaries for interest free loan shall be selected from the households in the identified UCs having PSC 19-34. As part of planning process, borrowers' credit appraisals on the standard format shall be conducted to make appropriate decision about disbursement of loan.

Component 2

9. **Subcomponent 2.1: Social Mobilization***:* Partner selection process for this component shall be carried through PPAF's standard partner selection guidelines and procedures. POs will select CRPs on the agreed CRP selection criteria and process. Furthermore, thematic studies on identified SDGs shall be carried out that would serve the basis for learning needs assessment for the CRPs and target beneficiaries as well as scope of the capacity building modules to be developed.

10. ***Sub-Component 2.2 Programme Management: T***wo research studies have been planned to provide evidence based inputs for policy makers and other stakeholders that would lead to development and dissemination of 6 policy briefs on different thematic areas contributing in sustainable poverty graduation. To promote policy dialogue, three research/advocacy events would be organized for engaging policy makers in enactment of pro-poor policies. As part of the planning process, ToRs for research studies and policy briefs will be developed.

B. Monitoring and Evaluation System

11. The scope of Monitoring and Evaluation in NPGP will be timely collection of reliable data and information for measuring performance and progress related to the impact as well as to assess achievements in relation to programme development objective, outcomes and outputs. It would also help to provide timely information about success and failures, so that corrective measures can be taken for successful implementation of Programme activities. M&E would also be used as a learning tool to provide timely and quality information for critical reflection on Programme strategies and operations to support decision-making. The system is described in the following paragraphs.

12. Programme log-frame will guide the design of the NPGP M&E System along with the performance indicators included in log-frame.

13. The M&E system will be multi-layered that includes:

- Implementation monitoring by the POs,
- Joint activity and output monitoring by operational units PPAF
- Process and outcome monitoring by MER unit of PPAF.

14. ***The implementation monitoring*** will be done by the implementing partners themselves and it should form the basis for their regular progress reporting to the PMU. The management and monitoring teams of POs will be responsible for implementation of day to day project activities, performance of their staff, and delivery of inputs and achievement of project outputs/outcomes as per agreed standards.

15. ***Joint activity and output monitoring*** will be carried out by PMU staff and joint activity/output monitoring missions to independently asses the physical and financial progress. The activity and output monitoring by PPAF will focus on spot-checking, verification of output data reported by PO, identification of risks factors and propose mitigation measures, status of utilization of funds by POs against the disbursements, ensure compliance to the financing agreement, efficiency of funds flow mechanism, evaluation of internal control system etc. During joint activity and output monitoring visits, the monitoring team will randomly interview the target beneficiaries; oversee the input delivery process and review procurement, disbursement, training record, beneficiaries' acknowledgements record and programme database maintained by the POs.

16. Whereas, the ***process and outcome monitoring*** shall be carried out by PPAF's MER unit to ensure independence and objectivity of the outcome and process monitoring. The key activities related to process and outcome monitoring include; process and outcome monitoring visits to the POs, management of annual PSC surveys for poverty graduation tracking by POs, annual outcome surveys in line with RIMS indicators including third party validation of PSC survey conducted by POs, mid-term and end-term project evaluations and value chain studies. An annual M&E plan, as part of Programme's overall AWP/B, will be prepared by M&E wing of PMU and MER unit of PPAF, with inputs from all implementing partners on targets, formats, processes and reporting responsibilities and then each agency, including PMU, will derive their individual plans to meet the requirements of annual M&E Plan.

17. The monitoring of programme interventions at PO and PPAF level shall be carried out with the help of latest monitoring technologies such as use of mobile data collection through smart phones or tablets having customized mobile data collection application linked with PPAF's central MIS database which would provide real-time information access to PPAF and POs' management. In addition the POs' will have direct access to PPAF's central MIS customized to NPGP monitoring and reporting needs to provide timely monitoring and progress data that would help PMU to efficiently track the physical and financial progress and develop follow-up, progress validation and monitoring plans accordingly.

C. Programme M&E Framework

18. **Activity and Output monitoring** will measure the progress of activities and achievement of outputs against annual targets in the annual work plan for each component of NPGP. The output indicators in the programme logical framework will form the basis for monitoring. Monthly (brief), quarterly (detailed) and annual (analytical) Physical and financial progress reports will be fundamental outputs of the Programme MIS. Data will be collected both through mobile application as well as through manual forms by the, implementing partners and PMU staff from target beneficiaries, CIGs, CRPs, Community Institutions and private sector partners.. Data will be collected disaggregated by gender and age particularly those related to beneficiaries' training, transfer of assets and interest free loans. Customized tools for monitoring of different outputs will be used for effective output monitoring. For instance, review of attendance sheets and pre and post tests for sensitization and capacity building sessions for the target beneficiaries shall be used to measure the immediate output of the sessions. For assets and interest free loans, sample post-disbursement surveys shall be carried out to assess the delivery status of given assets and loans.

Participatory Monitoring and Evaluation (PME)

19. Target beneficiaries, CRPs, CIGs and community institutions will be actively involved in monitoring and evaluation of programme activities through regular programme monitoring and review

meetings, field visits, surveys/FGDs, spot checking. A systematic plan to ensuring active involvement of community institutions and beneficiaries shall be developed in line with the overall M&E plan of NPGP.

20. Furthermore, annual programme review consultation and lessons learn workshops at provincial level will be held to engage community institutions, POs and other stakeholders in programme review progress review and monitoring process. The workshops will help to participatory review the programme performance; identify implementation challenges and key lessons learnt.

21. **Process monitoring** involves monitoring the processes transforming inputs into outputs and outcomes. Some of the key areas where process monitoring will be useful in NPGP include:

- Data validation and spot checking regarding village and beneficiary selection process
- Livelihood and market analysis done by POs to determine the needs related to assets, trainings and IFL and their linkages to LIPs.
- Review and spot check of selection mechanism of CO procurement committee and process.
- Review selection process and training of CRPs.
- Quarterly performance review of POs through PPAF's on-line PO Watch List mechanism
- Quality review of assets and trainings as well as their utilization for productive/income generation purposes.
- Review of appraisal reports for interest free loans as well as utilization of loans for the intended purposes.
- Formation and capacity building process of CIGs.

22. **Outcome monitoring** will measure the outcome level changes materializing as a result of programme interventions. The focus of outcome measurement would collection of data related to RIMS indicators as well as key outcome indicators as outlined in the NPGP log-frame. Under NPGP, the key activities related to process and outcome monitoring include; process and outcome monitoring visits to the POs, management of annual PSC surveys for poverty graduation tracking by POs, annual outcome surveys in line with RIMS indicators including third party validation of PSC survey conducted by POs, mid-term and end-term project evaluations and value chain studies. It would also include periodic analysis and correlation of BISP data with programme MIS database, periodic review and analysis of interest free loan database and Credit Information Bureau data to infer the progress against outcomes to be reported in different programme progress reports and updates.

23. **Poverty Graduation Tracking Methodology and Process**

As part of process and outcome monitoring, PPAF would systematically track programme progress, especially tracking of poverty graduation of the target beneficiaries through PSC baseline data compiled by BISP, annual PSC surveys by POs, sample validation of POs' PSC by third party as well as revalidation PSC done by POs on biannual basis and through third-party mid-term and end of project evaluations managed by PPAF. PPAF will use PSC baseline data of BISP to identify the target beneficiaries eligible for different types of interventions as per PSC bands defined in PPAF's poverty graduation approach. PPAF has strong coordination with BISP that would be further strengthened under NGPG to timely access BISP PSC data to be used as baseline as well as sharing of list of NPGP beneficiaries (selected from BISP PSC data) with BISP who have successfully graduated out of poverty so that BISP can graduate those from it social safety programme. PPAF would explore avenues of collaboration with Impact Atlas to build synergies between its own tech-based monitoring and reporting systems with that of Impact Atlas to enhance effectiveness and efficiency in poverty graduation tracking for NPGP.

24. Two major challenges have been envisaged in tracking of poverty graduation of target beneficiaries. The first challenge is to determine the frequency and timeline of the poverty graduation. Since, it is highly resource intensive exercise and requires significant time for the beneficiary after transfer of assets, training or loan to yield the required return on investments by the target poor, so it

is planned that after every second year the PSC survey would be conducted. The second challenge is related to costs. Ideally, carpet coverage of all the target beneficiaries is to be done for PSC survey and in line with the log-frame indicators to track the poverty graduation. However, this would require substantial resources (financial, human and time). Therefore, to cope with the challenge of time and costs, PPAF has planned to get carpet coverage of PSC survey of target beneficiaries after every two years of the project which would be validated (on sample basis) by the third party. Poverty graduation data collection will be done through on-line mobile application to have real-time access to the data which would be linked to PPAF's central MIS. PPAF's MER unit will randomly review the data entered by POs' staff in MIS that would help to timely identify the outliers and errors in data for timely corrective actions by the POs. Furthermore, the mid-term evaluation conducted after completion of third year of the project would help to update PSC along with the status of the target beneficiaries related to log-frame indicators such as improvement in assets ownership, increase in income and nutrition. The beneficiaries who would attain a score of 35 or above and would stay in non-poor condition for over three years would be considered for the graduation from the BISP support as well as NPGP support. The end of project evaluation would also help to identify the percentage of target beneficiaries who graduated out of poverty as a result of project interventions.

25. Community institutions such as Village Organizations (VOs) and Local Support Organizations (LSOs) would also be actively involved in annual PSC updating survey by the POs. The findings of the annual surveys would be shared with VOs/LSOs for validation as well as for incorporating those in profiling sections of Village Council Development Plans (VDPs) and Union Council Development Plans (UCDPs) and wherever need updating the VDP/UCDP line with the findings. The avenues of sharing of findings with local government departments would also be explored by the POs that would help the local governments for pro-poor development planning and targeted interventions for the ultra-poor and the poor in their respective areas.

26. **Impact evaluation** is the process which will assess the contribution of NPGP in achieving the overall goal of the Programme i.e. assisting the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. It will consist of baseline survey, mid-term and end-of-programme evaluations. The baseline and programme evaluations will be coordinated by the MER Specialist of PPAF and M&E Experts of the PMU, and contracted to an external firm. Information to be collected will include the impact level indicators of IFAD's Results and Impact Monitoring System (RIMS). These include mandatory 'anchor indicators' relating to household assets, food security and child malnutrition (anthropometric data of children under five years of age), as well as dietary diversity scores. ToRs will be included in the draft PIM. Furthermore, the impact of the programme will also be assessed and captured through analysis and correlation of BISP database, district level HDI data, multi-dimensional poverty ranking studies etc. Furthermore, IFAD may consider getting assessment of third level indicators (impact) as per IFAD's new RIMS guidelines.

D. RIMS indicators

27. The Results and Impact Monitoring System (RIMS) of IFAD reports annually on a number of first and second level results indicators that correspond to the output and outcome indicators. IFAD has developed a standard list of these indicators, but only some of these apply to an individual Programme. The indicators applicable to NPGP are specified in main report. In line with IFAD's outcome monitoring and reporting guidelines, annual outcome monitoring surveys to update progress according to RIMS indicators would be done. Furthermore, NPGP progress review in line with RIMS indicators will also be done through mid-term and end-line evaluation. While for assessment of third level (impact) indicators as per RIMS manual, IFAD may consider to get it done its own as per IFAD's new RIMS monitoring and reporting guidelines.

E. Implementation of M&E

28. PPAF is a lead apex agency that has implemented large-scale poverty alleviation through 130 partner organizations across Pakistan since 2001. Since its inception PPAF has managed its programme operations worth 2,000 million (US$ 800 under grants and US$ 1200 under micro-finance). This also includes US$ 72 million under IFAD MIOP and PRISM programmes. The successful management and completion of such large scale programme portfolio across Pakistan bespeak the operational and organizational capacity of PPAF to implement monitor and evaluate projects of similar scale. Furthermore, PPAF has also implemented three IFAD funded projects in the past that has enabled PPAF team to have increased understanding of IFAD's compliance requirement including RIMS related monitoring, evaluation and reporting requirements. PPAF has operational units, Monitoring, Evaluation and Research (MER) and MIS units that carry out monitoring and evaluation functions at different levels. These units have fully functional teams and systems to meet M&E requirements. The operational units conduct operational, activity, output and process monitoring while MER unit conducts outcome monitoring as well as oversee baseline and end-line/final evaluation studies of the projects. MIS unit provides technical support in collecting data through mobile application, management of large datasets, development of customized reporting dashboards and overall management MIS of PPAF.

29. The partner organizations of PPAF too have implemented and monitored similar projects funded by PPAF and other national and international donor agencies. The POs of PPAF are well positioned in the proposed districts and regions and have surge capacity to meet the programme management and monitoring requirements of NPGP.

30. Though PPAF has fully functional MER and MIS units to meet monitoring, evaluation and reporting requirements of PPAF's programmes yet considering the expansion of PPAF's programme outreach with NPGP, following staff would be further required for effective and efficiently carrying out M&E functions under NPGP.

31. Staffing: Following staff will provide full time and dedicated input perform the aforesaid functions related to output, process and outcome monitoring for from PPAF side:

PMU:

- Result Monitoring Specialists (2)
- Programme Monitoring Officers (6)
- MIS Specialist (1)
- Research & Advocacy Specialist (1)
- Media & Communication Officer (1)

32. **Result Monitoring Specialist** will assist in coordinating and managing the surveys, studies and evaluations conducted through external consulting such as baseline survey, mid-term and end of programme evaluations, thematic studies. Result monitoring specialist will also closely work with MIS specialist to provide timely input to the PMU team regarding programme progress updates and outcomes. Result Monitoring Specialist will coordinate and participate in joint outcome monitoring visits as well conduct spot-checking and independent data validation exercises. Furthermore, s/he will also assist in statistical analysis to deduce programme progress updates regarding upward movement of target poor and ultra-poor households from one PSC band to the next as well as graduation of the target poor in general.

33. **MIS Specialist** will coordinate in customization of PPAF MIS for NPGP programme reporting requirements and will provide orientation and technical backstopping to the POs for smooth, timely and maximum optimization of MIS for progress data entry and reporting. MIS Specialist will also oversee development/customization of mobile application and provide time-to-time technical backstopping in efficient and effective management of the mobile application for real-time monitoring by PO and PPAF staff through smart phones and tablets.

34. **Programme Monitoring Officers** will perform the regular output and routine monitoring functions of the programme interventions carried out by the POs. They will also validate and verify the

progress reports/data submitted by POs for overall programme progress reporting and payment disbursement to the POs.

35. **Research & Advocacy Specialist:** will oversee research and advocacy component related activities. S/he will coordinate and oversee research studies, development of policy briefs and management of policy dialogues/research dissemination and advocacy events.

36. **Capacity** Building of Programme staff will be undertaken through structured orientation training programme, refresher training, and information sharing. Orientation training will be done during induction of new staff, and the refresher training on an annual basis. In addition, the Programme will also facilitate the establishment of partnerships with the technical experts from academia and research institutes (e.g. for research studies related to poverty graduation, anthropometric surveys,,, thematic studies and PME technical assistance), and other development Programmes, to enhance exchange of information and mutual learning.

37. Technical Assistance for: a) KAP surveys, b) participatory M&E, and c) anthropometric surveys would also form part of the capacity building strategy. Head of MER unit will be responsible for procuring these services in consultation with the Programme Manager and IFAD Country Office. The aim of technical assistance is to bring in expert and specialist knowledge into the Programme to improve the adoption of M&E practices and knowledge that would imparted through training, and to improve the process of review by FOs, partner organizations along with Programme Staff, as well as to enhance the quality of surveys.

F. Management Information System (MIS)

38. PPAF has an established MIS that covers whole programme life cycle starting from donor coordination to the programme implementation. The functional specifications comprise of donor funding, selection of POs, POs agreements, baseline information capturing for the project areas through customized surveys, project planning, allocation of funds to POs for different types of project interventions and the disbursements of these funds to POs, reporting of physical and financial progress from the fields by POs, verification and validation of the same at PPAF end and the generation of useful information in the form of tabular reports and pictorial dashboards for the management and other stakeholders which support decision making. The whole system is equipped with GIS based interfaces which help donors and PPAF officials to see the interventions geographically over the maps with respect to the types of interventions. This whole process cycle is also aided with an extra feature of evidential pictures attachment from fields with each physical reporting entry in a temporal sequence.

39. PPAF shall also customize its central MIS system in the first year of the programme to meet data collection and reporting needs of NPGP in line with its log-frame. The dashboard for data entry and reporting will encompass information on physical and financial progress, impact evaluation analysis and reports, RIMS first and second level indicator tracking, poverty graduation tracking of target beneficiaries in line with the poverty scorecard and other baseline data. These will be automated computer based programmes to generate, monthly, quarterly and annual progress reports on financial and physical progress including progress related to outcome indicators and outputs. The POs shall be provided with direct access to enter monitoring and progress data in MIS that would help ensure transparency and timeliness of data collection Once the automated customized version of the MIS is developed and pilot tested with the PPAF PMU and POs for 6 months, the other half of the year would be spent in making the MIS fully operational, as far as possible to generate all progress updates and reports, via online service.

40. Once the customization of MIS is fully done at PMU level and is accordingly operationalized by the POs, then the MIS would help to generate customized reports from the system to provide required information to users in the form of tabular, graphical and geographical trends on various indicators. These reports will be parametrized and interactive so that the user can extract any kind of

information of his/her interest by applying different parameters/filters. The system will also provide reports against the different anomalies like transfer of multiple assets to one beneficiary even if the geolocations is changed and it would also give the information of delivery of multiple trainings to a single beneficiary with the help of specific NIC number. In addition, any kind of system checks according to the programme needs could also be applied in the system wherever needed. In order to learn, adopt and emulate from global experiences as well as to ameliorate, PPAF would explore avenues of developing synergies with Impact Atlas.

G. Reporting and Communication

41. Timely reporting and communication is important to take timely corrective actions and to learn from implementation experience to further improve Programme management effectiveness and efficiency. Monthly, quarterly and annual reports including reports from studies would be produced by the Programme. For IFAD corporate reporting, Half-yearly, Annual and annual RIMS Progress Reports will be developed.

42. Monthly Progress Reports will be prepared for internal consumption the by the PMU through generating data from the Programme MIS developed that would help to review and track programme progress on monthly basis and take corrective actions in time by the programme management as well as by the senior management of PPAF.PMU.

43. Quarterly Progress Reports. The quarterly progress reports will contain physical and financial progress as well as information regarding cross-cutting themes challenges and issues encountered in implementation and key actions taken to to deal with the challenges and issues. The quarterly reports will also enunciate the key lessons learnt during the reported period.

44. Half yearly and Annual Progress Reports will be prepared from information compiled by the PMU on component and sub-component-wise physical and financial progress from the Programme MIS. It will contain summarized information from UCs visited by M&E staff, findings from PME and annual outcome surveys. These reports will elaborate progress towards development objectives, and also problems that cannot be adequately addressed degree of responsiveness of the staff of different support units, and usefulness of training (information from KAP surveys), performance of value chains, successes and failures, gender and knowledge management. The reports will be prepared based on the reporting format to be included in the draft PIM (Programme Implementation Manual). The PMU will prepare the half-yearly progress report by the end of October and the annual progress report by the end of May.

45. RIMS Annual Report. The key RIMS indicators corresponding to the Programme components are included in the progamme's Logical Framework and will be reported annually by the end of December. Annual outcome monitoring surveys would help to provide input for annual progress reporting against RIMS indicator. In the first year the programme information on RIMS first level indicators (list of indicators included in RIMS Handbook) associated with outputs and outcomes would be reported. The mid-term review report will also help to gather progress update on first and second level RIMS indicators. A standard table will be included in the PIM for this report.

I. Learning System

46. The Programme learning system comprises of monthly, quarterly and annual review meetings, capturing information on progress, lessons and finding solutions for implementation constraints. It also includes annual stakeholders programme review and consultative workshops at provincial level to seek input and feedback of representatives of community institutions, POs and other stakeholder regarding programme performance, visible outcomes of key interventions and overall impact on poverty graduation, women economic empowerment and overall environment of the target areas.

47. Monthly progress review will be convened by the POs at their respective offices as well as by PMU at PPAF office level on the basis of monthly progress reports. It would include reviewing physical and financial progress with implementing partners, and the performance of delivery in terms of adequacy and timely utilization of Programme resources.

48. Quarterly Review Meetings (QRMs). The quarterly progress report will be used during the QRMs at the PMU. Over and above reviewing physical and financial progress for the quarter against annual targets, the programme will also review the performance of POs, implementation constraints, document lessons, emerging best practices and decide on actions to improve implementation.

49. A consolidated Annual Programme Review will be carried out towards the end of the fiscal year around first week of April, in addition to the four quarterly reviews. It shall assess performance in the achievement of physical and financial progress against annual targets as well as the data generated through annual outcome surveys. Furthermore, review of progress towards development objectives as reflected in the annual outcome surveys will be done assessing success and failures and reasons thereof and lessons learned. Annual reviews will be institutionalized by POs at the District level.

50. Mid-Term Review (MTR). PPAF and IFAD would undertake a mid-term review in the last quarter of third year of the Programme lifecycle to review Programme achievements and implementation constraints. In particular it would review the following: (i) achievement and improvements in the production systems, improvement in food security, and increase in income; (ii) the performance of private sector partnerships; (iii) performance of CRPs, CIGs, and other community institutions, (iv) financial and procurement management; (v) and human resources management. A mutually agreed action plan will be prepared based on the MTR findings. IFAD may appoint, in consultation with PPAF, an external agency to evaluate the impact of the Programme if necessary.

51. Programme Completion Review. As the programme reaches completion point, the PMU would prepare a draft Programme Completion Report. IFAD and the Government will then carry out a joint validation of Programme Completion Review based on the information in the Programme Completion Report and other data.

J. Knowledge Management

52. Knowledge management under National Poverty Graduation Programme (NPGP) will be through knowledge generation and establishing knowledge networks. Knowledge will be generated through direct research and experimentation. Knowledge network will link up community, development agencies, district government departments, government programmes, IFAD Pakistan programmes, researchers and practitioners for the purpose of identifying best practices, strengths/weaknesses new ways of working for poverty graduation, and policy advocacy and engagement.

Knowledge Generation:

53. ***Action research involving communities .*** With the support of its partner organization, PPAF will also develop Design-Based Implementation Research, which involves community members in random control trials on Social Protection research experimentation with a specific focus on improving evidence on what works poverty graduation.

Exchanging information with community for feedback:

54. A community-level forum will serve as a community contact mechanism through which NPGP can learn from the experiences of the community and share the progress of the project with the community.

55. ***Output:*** Research report and research briefs will be developed to solidifying the findings of the research project and community-level forum learnings.

Knowledge Network

56. ***Learning and networking through exposure visits:*** Exposure visits should also be organized, such as the ones under the partnership of PPAF and CESTAS (Center Of Health Education and Appropriate Health Technologies), where participants gained valuable insights and experiences. Batches of PPAF team consisting of members from livelihoods, education, health, monitoring and research could visit Bangladesh Rural Advancement Committee (BRAC) to learn on ultra-poor programmes through peer to peer interaction in similar situation as their graduation approach has been adopted by as South Sudan, Afghanistan and Pakistan.

57. Online knowledge platform and webinar / coordination meeting-Open source knowledge based practice: PPAF could set up an interactive online knowledge platform, to promote the open exchange of ideas, with the goal of encouraging the expansion from a collaborative to a co-creative working model. Such knowledge platforms can have specific topics in order to have information in a comprehensive manner. As a connected activity, webinar could be held to engage even global audience, such as the countries where graduation programme is being implemented.

58. The NPGP could identify a research leader or "champion." Such an individual can connect people with research and make understanding and dissemination of information easier.

59. To create a culture where innovation can flourish, discussions and dialogues with district government, government programmes (BISP and PMIFL), and national and international development agencies proposed in the coordination framework will take the form of either webinars or meetings.

60. ***Output:*** Case studies will be developed as a result of best practices shared through the online platform, webinar and coordination meetings.

Graduation Impact Atlas

61. Taking advantage of technology, cloud based graduation impact atlas will be developed for efficient, effective, impactful enforcement and decision making while connecting people in different fields – researchers, policy makers, practitioners, and development agencies-to collaborate for an all-encompassing approach to poverty reduction. This platform will increase transparency, award better analysis tools and allow district-wise and bespoke solutions in the context of socio-economic context instead of generic solutions and thus increasing the chances of graduating the ultra-poor.

62. ***International research moot:*** conference on research and learning. At the end of the project, a research conference will be held to bring together all the research done under NPGP as well as the latest research on poverty graduation, such as done by CGAP. This research will convene researchers and practitioners who will benefit from research findings, knowledge of implementation efforts, and engagement activities of various development agencies.

Policy entrepreneurship[67] and policy engagement

63. With the purpose to engage policy makers and influence and increase the likelihood of the evidence generated through research is paid attention and incorporated into designing pro-poor policy and practice, NPGP will maintain a constant and continuous relationship with policy makers at the provincial and federal level. For this, PPAF's current quarterly newsletter 'Development Dialogue' will feature articles and comment pieces on NPGP focusing on learnings and results over different timescales.

64. Leading journalists and representatives of electronic media houses will be taken to communities in the NPGP districts to sensitize them on poverty graduation measure undertaken under NPGP. Journalists' reports will create better informed opinion on poverty reduction in official circles and within the public.

[67] The idea that researchers can move beyond simply producing and disseminating knowledge to directly engaging with policy-makers from the earliest stages of research in order to influence their decisions, as cited in ROMA: a guide to policy engagement and influence. https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9011.pdf

65. Moreover, based on the knowledge generated through research, feedback of the communities, webinar and coordination meetings with district government, officials of government social protection programmes, and national and international development agencies, roundtable dialogues and policy retreats will be held at the provincial and federal level to present findings of research work and share best practices and advocate for pro-poor policies and effect evidence based change.

Appendix 7: Financial management and disbursement arrangements

SUMMARY OF RISK ASSESSMENT

Inherent Risks: Country Issues, Entity Risks and Project Design

1. A financial management capacity and risk assessment for this project has been completed in accordance with FMD guidelines. The FM risk assessment included a review of proposed arrangements including creation of Project Management Unit (PMU) within the overall structure of the Project Implementing Agency, i.e. Pakistan Poverty Alleviation Fund (PPAF). The overall initial financial management risk has been rated as High and the residual risk after implementing mitigation measures will be Medium.

2. The inherent risk is considered high mainly due to the design features of the project. Overall control risk is Medium due to weak controls involving decentralization of fund utilization at community institution level and inability of internal audit to cover reasonable sample of end beneficiaries. The later will be mitigated by either hiring adequate staff or outsourcing the internal audit function to a firm of Chartered Accountants. The risk assessment summary table and proposed mitigation measures are attached as Annex-7.1 to this document.

3. The last Public Expenditure and Financial Accountability (PEFA) report for Pakistan was published in 2012. PFM in Pakistan has achieved some key milestones over the years, including the development of a centralized and advanced financial reporting system through the Pakistan Improving Financial Reporting and Audit Project (PIFRA) supported by the World Bank. The 2012 PEFA reported significant efforts inter alia to establish an effective system for financial management, reporting and audit, and to strengthen the country's public procurement system. Under the framework of PIFRA, the Auditor General of Pakistan (AGP) embarked upon an important reform program to establish an effective accounting, reporting and auditing system complying with accepted standards, to strengthen financial management and tighten internal controls, to improve decision support system by generating information for management decision making, and to enhance organizational and staff capacity.

4. Obstacles in the implementation of reforms have included the ongoing upgrade of the Government Financial Management Information software (GFMIS) and the volatile law and order situation in Balochistan and FATA, which has an impact on progress of development in some areas. The decentralization of the operational components of PIFRA to relevant offices like Controller General of Accounts (CGA), AGP and Finance has been one of the major challenges. In addition problems remain with budget execution (especially the tax system), procurement, and internal audit and controls function. External audit practices are improving, however legislative scrutiny is still lagging. Reforms introduced in the Auditor General of Pakistan (AGP) have improved the timeliness of submission of audit reports.

5. In terms of 'inherent' fiduciary risk, Pakistan is in the Medium bracket. In 2016, Transparency International (TI) ranked Pakistan 116th out of 176 countries, although this was actually a significant improvement on its position at 143rd in 2010. Pakistan's TI score of 32 has been improving steadily over the last four years, starting from 27 in 2012 and consequently moved from High bracket to Medium bracket. However, corruption remains a serious problem in Pakistan and, although strengthened in recent years, oversight mechanisms remain under-resourced.

6. PPAF has successfully implemented thirteen projects under multiple donors including the World Bank, United States Department of Agriculture, International Fund for Agriculture Development (IFAD), United States Agency for International Development (USAID), KfW German Financial Cooperation and Government of Pakistan.

7. PPAF is presently managing four projects financed by KfW German Financial Cooperation, Government of Italy and Government of Pakistan.

8. The financial Management arrangements in respect of all the programmes were rated "Satisfactory" by the donors including last IFAD funded project on "Program for Increasing Sustainable Microfinance in Pakistan".

9. The borrower is Government of Pakistan through Ministry of Economic Affairs Division and the Lead Implementing Agency is PPAF a company registered as a not for profit organization under section 42 of the Companies Ordinance, 1984 as applicable in Pakistan. GoP will sign a subsidiary financing agreement with the Lead Implementing Agency.

10. Total programme cost is US$ 125 m out of which IFAD financing is US$ 100 million (including US$ 20 million of a financing gap). The programme will have a National coverage and it will be implemented through registered POs of PPAF. The majority of IFAD financing will mainly cover Component-A "Poverty Graduation" in the form of assets transfers which will be implemented by POs/Local communities and related social mobilization under Component-B.

FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

Staffing and Organizational Structure

11. Pakistan Poverty Alleviation Fund will be the Lead Implementing Agency. PPAF will oversee implementation of programme through its POs. PPAF is a company registered as a not for profit organization under section 42 of the Companies Ordinance, 1984 as applicable in Pakistan. PPAF was setup in 1997 and became operational in 2000. The company's operations are governed by the Board of Directors elected/nominated from the General Body. The operations of the company are divided into four groups out of which financial management is being looked after by the Financial Management and Corporate Affairs Group.

12. Programme Steering Committee comprising of CEO and Group Heads will be established to provide overall policy and administrative oversight and direction for the programme, in accordance with the Programme Financing Agreement.

13. There will be a dedicated PMU managing the programme within the overall structure of PPAF. PMU will have dedicated professionals for finance, monitoring and procurement. The Financial Management & Corporate Affairs (FMCA) Group and procurement unit within PPAF would provide support and guidance to PMU in smooth implementation of programme. The PMU will be staffed with a qualified finance specialist and four finance officers for financial monitoring of POs. The TORs of these staff are reflected in the HR annex of the design report. The POs finance staff will be trained by PPAF on financial management with respect to programme activities and which be followed by periodic refreshers.

14. Programme implementation will follow model whereby the PMU will coordinate with implementing partners of PPAF i.e., Partner Organizations (POs) and supervise implementation of components/activities under the programme.

Budgeting

15. Budgeting process will follow a bottom up approach. The communities development plans will be consolidated at POs level based on livelihood investments plans (LIPs) for individual households. The process includes sufficient participation of POs, communities and beneficiaries through participatory workshops. The PMU will consolidate the Annual Work Plan and Budget (AWPB) at PPAF level and submit it for approval by Board of Directors of PPAF as part of the overall organizational level budget. The approved AWPB will be submitted to IFAD for approval on annual basis.

16. PPAF will submit an estimation of budget on an annual basis to EAD for budgetary allocation which is finally included in the National budget of Pakistan. The budget module in Financial Management Information System (FMIS) of PPAF is not currently used, however, will be made functional for this project before entry into force.

17. An online management information system (MIS) will be used for recording of programme level budgets, including implementation plans, disbursements and expenditure. MIS will be integrated with accounting system for this programme.

Disbursement Arrangements and Flow of Funds

18. IFAD funds will disburse in USD to a Project Designated Bank Account opened in National Bank of Pakistan (NBP), after routing through State Bank of Pakistan (SBP), in compliance with GOP OM No. F.2(1)BR-II/2007-1618 dated July 27, 2011, relating to “New procedure for the maintenance and operation of Revolving fund accounts. These procedures are applicable on DA’s of all IFIs’ ongoing public sector Programmes in Pakistan, including IFAD’s. The designated bank account shall be opened with the approval of Ministry of Finance and Board of Directors of PPAF.

19. The SBP receives funding in foreign currency and translates it into local currency (PKR) applying the prevailing exchange rate.

20. IFAD’s share of all eligible expenditures will be paid in PKR out of this account. The bank converts the PKR amount to USD applying the First In First Out mechanism for utilization of USD.

21. Disbursement to POs in PKR to PO’s designated bank accounts in respect of each financing agreement will be based on the Implementation Plans (IPs) which are part of the Financing Agreement signed with POs. The first installment to POs will be released as per IP in advance. Release of funds to POs for subsequent installments will be subject to quarterly monitoring visits by PPAF. Disbursements from PPAF to POs for asset transfers will be made after approval of procurement plan. Any unspent balance at the closure of the respective financing agreement will be either adjusted from the any subsequent agreement or shall be returned to PPAF by POs. Any exchange rate difference arising out of unspent balances in local currency at the closure of the programme shall be borne by GoP/PPAF.

22. POs will be provided 8% lump sum overhead cost of the actual investment cost (asset transfer, trainings and consultancies) to cover recurring cost which will be linked to achievement of milestones which will be defined clearly by PPAF in financing agreements signed with POs. The first installment for overhead cost will be released in advance based on the planned investment cost mentioned in IP. The subsequent installments will be linked to achievement of milestone and quarterly monitoring visits by PPAF. The PMU Coordinator will certify the actual investment cost and achievement of milestone/results are in compliance with the signed financing agreement. Based on this certification, the next instalment will be made and necessary adjustments, if any, will be made. At closure, any unspent balance under overhead cost or investment cost of the respective financing agreement will be either adjusted from the any subsequent agreement or shall be returned to PPAF by POs.

23. Funds may also be transferred by PO to Community Institutions (CIs) for carrying some of the programme activities (primarily purchase of assets) subject to fulfilling PPAF guidelines which include among others having a proper bank account.

24. The operational bank account of PPAF (own resources) will be used for payment of expenses at PPAF level for PMU and programme management related activities (salaries, operational expenses, travel, consultancies, studies, capital items). IFAD will provide 4% overhead cost of the actual investment cost (asset transfer, trainings and consultancies) for recurring cost of PPAF. This amount can only be transferred from the project’s bank account once the audited financial statements of the project is received and IFAD accepted the narrative progress report.. PPAF will track the overhead cost due to PPAF on quarterly basis.

25. Counterpart funds have already been provided by PPAF/GoP for interest free loan to POs including the lending component and the operational cost for POs. These were routed through PPAF accounts to separate bank accounts of the POs and the borrowers. As a co-financing to this project, POs will be requested to open separate bank account for recovery of already deployed portfolio under the Prime Minister’s Interest Free Loan Scheme (PMIFL). These proceeds will then be used for

lending to borrowers under this project for 'Credit or Contribution Agreement Grants' category including the subsequent revolving.

26. The PMU will prepare Withdrawal Application (WA) for replenishment of Designated Account and submit the same to IFAD on quarterly basis. The threshold for Statement of Expenditure and disbursement procedure will be specified in the LTB.

27. **Retroactive financing:** In order to ensure timely start-up of the Programme, retroactive finance up to US$ 3500,000. This amount would cover eligible expenditures incurred after IFAD's Board approval in September 2017. to procure services of third party organizations for baseline and evaluation of PO proposals. This includes cost of advertisement and advance payments (Consultancies Category).

Internal Controls

28. Internal controls are detailed in the finance manual of PPAF and in the Operations Manual which will be used for this programme. These manuals are fairly comprehensive but will also be updated at the start of the programme to incorporate changes on the new reporting mechanism of POs and monitoring mechanism by PMU/PPAF as per the design document before the entry into force. The manuals ensure clear segregation of duties and the relevant roles and responsibilities of the staff. Detailed internal controls for selection, appraisal and disbursement to POs is included in Annex-11 to this document.

Accounting systems, policies and procedures

29. Accounts of PPAF are being maintained in the SQL based accounting software developed by one of the reputed firm providing accounting solutions in Pakistan. The FMIS has the provision of record keeping under multiple running programmes ensuring the fulfillment of Donor as well as statutory reporting requirements. It is a modular system comprising of the General Ledger, Payroll, Fixed Asset Register, Provident Fund and Gratuity Fund. The existing system will be used to maintain the accounts for this programme. The budgetary module however will be made operational before the programme's entry into force. The guidelines for use of accounting software are part of the finance manual. The accounts are maintained on accrual basis of accounting and statutory financial statements are prepared in accordance with International Financial Reporting Standard and International Accounting Standards as applicable in Pakistan. The project specific financial statements will be prepared on IPSAS cash basis of accounting.

30. The POs will be required to submit the Statement of Expenditures to PMU/PPAF on quarterly basis through online MIS.

31. With regard to PPAF's contribution to the programme as counterpart funds it may be noted that the fund is already deployed with the POs. Hence, the same will not be captured by the accounting system of PPAF. However, it will be captured by the online MIS at PPAF and will be reported in the Interim Financial Report (IFR) and enclosed as a note to the annual programme specific financial statements.

Financial Reporting

32. The PMU will prepare the reports including monthly report for senior management of PPAF/steering committee of the programme to aid management decision making; Quarterly IFR to IFAD on progress following agreed reporting formats; Un-audited annual financial statements to IFAD

33. PO will submit reports to PMU/PPAF including quarterly expenditure and progress reports through online MIS and audited semi-annual Statement of Expenditures (SOEs). These SOEs will be audited by a Chartered Accountant firm which is rated as satisfactory in Quality Control Review (QCR) by Institute of Chartered Accountants of Pakistan (ICAP).

Internal Audit

34. PPAF has an Internal Audit (IA) Unit reporting directly to the Audit Committee of the Board on all matters, except that for administrative purposes it reports to the CEO. Audit Committee comprises

of three independent Board members. The IA unit is staffed with five qualified and experienced personnel.

35. IA mandate is to provide independent and objective evaluations and to report on the effectiveness of governance, risk management and control processes. The IA unit will audit this programme as part of their annual work plan. In addition to performing audit by IA staff, some internal audit activities may also be outsourced to a firm of chartered accountants. This will complement the overall functioning of internal audit department and enhance coverage of end beneficiaries.

External Audits

36. PPAF accounts are subject to audit by a firm of Chartered Accountants on annual basis. In addition to statutory audit, the Auditor General of Pakistan will perform audit of the Programme on annual basis in line with the TORs approved by IFAD on annual basis.

37. As per IFAD's requirements, audit reports are required to be submitted to IFAD within 6 months from the end of financial year, i.e. by 31st of December every year.

Anti-Corruption Policy

38. The Programme should note IFAD's Anti-corruption policy where zero-tolerance applies where it has determined, through an investigation performed by the Fund, the borrower or another competent entity, that fraudulent, corrupt, collusive or coercive actions have occurred in Programmes financed through its loans and grants, and it shall enforce a range of sanctions in accordance with the provisions of applicable IFAD rules and regulations and legal instruments. 'Zero tolerance' means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. This policy applies to IFAD-funded activities whether supervised directly by IFAD or by a cooperating institution. IFAD will continue to improve its internal controls, including controls inherent in or pertaining to its Programme activities, so as to ensure that it is effective in preventing, detecting and investigating fraudulent, corrupt, collusive and coercive practices. IFAD shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its Programme or grant activities and individuals or entities subject to unfair or malicious allegations.

Taxes

39. Taxes under this programme will be covered from IFAD proceeds with exception of import taxes and duties, if applicable. Under the third multi-sectoral project with World Bank, which completed in March 2016, all the taxes were financed out of World Bank proceeds. EAD is expected to request such officially to IFAD before the negotiation of financing agreement.

FM Actions Summary: The actions required to mitigate FM risks are summarized below:

	Action	Responsible Party / Person	Target Date / Covenants
1	Finance Officers to be hired for new programme.	PPAF	Before effectiveness
2	Subsidiary Agreement between MOF and PPAF to be signed	EAD/PPAF CEO	Disbursement Condition
3	Finance Manual and Operational Manual to be updated and send to IFAD	Sr. GH FMCA-PPAF Sr. GH Grants - PPAF	Before effectiveness
4	Activate the budget module of the accounting system	Sr. GH FMCA-PPAF	Before effectiveness
5	Submit draft TORs for external audit to IFAD for approval.	Sr. GH FMCA-PPAF/ PMU	Every year prior to commencement of audit process

Annex-7.1 Summary of FM risks and mitigating actions.

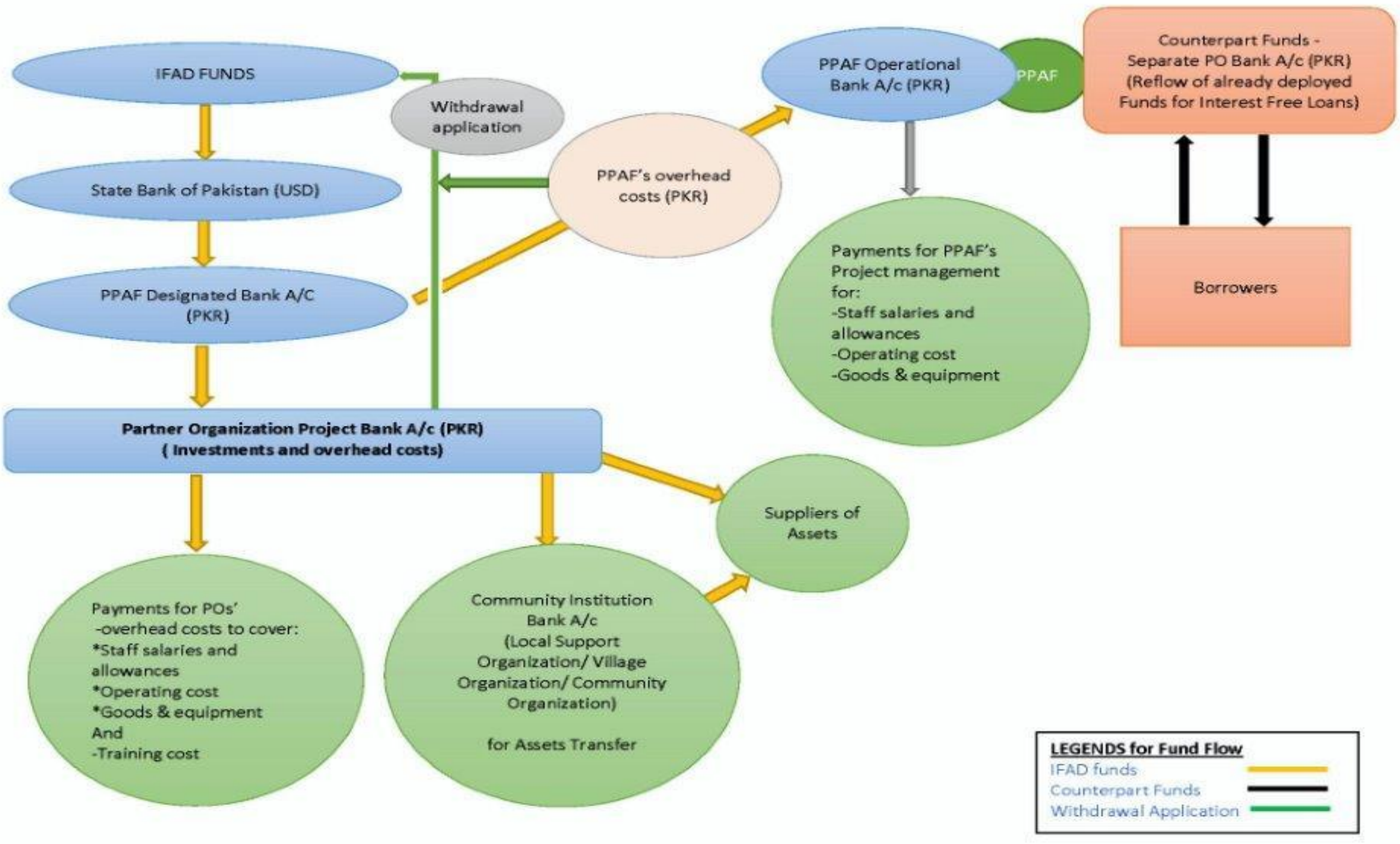
	Initial Assessment	Mechanism in place	Final Risk Assessment
Inherent Risk			
1. TI Index As of 2016: Rank 116/176 Score 32/100	M	N/A	M
1. Design features -National coverage -Multiple Implementing Partners	H	PPAF has previously implemented National level programs of similar nature with multiple donors and through multiple implementing partners.	M
Control Risks			
1. Organization and Staffing	L	• The staff of FMCA group is qualified and experienced having successfully managed three IFAD projects in addition to other donors' projects including World Bank, KfW, Italian Development Corporation etc. • New PMU staff will hired before the programme entry into force.	L
2. Budgeting - Collection and consolidation of budgetary needs from local community organizations is a challenge	M	• Social mobilization • Trained staff at POs to capacitate community institutions for preparation of community development plans and consolidation of budgets at PO level • Adequately staffed PMU will perform consolidation of budget at PPAF • PMU will get approval from Board of Directors of PPAF and timely submit to IFAD	L
3. Funds flow and Disbursement - Delay in disbursement from PPAF to POs -Funds remaining idle with POs	M	• Finance Manual exist which contains mechanism for fund flow and disbursements. • Timely opening of designated bank accounts at PO level • Rolling out of mechanism for online reporting of Statement of	L

-Recovery of unspent balances with POs at project completion		Expenditure to PPAF which will not require submission of supporting documents will reduce time required for disbursement to POs. POs will also be required to submit semi-annual audited statements of expenditure. • Release of funds to POs for subsequent installments will be subject to quarterly monitoring visits and certification by PPAF field team. • Disbursements from PPAF to POs for asset transfers will be made after approval of procurement plan. • All the financing agreements under the project with POs should be completed before the completion date of the main financing agreement with IFAD to allow recovery/utilization of unspent funds with POs.	
4. Internal Controls -Controls at PO and community level may be weak because of decentralization of fund utilization -Cash transactions at community institution level	H	• Strong internal control framework, detailed in finance manual which will be updated to reflect the new monitoring and SOEs review mechanism before the start of the project. • All bank accounts are operated by joint signatories at PPAF, PO and CI levels. Bank accounts are reconciled monthly. • POs will also be required to submit semi-annual audited statements of expenditure. • Release of funds to POs for subsequent installments will be subject to quarterly monitoring visits by PPAF. • Acceptance of final expenditure under respective financing agreement with PO will be subject to acceptance of final audit report. This will be stipulated in the respective financing agreements with POs. • Internal audit at PPAF will cover all the POs at least once a year as part of their work plan and they should on a sample basis visit community institutions. • Large procurements for communities to be done at the PO level and cash transactions will be minimized to the extent possible.	M
5. Accounting Systems, Policies &	L	• Comprehensive Finance Manual containing details regarding	L

Procedures Recognition and measurement for counterpart funding		accounting system, policies and procedures exists. • Computerized Financial Management and Information System (FMIS) comprising of General Ledger, Payroll, and Fixed Asset Register. Flexible to incorporate requirements of record keeping under multiple running projects ensuring the fulfillment of Donor as well as statutory reporting requirements. Budget module will be made functional for this project. • Eligibility criteria includes that POs should have appropriate accounting system in place. For the project it will be reviewed that the accounting systems in place should be capable to record and generate project wise information. • Project specific financial statements will be prepared on IPSAS cash basis. • The counterpart funds which are already deployed with the POs will be captured through the online MIS but not in the FMIS of PPAF.	
6. Reporting and Monitoring -Data reported online by POs may be inaccurate or incomplete -Tracing of funds at beneficiary level	M	• Quarterly financial reporting by POs to PPAF • Periodic monitoring by Finance on the basis of methodology under finance manual • PPAF will submit quarterly interim financial reports to IFAD • Ensure strong record keeping at POs and Community level to be stipulated in respective financing agreements with POs. • Training of PO staff on record keeping and online reporting through MIS	L
7. Internal Audit Independent Internal Audit Function directly reporting to the Audit Committee of the Board, however, the current staff may not be able to cover adequate sample of end beneficiaries under the project.	M	Internal audit unit may be adequately staffed/ outsourcing the project area to a firm of chartered accountants in order to cover reasonable sample of end beneficiaries.	L
8. External Audit	M	Audit terms of references to be submitted by PPAF and cleared timely by IFAD	L

-Delays in submission of project annual audit report by public auditors -Delay in conclusion of audit findings related to project activities by public auditors		on annual basis. The auditor should adhere to the guidelines indicated in the financing agreement.	
Overall Risk	**H**		**M**

Annex 7.2


IFAD FUNDS
Withdrawal application
State Bank of Pakistan (USD)
PPAF Designated Bank A/C (PKR)
PPAF's overhead costs (PKR)
PPAF Operational Bank A/c (PKR)
PPAF
Counterpart Funds - Separate PO Bank A/c (PKR) (Reflow of already deployed Funds for Interest Free Loans)
Borrowers
Payments for PPAF's Project management for:
-Staff salaries and allowances
-Operating cost
-Goods & equipment
Partner Organization Project Bank A/c (PKR)
(Investments and overhead costs)
Suppliers of Assets
Payments for POs'
-overhead costs to cover:
*Staff salaries and allowances
*Operating cost
*Goods & equipment
And
-Training cost
Community Institution Bank A/c
(Local Support Organization/ Village Organization/ Community Organization)
for Assets Transfer
LEGENDS for Fund Flow
IFAD funds
Counterpart Funds
Withdrawal Application

Appendix 8: Procurement

1. PPAF has an independent procurement department consisting of four professionals headed by a General Manager Procurement who reports directly to the Chief Executive Officer. PPAF's Procurement Unit has a history of successful implementation of various projects including PPAF I, II, III, as well as two IFAD programmes (MIOP and PRISM) and an Earthquake Rehabilitation project under World Bank Guidelines. Satisfactory ratings have been provided throughout this period by World Bank as well as External Auditors. Moreover, certain innovations by the Procurement Unit have been acknowledged and recently PPAF was awarded the South Asia Procurement Innovation Award.2016-17, for PPAF's Community Demand Driven Procurement Model.

2. A significant proportion of the procurement will be carried out through partner organizations. To ensure procedural compliance, an additional resource in procurement will be hired and dedicated to the NPGP.

1. <u>Procurement:</u>

3. All procurement undertaken by PPAF and its POs for the proposed programme would be carried out in accordance with the guidelines under International Fund for Agricultural Development (IFAD) titled "IFAD Procurement Handbook" revised on September 2010. However, the procurements at community level shall be carried out in accordance with the "PPAF Community Procurement Guidelines". The selection of POs shall be undertaken as per the procedures defined in this document.

4. The various items under different expenditure categories are described in general below. For each contract to be financed by the Loan/Credit, the different procurement or consultant selection methods, including estimated costs, prior review requirements, and time frame are agreed between the Borrower and the donor will be defined in the Procurement Plan. The Procurement Plan will be updated at least bi-annually/annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

1.1 Procurement of Goods by PPAF/Partner Organizations

5. The procurement of goods by PPAF and the Partner Organizations will consist of communications equipment, IT equipment, office furniture and vehicles. For the reasons of economy and efficiency, wherever possible, items which are similar in nature and are planned to be procured at almost same time should be grouped under one contract package and bids/quotations shall then be invited for the whole contract package. The procurement will be done under IFAD's procurement methods i.e Direct Contracting (up to $5000/-), National Shopping (up to $100,000/-), National Competitive Bidding (NCB-up to $200,000) and International Competitive Bidding (ICB-cost exceeding $200,000/-).

1.2 Consultancy Services:

6. Consultant services include Firm Consultants and individual consultants to be hired for institutional reforms, financial services, baseline surveys, social and environmental impact evaluations, technical skills development, management systems development, strategic planning, development of reports and case studies. The selection methods include Quality and Cost based Selection (QCBS), Quality based Selection (QBS), Selection under a Fixed Budget (FBS), Least Cost Selection (LCS), Selection based on Consultant's Qualification (CQS), Single Source Selection (SSS) and selection of Individual Consultants. The services of the consultants shall be hired in the light of IFAD Guidelines.

1.3 Procurement Plan

7. Procurement Unit will prepare consolidated annual procurement plan based on annual work plan. However, the first procurement plan will be prepared for 18 months of the programme. The Procurement Plan will be updated in consultation with the Project Team bi-annually or as required to reflect the actual project implementation needs.

1.4 Type of review according to thresholds

Procurement Method	Threshold	Review Type
Direct Contracting	US$1 to 5,000	Post Review
National Shopping	US$5,000 to 100,000	Post Review
National Competitive Bidding	US$100,001 to 200,000	Prior Review
International Competitive Bidding	Above US$200,001	Prior Review
Consultancy Services	Up to US$100,000	Post Review
	Above US$100,001	Prior Review
Works	Above US$1,00,000	Prior Review

1.5 PPAF Internal Controls and committees

Administrative and budget approval Committee

Goods	<= PKR 200,000 Concern Group Head, => PKR 200,000 Concern GHs + Senior Group Head - Financial Management and Corporate Affairs (FMCA)
Consultant Firm	Unconcerned Group Head + General Manager Procurement +Group Head FMCA + Chief Executive Officer
Individual Consultant	In case of individual consultant HR review is mandatory

Evaluation Committee

Requesting Unit + Procurement Officer + Neutron/Technical Person In case of individual consultant HR will be the part of evaluation committee

Procurement Committee

<= PKR 500,000 GM Procurement + Unconcern Group head + FMCA => PKR 500,000 GM Procurement + Unconcern Group head + FMCA + CEO

1.6 Procurement Information and documentation – Filing and database

8. Procurement information will be recorded and reported as follows:

1. Complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, related correspondence etc., will be maintained by the implementing agencies in an orderly manner, readily available for audit.
2. Contract award information will be promptly recorded and contract rosters as agreed will, be maintained by each implementing agency.
3. Comprehensive quarterly reports by PPAF indicating: (i) revised cost estimates, where applicable, for each contract; (ii) status of on-going procurement, including a comparison of originally planned and actual dates of the procurement actions, preparation of bidding documents, advertising, bidding, evaluation, contract award and completion time for each contract; and (iii) updated procurement plans, including revised dates, where applicable, for the procurement actions.

2 Selection of Partner Organization

9. These guidelines shall guide through the process of selecting eligible and authentic Partner Organizations for Pakistan Poverty Alleviation Fund (PPAF).

2.1 Shortlisting

10. Shortlisting is a process used to identify a limited number of consultants, firms or Partner Organization who have appropriate and relevant experience and qualifications to undertake specific assignments or projects. A shortlist should consist of not less than 3 and not more than 6 consultants or firms; however, it may not best fit in case of shortlist of Partner Organizations. For Partner Organization shortlist may less or more than the number mentioned above. Where there is a database of Consultants or Partner Organization that have previously completed in a satisfactory manner, similar assignments, these may be also notified directly, of the opportunity.

2.2 Shortlist Committee

11. A Shortlist Committee shall be formed comprising a Procurement Officer, Unit Head and one other member from an unrelated unit who shall open the applications, evaluate the EOIs received and propose a shortlist to the Procurement Unit. The organization of Committee Members availability shall be the responsibility of the PU for the specific procurement transaction. In case of higher numbers of EOIs or for mega projects a third party consulting firm may be appointed by PU for the evaluation of EOIs/establishment of shortlist.

2.3 Request for Expressions of Interest (REOI)

12. This is a notification prepared by the PU which shall be used to request suitably qualified and experienced Consultants, firms or POs to register their interest in being considered for inclusion on a shortlist and potentially invited to provide proposals.

13. The REOI will be issued by the PU following Administrative/Budget approval and any necessary amendments to the Terms of Reference carried out by the PU in coordination with the RU.

2.4 Advertising REOI

14. For all methods of selection, the PU will arrange advertising on the PPAF website and one local newspaper of wide distribution. Where QCBS method has been deemed appropriate or required to high international firms the REOI shall be additionally advertised in one international newspaper.

15. The Request should briefly describe the specific required skills, experience and what sort of information should be supplied. If a specific academic qualification or specialized university degree is required, this should be stated in the request. A period, not less than 10 working days should be allowed for response.

16. The Opening of EOIs is not a public one and is carried out by a Shortlist Committee immediately after the latest date for submission of shortlist applications. The Shortlist Committee shall record a minute briefly detailing the latest date for response, the date applications opened and the names of applicants. The minute shall be signed by all shortlist members who attended the opening.

2.5 Deciding the shortlist

17. An informal evaluation of submissions shall be carried out by the Shortlist Committee or the third party Consulting Firm as the case may be to establish a shortlist. A record should be made of the names of firms providing EOIs and brief narrative report describing the applicants and how the shortlist was established in relation to the skills, qualifications and experience requested in the REOI. The Committee must shortlist Consultants or POs who's EOI most closely adheres to the requirements in the REOI and must not include on the shortlist, firms whose skills and qualifications are not relevant to the requirement. Typically, a simplified points system can be used to identify applicants most closely meeting the skills, qualifications and experience.

18. If the Procurement Review Committee is not satisfied with the composition of the short list they shall order the Shortlist Committee to re-evaluate the applications taking into account the PRC's comments or advise PU to re-advertise the REOI to attract the potential consultants/firms.

2.6 Field Appraisal:

19. In case of selection of Partner Organization, a field appraisal is highly recommended to ensure the POs capacity, which required a review of POs core/project team, implementation, financial and procurement capacities. A team may review the previous projects including the documentations and field interventions, tract record, geographic outreach and their footprints in the community. A third party consulting firm or team proposed by PPAF management comprise of Grants, MER, Finance, Procurement should visit to each shortlisted PO and submit appraisal report.

2.7 Invitation of Proposals:

20. After the shortlist has been decided and approved by designated committee or by appointed firm, no other PO may be added and no changes may be made to the list. All the potential POs on the shortlist must be invited to submit the proposal.

2.8 Receipt and opening of proposals

21. The potential partner organizations shall be required to submit the proposals. Any proposal received after the closing time for submission of proposals will be returned unopened, and no amendments to the proposals will be accepted after deadline. Upon receipt of proposals, a letter acknowledging the receipt shall be sent to the concerned organization. The proposals shall be opened and signed by the committee designated by the Third Party for the purpose.

2.9 Evaluation of the proposals

22. **Evaluation Committee**

2.9.1 In case of Third Party:

23. The Third Party shall designate a committee comprising veteran professionals to evaluate the proposals submitted by the shortlisted organizations as per criterion set and communicated in RFP.

1.9.2 In case of PPAF own evaluation:

24. The Chief Executive Officer shall constitute a multidisciplinary committee comprising senior officials from operational units and support units i.e F&A and Procurement units to devise a mechanism / criteria to gauge the organizational capacity of the potential POs, their outreach, financial stability, aptness of accounting systems and audit reports and transparency of procurement procedures etc.

Evaluation as per set criteria

25. The evaluation shall be carried out as per evaluation criteria defined in RFP as mentioned in "instructions to consultant"

- Final recommendation
  The recommendation, made by Third Party or the PPAF as the case may be, shall be presented to the Credit Committee for further consideration.
- Presentation to Credit Committee
  The prospective partner organizations shall be recommended to PPAF's credit committee (comprising senior management of PPAF) headed by Chief Executive Officer CEO.
- Approval of Board

The CEO of PPAF shall approve/disapprove the recommendations of the third party, and incorporate his recommendation to the Board of Directors. Following PPAF Board of Directors approval, the acceptance letters shall be issued to the successful organizations.

- In case of Donors' fund
  The recommendation of BoD shall be submitted to the Donor for approval. After getting approval from Donor, offer letters to selected partner organizations shall be issued.

2.10 Partner Organizations Training approval Mechanism

26. Trainings and workshops shall be organized at the PPAF, PO and community levels. In most of the cases, individual resource persons are selected under Individual Consultants Selection method however, firm consultant may be required depending upon the need. The thresholds and review process for individual and firm consultants are given below;

- The POs shall hire individual consultant up to PKR 1,000,000/- under Post Review method.
- The individual consultant may be hired costing beyond PKR 1,000,000/- under Prior Review method.
- With regard to hiring of firm consultants, the POs may hire up to PKR 2,000,000/- under Post Review method.
- Under Prior review method, a firm consultant may be hired costing beyond PKR 2,000,000/-.
- The trainings may also be imparted by POs staff as well as the CRPs with prior approval by the PPAF.

Community Procurement:

The procurement at community level will be done as per the procedures defined below.

3.1 Objectives:

27. These guidelines are developed for Community Organizations to carried-out their project procurement of livelihood assets, livestock, construction material for physical infrastructure schemes, hiring of skilled and un-skilled labor etc. is the integral part of PPAF Procurement Guidelines 2016 issued in order to standardize and regulate the procurement activities at all levels:

28. The main objective of these guidelines is to provide firsthand guidance to community and make them able to make their procurement effectively at minimum acceptable cost and quality on timely manners. It will further, enable them to strengthen their local available options/practices and enable local market to boost their economy by creating business opportunity at grass-root level. It would help underlining the importance of record keeping and enable community institutions to maintain record at community level. These guidelines would also enhance the capability of preparing documents, registers and supplements in order to maintain record and transforming them into an institute.

3.2 Overview of beneficiary selection:

29. A household must be the member of the Community Organization (CO) of the respective village having Poverty Scorecard between 0-18. The priority should be given to the households scoring "0" followed by the ones scoring 1,2,3….18 respectively. The Village Organization shall verify the poverty categorization from Benazir Income Support Program (BISP) and also from the Community if required. The member household must have Livelihood Investment Plan (LIP) indicating the assets appropriate for the member. Besides, the following shall also be ensured;

- The beneficiary should be resident of the respective Union Council (UC) possessing National Identity Card and aged 18-60 years.
- The beneficiary household must not be involved in any criminal act in past including financial embezzlement.

- The assets shall be selected based on their availability in local market which would help them to replace/repair conveniently if need arises.
- There should be a clear likelihood of the assets to increase monthly income of the beneficiary household
- In case of livestock, the improved breed compatible to their areas shall be chosen that would give them better production and reproduction of the animals
- This pertains to the beneficiaries selected for provision of livestock for the betterment of their livelihood.
- PPAF have detailed procurement principles/guidelines for the gross root level procurement which are as follow;

3.3 Transparency in Procurement

30. Transparency and quality of the goods & services is the most important element of the community procurement which is to be ensured by the respective community. To achieve this, the record of each step right from initiation of the procurement process till the delivery of goods to the beneficiaries should be maintained so that it may be made public as and when required. The basic principles of transparent procurement are explained in these guidelines;

3.3.1 Planning

Formation of Purchase Committee

31. To carry out the development activities in transparent and systematic way, the formation of Procurement Committee is significant. The Committee should consist of at least 03 members from community institution(s). The purpose of the Committee is to carry out all procurement activities by ensuring transparency, economy and efficiency in procurement process so that the funds can be utilized for the intended purpose in right manners

Procurement Plan

32. The procurement plan is the vital part of the procurement process which encompasses the detail of the items to be procured and the timing of different activities to be carried out. The (Local Support Organization) LSO shall receive the resolution from VOs of the respective Union Councils and based on the resolutions, prepare a consolidated assets procurement plan. The committee of the CI shall initiate the process according to that plan. The plan shall include the description of items, detail specification and the quantity to be procured. An estimate of the goods is a must to ascertain the budget availability for the activity. The committee shall also plan; when the activities will be performed.

33. Further, the LSO will send the plan of assets' procurement to partner organization after attestation from members of community organizations. After analysis, PO will send this plan to livelihood program Unit and Procurement Unit of PPAF for approval. The procurement shall be carried out only after obtaining approval from. Once the distribution of assets process is completed, the partner organization must report to PPAF on prescribed format.

3.4 Procurement Process:

34. Procurement of goods and services is a very sensitive matter. Information about price and quality of goods is gathered from different sources to ensure the value for money and right use of funds. Following are the stages pertaining to the procurement process in which quality and transparency is also deliberated upon in addition to the cost;

3.4.1 Solicitation of Quotations

35. The procurement committee shall conduct a market survey and collect at least three quotations in written form. The date, contact number, rate, specification and terms & conditions must be clearly written on the quotes on supplier's letterhead. In case of illiterate supplier, the committee would help him/her prepare the quote and get thumb impression on it. If goods are not available locally, the nearest market will be approached to obtain the quotations. In remote areas where three quotations are not an option and only one shop/vendor is not available, one quotation is acceptable provided the price is reasonable and quality is acceptable. Committee should record the reason for single quotation.

3.4.2 Evaluation of the Quotations

36. Once the quotes are solicited, the committee shall prepare comparative statement signed by all the members and evaluate them in order to select the lowest evaluated bid. During evaluation, the rate, quality, warranty and after-sales services shall be considered and choose the bidder which offers the best value of money.

3.4.3 Award of Contract/Purchase Order

37. The committee shall issue Purchase Order to the successful bidder. Purchase order must contain signatures of purchase committee. It must contain terms and conditions clearly indicating that violation shall result into cancellation of the purchase order.

3.4.4 Receipt & Inspection of Goods, Works and Services

38. It is necessary to prepare receiving receipt of all purchased items that must contain receiving date, number of goods, and signature of recipients and hand over to beneficiaries or CIs. The committee shall inspect the goods according to the specifications given in purchase order. Damaged goods or the goods not meeting the specifications must not be accepted and asked for immediate replacement at suppliers' cost.

3.5 Tagging

39. The Committee fixes a unique tag on each asset procured and each scheme completed for proper identification.

3.6 Recordkeeping

40. Recordkeeping is the process of recording transactions and events during day to day activities of an organization. Different types of record are maintained with respect to nature of issues which can have following advantages;

- Record keeping enables organizations to demonstrate transparency
- It develops trust among members and holds themselves accountable to each other
- It helps tracking pace of the activities
- Financial transactions can be accurately scrutinized
- Record keeping plays important role in maintaining repute of an organization
- It maintains transparency in assets' procurement process and their transfer to beneficiaries
- Record keeping enables achieve the targets in time
- Following points must be considered during record keeping
- In LSO, secretary or manager will be responsible for record keeping

- The process of record keeping must be started immediately after establishment of the organization
- All the members, representatives of POs and other stakeholders must have access to the record
- Recording should be accurate and understandable
- Record must not be haphazard and it should go into its respective file/register
- Record must be entered soon after the activity takes place
- Printed payment receipt is mandatory to be obtained at the time of procurement, however, if not available, the stamp of the vendor would serve the purpose
- If both receipt and stamp are unavailable, the name, address and contact number of the shopkeeper must be written on plain paper.
- Consider following points in case of wrong entries
- Mistake should not be removed
- In case of wrong entry, mark (X) or encircle the amount (so that the wrong entry remain visible) and put signature beside it.

Procurement Methods:

4.1 Shopping (Three quotations)

41. The community institution is liable to establish a committee comprising three members from community to visit the local market to obtain at least three quotations in written form. The quotations must be authentic, verifiable and signed by the respective vendors. The comparison of the quotations is required to be carried out by preparing comparative statement which embodies the specification, rates, warranty, after sale service etc. for the just comparison to obtain best value of money. Based on analysis/evaluation of the detail given in comparative statement, the purchase order is issued to the vendor quoted the best rate.

4.2 Single Quotation/Direct Contracting

42. In remote areas where three quotes are not available and procuring from other distant markets is expected to raise cost/transportation cost of the goods, single source selection is the method opted for. In this method, one quote is obtained from the local market with justification inscribed by the committee members as to why single source selection method is being employed. The committee must compare cost involved in procuring from local market with procuring from distant market where three or more vendors of similar goods are available. Besides, the committee shall consult the unit cost database (UCD) which enshrines the rates of different items obtained from local/nearby markets from time to time in order to verify the rates.

4.3 Procurement of Livestock

43. If the livestock to be procured is in bulk, it may be procured from the nearest livestock market which is usually established on weekly basis. Such markets provide an opportunity to choose the best animals at cheaper price; however, transportation from the market to the community's destination incurs cost. Therefore, if the animals are available within the community, it is recommended to give preference to procure locally. To verify the prices, there are common interest groups available in communities or the local livestock vendor.

4.4 Vendor Mela (Fair)

44. Vendor Mela (Fair) is organized when there is little information available for goods and services to be procured, Different vendors from local and nearby markets are invited to come up with their suggestions/proposals. The Community Institution chooses the best vendor in terms of quality,

rate, and after-sale services. Another benefit of this exercise is that the community can have a database of vendors in their “Contact Directory” which could help them in future procurements.

4.5 Procurement of material & equipment for Small Physical Infrastructure Schemes

45. Procurement of construction material like sand, crush, bricks, iron and any equipment can be done by adopting three or a single quote (as the case may be) method. Due to technical nature of the procurement and monitoring of construction work, an engineer either from the community or from the PO should be a part of the procurement committee. The community organization along with procurement committee is responsible for vigilance of each step of procurement process as well as verification of construction activities.

4.6 Hiring of Skilled and Unskilled Labor

46. With support of Pakistan Poverty Alleviation Fund (PPAF), the communities have established “Naukri ya Karobar (Employment or Enterprise development Centre)” in their respective areas. NYKs facilitate the jobless people in finding and securing their jobs, helping them to develop feasibility plan to establish their own business. Unemployed people and people looking for business opportunities including skilled and unskilled labor register themselves with Naukri ya Karobar Centers in their respective areas for employment. Committee may contact NYKs for the selection of skilled and unskilled labor and pay them as per prevailing market rate.

4.7 Cash Transfer

47. In some projects, the donors intend to transfer the cash amount to the beneficiary’s account so that they can procure the assets themselves provided he/she has sufficient information regarding the asset(s) to be procured. However, after procurement, the receipts are mandatory to be submitted to CO/VO office. It is the responsibility of the Community Organization to look after the procurement. The prior approval of PPAF and its respective Partner Organization is mandatory to opt for this method.

PPAF Annex 1

General Eligibility Criteria for Partner Organizations

Partner organizations shall be all those NGOs, RSPs, CBOs, private sector institutions and entities that are involved in the work of poverty alleviation through income generating activities. They shall be selected through transparent pre-selection criteria. In order to be eligible for support from the PPAF, potential partner organizations shall have to meet the following eligibility criteria established by the Board of Directors of the PPAF.

1. The potential partner organization must be registered under one of the existing registration laws of Pakistan. Preference will be given to organizations registered under Section 42 of the Companies Ordinance 1984, the Societies Registration Act 1860, or Voluntary Social Welfare Agency Ordinance 1961.

2. It must have a "proven and demonstrated capability in the area of Social Mobilization and Integrated Rural Development".

3. It should be involved in participatory development at the grass-roots level, have the capacity to expand its outreach and have a well-developed strategy and work plan for the future.

4. The sources of present funding should be transparent and the structure of governance must be democratic.

5. The organization must have a proper accounting system supported by balance sheets and profit and loss account statements or income and expenditure statements with the minimum requirement of a cash-book supported by a bank statement.

6. The organization awarded grants will be required to submit regular monitoring reports and should be willing to submit to monitoring and evaluation by the PPAF or any outside agency appointed by the PPAF for this task.

7. The organization must have a system of internal controls and external audits, in accordance with the relevant laws of its registration, with audit scope acceptable to the PPAF and annual audits by a reputable QCR listed Chartered Accountant firm. It should be willing to accept mandatory external audits by a firm of Chartered Accountants acceptable to the PPAF.

8. The organization must be financially sustainable, or on the path to sustainability. In this regard, it should have a realistic business plan for achieving self-sufficiency, and show steady progress towards that goal.

9. The organization should be willing and able to maintain all relevant records, documents and information in respect of financing received from the PPAF, and to furnish these to the PPAF.

10. The organization should have good and strong governance and management structure.

11. The organization shall not be political, discriminatory, ethnic, sectarian or exclusionary in nature.

Appendix 9: Programme cost and financing

Main Assumptions and Costs Estimations

1. This Appendix describes the assumptions underlying the derivation of the Programme costs and financing plan and presents the basis and details of the estimated Programme costs. The main assumption made in the estimation of costs are highlighted below;

- **Inflation and physical contingency:** The average inflation rate in Pakistan during the period from 2012-2016 was noted to be 6.2%[68]. The same is taken within project years. However in the case of salaries an additional 1% is taken owning to the annual increment. The costs are indicated in constant USD terms. The costs does not include physical contingencies for most of the elements.

- **Exchange Rate:** The exchange rate during the preceding years was Rs104.8 = US$1. The exchange of 105.0 is used in project costing which is expected to remain at this level by the Programme negotiation time.

- **Taxes and Duties:** The tax rate collected by the Government varies from item to item. A General sales tax of 17% is applicable on most items which is assumed to be included in the price of the product or service. However the withholding income tax applied in the costing is 10%. The taxes where ever applicable are included in the cost. All taxes are considered as Government contribution.

Programme Costs

2. The Programme will have two components: i) Sub-component 1.1. focusing on asset transfers and skills training, sub-component 1.2 which includes providing interest-free loans and sub-component 1.3 which includes all associated trainings of beneficiaries under sub-components 1.1 and 1.2. ii) Social mobilization and Programme management. The Programme cost has been calculated using CosTab for all the components/ sub-components and are given as Appendix Tables. A summary of the Programme costs in Table 1 below shows that the baseline cost will be USD 136.1 million (PKR 14,675 million). The cost including taxes will amount to USD 136.1 million. The component wise share in the programme cost is 86% for poverty graduation, 5% for social mobilization and 9% for Programme management.

		(PKR '000)			(US$ Million)		% Foreign	% Total Base
	Local	**Foreign**	**Total**	**Local**	**Foreign**	**Total**	**Exchange**	**Costs**
A. Poverty Graduation	12,637,386.7	-	12,637,386.7	117.2	-	117.2	-	86
B. Social Mobilization & Programme Mngt								
1. Social Mobilization	736,294.4	-	736,294.4	6.8	-	6.8	-	5
2. Project Mngt	1,302,190.4	-	1,302,190.4	12.1	-	12.1	-	9
Subtotal Social Mobilization & Programme Mngt	2,038,484.8	-	2,038,484.8	18.9	-	18.9	-	14
Total BASELINE COSTS	14,675,871.5	-	14,675,871.5	136.1	-	136.1	-	100
Physical Contingencies	348,563.6	-	348,563.6	3.2	-	3.2	-	2
Price Contingencies	1,861,448.0	-	1,861,448.0	10.5	-	10.5	-	8
Total PROJECT COSTS	16,885,883.2	-	16,885,883.2	149.8	-	149.8	-	110

[68] Economic Report, Pakistan, Economist Intelligence Unit, 2017

Expenditure Categories

3. For ease of operation while working out ratios of Govt. and IFAD contribution to different components of the program, IFAD expenditure categories have been kept in view. The ratio of Govt: IFAD contribution in each type of Expenditure category has been fixed in a manner so as to facilitate preparation/ processing of Withdrawal applications during implementation. Following ratios have been used for various loan categories to differentiate Govt and IFAD contribution:

Table 2: Govt : IFAD share by category

Category	IFAD	Govt/ PPAF
A. Poverty Graduation	62%	38%
B. Social Mobilization & Programme Mngt		
1. Social Mobilization	100.0%	0%
2. Project Management	100.0%	0%
Subtotal Social Mobilization & Programme Management	**100.0%**	**0%**
	66.7%	**33.3%**

A. Programme Disbursement by Financier

4. The Programme financing sources will include IFAD and Government of Pakistan through the Prime Minister's Interest Free Loan scheme. IFAD will provide USD 100.16 million for the Programme. This will meet 67% of the total cost of the Programme. The counterpart will contribute part of the cost interest free loans provided by Government of Pakistan. It is expected that the overall contribution of the counterpart will be USD 50.03 million or 33.3% of the Programme cost.

Amounts in US$ in million

	The Government		IFAD		Total		For.	Local	Duties &
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Exch.**	**(Excl. Taxes)**	**Taxes**
I. Investment Costs									
A. Grants and Subsidies	-	-	73.4	100.0	73.4	49.0	-	73.4	-
B. Credit or Contribution Agreement Grants	49.9	100.0	-	-	49.9	33.3	-	49.9	-
C. Training	-	-	14.7	100.0	14.7	9.8	-	14.7	-
D. Workshops	-	-	0.0	100.0	0.0	-	-	0.0	-
E. Consultancies	-	-	1.2	100.0	1.2	0.8	-	1.2	-
Total Investment Costs	49.9	35.8	89.3	64.2	139.2	92.9	-	139.2	-
II. Recurrent Costs									
A. Salary and Allowances	-	-	10.6	100.0	10.6	7.1	-	10.6	-
Total Recurrent Costs	-	-	10.6	100.0	10.6	7.1	-	10.6	-
Total PROJECT COSTS	49.9	33.3	99.9	66.7	149.8	100.0	-	149.8	-

Programme Components by Year

5. Year-wise phasing given below shows that 18.5% of Graduation cost will be incurred in the first year (2018) followed by 14.6% in year 2, 25% in year 3, 20.8% in year 4, 18.12% in year 5. The cost in 6th year of implementation will be almost negligible as the results are anticipated in the final year. 28% of the Social Mobilizations Costs, being the overarching in nature for the programme, will be incurred during first three years of the Project, while 4% is estimated to be incurred during 4th year. There is no Social Mobilization anticipated during 5th and 6th year of the Project. During the first four years, due to the investments costs and social mobilization expenditure, the Programme Management Costs will be incurred. 23% in year 1, 21% in year 2, 24% in year 3, 18% in year 4, 14% in year 5 while only 4% is anticipated for the last year of the Project..

Pakistan

Project Components by Year -- Totals Including Contingencies

Project Components by Year -- Totals Including Contingencies

(US$ Million)

	Totals Including Contingencies						
	2018	2019	2020	2021	2022	2023	Total
A. Poverty Graduation	24.2	19.2	33.1	27.3	23.7	3.3	130.8
B. Social Mobilization & Programme Mngt							
1. Social Mobilization	2.1	2.4	2.4	0.3	-	-	7.2
2. Project Mngt	2.6	2.2	2.8	2.1	1.7	0.5	11.8
Subtotal Social Mobilization & Programme Mngt	4.7	4.6	5.2	2.4	1.7	0.5	19.0
Total PROJECT COSTS	28.9	23.8	38.4	29.6	25.3	3.8	149.8

Appendix 1 Table for Components/ Sub-components

	Unit	Quantities 2018	2019	2020	2021	2022	2023	Total	Unit Cost (US$)	Totals Including Contingencies (US$ '000) 2018	2019	2020	2021	2022	2023	Total
I. Investment Costs																
A. Grants & Interest Free Loans																
1. Asset Transfers /a																
Tangible Asset Transfer	Asset	31,185	22,302	35,154	24,759	25,704	1,512	140,616	417	13,866.1	10,222.9	16,617.6	11,865.2	12,823.5	785.3	66,180.6
Intangible Asset Transfer /b	Asset	4,620	2,646	5,166	3,192	-	-	15,624	417	2,054.2	1,212.9	2,442.0	1,529.7	-	-	7,238.8
Subtotal Asset Transfers										15,920.4	11,435.8	19,059.6	13,394.9	12,823.5	785.3	73,419.4
2. Interest Free Loans /c																
Loans to graduated beneficiaries PSC Range 12-16.17 /d	Loan	8,951	6,237	10,080	6,988	6,426	378	39,060	215	1,954.3	1,403.8	2,339.7	1,644.4	1,574.2	96.4	9,012.9
Loans to graduated beneficiaries PSC Range 16.18-18 /e	Loan	7,161	4,990	9,623	8,110	6,888	1,909	38,681	215	1,563.5	1,123.2	2,233.7	1,908.4	1,687.4	486.9	9,003.0
Loans to graduated beneficiaries PSC Range 19-23 /f	Loan	4,620	2,646	6,413	5,598	2,028	1,722	23,027	215	1,008.7	595.6	1,488.6	1,317.3	496.8	439.2	5,346.1
Loans to graduated beneficiaries above 23 PSC	Loan	1,155	662	1,603	1,400	507	431	5,758	215	252.2	149.0	372.1	329.4	124.2	109.9	1,336.8
Loans to new beneficiaries /g	Loan	10,000	15,000	25,000	30,000	22,609	4,865	107,474	215	2,183.3	3,376.2	5,802.9	7,059.6	5,538.6	1,240.8	25,201.4
Subtotal Interest Free Loans										6,962.0	6,647.8	12,237.0	12,259.2	9,421.2	2,373.2	49,900.3
Subtotal Grants & Interest Free Loans										22,882.4	18,083.6	31,296.6	25,654.1	22,244.6	3,158.5	123,319.7
B. Trainings																
Functional Literacy and basic business /h	Grantee	31,185	22,302	35,154	24,759	25,704	1,512	140,616	22	696.7	513.7	835.0	596.2	644.3	39.5	3,325.3
Basic Enterprise Develeopment training /i	Borrowers	4,620	2,646	5,166	3,192	-	-	15,624	22	103.2	60.9	122.7	76.9	-	-	363.7
Training of Interest Loan Recipients /j	Borrowers	23,383	22,235	37,005	38,610	30,413	5,625	157,271	22	522.4	512.1	878.9	929.7	762.4	146.8	3,752.3
Training of Partner Organizations/Experience Sharing Workshops	Ls	5	5	3	1	-	-	14	3.364	17.1	17.6	10.9	3.7	-	-	49.3
Subtotal Trainings										1,339.4	1,104.3	1,847.5	1,606.4	1,406.7	186.3	7,490.6
Total										24,221.8	19,187.9	33,144.1	27,260.5	23,651.3	3,344.7	130,810.3

\a The value of asset may vary with an average amount of US$450 and may include tangible (hard), intangible (soft) or a package

of both (hard and soft) support.
\b buget for interest free loan already deployed in target UCs to be extended and will vary as per the nature of the proposed investment with a maximum cap of US$250
\c 90% the asset recipients will get training on asset management
\d 80% loan recipients will get training on business planning, financial management, book keeping or technical ones while the remaining 20% will be repeat borrowers.

Table 2.1. Social Mobilization
Detailed Costs

	Unit	Quantities 2018	2019	2020	2021	2022	2023	Total	Unit Cost (US$)	Totals Including Contingencies (US$ '000) 2018	2019	2020	2021	2022	2023	Total
I. Investment Costs																
A. Social Mobilization																
Revitalization/Formation of Community Organizations	No	8,800	10,080	9,600	1,280	-	-	29,760		-	-	-	-	-	-	-
Revitalization/Formation of Village Organizations	No	-	1,384	684	544	64	-	2,676		-	-	-	-	-	-	-
Revitalization/Formation of Common Interest Groups (CIGs)	No	-	173	123	68	8	-	372		-	-	-	-	-	-	-
Identification and training of CRPs /a	No	1,100	1,260	1,200	160	-	-	3,720	297	331.8	391.8	384.8	52.0	-	-	1,160.3
Subtotal Social Mobilization										331.8	391.8	384.8	52.0	-	-	1,160.3
B. Activities plan by CIs with support of CRPs and POs																
Campaigns on Health&Nutrition/Gender Equity/Sustainable Envir./Peace&Justice/SCR /b	No	1,980	2,268	2,160	288	-	-	6,696	93	187.0	220.8	216.9	29.3	-	-	654.0
C. Community Trainings																
Community trainings around Climate change resiliance and mitigation (events) of 2 days each	No	440	504	480	64	-	-	1,488	267	119.3	140.9	138.4	18.7	-	-	417.2
Schools based disaster risk management rainings through specialists (2 days exercise)	No	440	504	480	64	-	-	1,488	267	119.3	140.9	138.4	18.7	-	-	417.2
Sessions with HHs around nutrition (events) twice a year	No	15,473	17,724	16,880	2,251	-	-	52,328	45	707.1	835.0	820.1	110.9	-	-	2,473.0
Training of Vos around GALS	No	880	1,008	960	128	-	-	2,976	267	238.6	281.8	276.7	37.4	-	-	834.5
Accredation /Certification of LSO	No	110	126	120	16	-	-	372	979	109.4	129.1	126.8	17.1	-	-	382.5
Youth engagement activities (sports and exposure visit etc)	No	440	504	480	64	-	-	1,488	445	198.8	234.8	230.6	31.2	-	-	695.4
CIGs trainings	No	220	252	240	32	-	-	744	134	29.9	35.4	34.7	4.7	-	-	104.7
Linkages development and coordination development (market and line agencies)	No	550	630	600	80	-	-	1,860	45	25.1	29.7	29.1	3.9	-	-	87.9
Subtotal Community Trainings										1,547.6	1,827.5	1,794.8	242.6	-	-	5,412.5
Total										2,066.3	2,440.1	2,396.5	324.0	-	-	7,226.8

	Unit	Quantities 2018	2019	2020	2021	2022	2023	Total	Unit Cost (US$)	Totals Including Contingencies (US$ '000) 2018	2019	2020	2021	2022	2023	Total
I. Investment Costs																
A. Consultancies																
Baseline/Mid-term/End line Surveys	No	1	-	-	1	-	1	3	84.962	86.3	-	-	93.0	-	100.8	280.1
Value chain studies for the identified off-famr and on-farm sub-sectors	No	1	1	-	-	-	-	2	33.985	34.5	35.6	-	-	-	-	70.1
Third Party Validation of ESM complaince of programme intervention	No	-	1	-	1	-	-	2	42.481	-	44.5	-	46.5	-	-	91.0
Annual PSC Surveys of Targetted Households by POs for Poverty Graduation Tracking	No	110	126	120	16	-	-	372	430	48.0	56.7	55.7	7.5	-	-	168.0
Annual Outcome Surveys on RIMS Indicators /a	No	-	1	1	1	1	1	5	16.992	-	17.8	18.3	18.6	19.4	20.2	94.2
Research studies /b	No	1	1	-	-	-	-	2	84.962	86.3	88.9	-	-	-	-	175.2
Research conferences for dissimination and policy	No	-	1	-	1	-	1	3	67.969	-	71.2	-	74.4	-	80.6	226.2
Development of Policy Briefs	No	-	2	-	2	-	2	6	4.248	-	8.9	-	9.3	-	10.1	28.3
Project Completion Report	No	-	-	-	-	-	1	1	42.481	-	-	-	-	-	50.4	50.4
Total Investment Costs										255.1	323.6	74.1	249.3	19.4	262.0	1,183.4
II. Recurrent Costs																
A. Social mobilization for POs /c	LS	1,570	1,226	1,874	1,249	1,142	99	7,160	1.000	1,555.5	1,192.6	1,790.3	1,152.1	1,044.4	89.8	6,824.6
B. Social mobilization for PPAF /d	Ls	785	613	937	624	571	49	3,579	1.000	777.7	596.3	895.2	575.6	522.2	44.4	3,411.4
C. Audit costs																
External Auditor's Fee & Expenses	year	1	1	1	1	1	1	6	8.921	9.1	9.3	9.6	9.8	10.2	10.6	58.5
Field Audit Costs	year	15	125	200	200	200	200	940	301	4.6	39.4	65.0	65.9	68.6	71.4	314.9
Subtotal Audit costs										13.6	48.7	74.6	75.7	78.8	82.0	373.4
Total Recurrent Costs										2,346.8	1,837.6	2,760.1	1,803.3	1,645.3	216.2	10,609.4
Total										2,601.9	2,161.1	2,834.2	2,052.6	1,664.7	478.2	11,792.8

\a Includes service fee of CRPs and actual cost of the campaign
\b support to be provided to Partner Organisation and establishing a dedicated coordination unit within its office for NPGP
\c 30 organisations will be egnaged as implementaiton partners for the Asset Transfer and related social mobilization activities
\d 19 organizations will be engaged as implementing partners for Interest Free Loans (IFL)

Appendix 10: Economic and Financial Analysis

EXECUTIVE SUMMARY

1. The National Poverty Graduation Programme (NPGP) will address rural poverty through Asset Transfer (AT) to the households having poverty score of 0 – 18 and interest free loans to household having poverty score of 19 – 34. A total of 154,728 households will be provided productive assets enabling them to increase their asset base resulting into higher poverty score. The productive assets will also enable households earn additional income. Households with poverty score of 12 - 23 will be provided with Interest Free Loans (IFL) to be accessed by 214, 000. The interest free loan will be used for either purchase of productive assets or will be utilized as working capital thus developing options for more diversified and sustainable livelihoods. The project has a social mobilization component aiming at capacity building with regards to key Sustainable Development Goals (SDGs) especially relevant to health; nutrition; environment; gender; and disaster risk management having an outreach of 202 988 beneficiaries.

2. The NPGP will generate three different benefits i.e. (i) increase in income in the case of 60% beneficiaries of tangible and intangible assets; (ii) increase in income of at least 50% of the IFL borrowers; and, (iii) increase in income resulting from improved nutrition and adopting climate change mitigation measures (30%). The basic data pertaining to incremental benefits have been worked out using data existing in PPAF from previous interventions recently assessed[69] through a user study. Prices and productivity were updated from the markets in selected target districts.

3. The financial analysis takes into account a total project cost of USD149.830 million and the ensuring benefits realized by the beneficiaries' over the period of 12 year including the project duration of 6 years. Over this period, the FIRR is estimated at 25% taking into account a discount rate of 11.55 percent. The estimated FIRR in the case of tangible and non-tangible assets is 20%, of IFL is 33% and that of capacity building on SDGs is 18%. The net present value (NPV) of the project is estimated at USD60million in financial terms. The NPV in the case of assets is estimated at USD18 million, of IFL at USD41 million and that of capacity building on SDGs/social mobilization at USD1.5 million.

4. The economic analysis takes into account the total economic cost of the project (USD126.412 million)[70] and the economic benefits realized by beneficiaries over the period of 18 years at a shadow discount rate of 11.1%. The EIRR for the proposed investment is worked out to be 34% while the NPV is USD94 million.

5. The sensitivity analysis of NPGP was carried out assuming different risk scenarios. These include increase in project costs (10% and 20%), reduction in project benefits (10% and 20%), delay in project benefits (1 and 2 years) and reduction in success rates (10% and 20%). Both FIRR and EIRR remains above the discount rates under all the risk scenarios assumed and thus the project investment remains feasible. The NPV also remained well above in positive range in all the risks scenarios assumed. The investment is thus not sensitive to any risk and shall remain viable under foreseeable risks.

6. Based on the analysis, the project investment can be considered feasible on account of financial and economic benefits envisaged and its viability under different risks anticipated.

[69] User Beneficiary Assessment Survey Phase-II study (PPAF-III), January 2015
[70] The total economic cost of the project include investment cost of USD 104.139 million and recurring cost of USD 8.715 million during the five years of project implementation and an O&M cost is estimated at USD 4.315 million over 20 years of project life.

I. INTRODUCTION

7. This annex is prepared under the project formulation stage of the National Poverty Graduation Programme (NPGP) to be co-financed by the Government of Pakistan and the International Fund for Agriculture Development (IFAD) and covers the financial and economic analysis of the proposed project. The financial analysis of NPGP is undertaken primarily in relation to three project interventions; (i) asset transfer; (ii) interest free loans; and (iii) capacity building on SDGs/social mobilization. The economic analysis has looked at the viability of the project investments and recurrent costs vis a vis the incremental economic benefits pertaining to these project interventions.

8. The analysis takes into account the project's impacts on the households' income as a result of the asset transfer to be used for productive purposes, interest free loans to be used as investment or working capital and benefit realized as a result of the capacity building on SDGs/social mobilization. The data regarding derivation of benefits for the analysis was mainly taken from the database/MIS of PPAF and the recent beneficiary assessment[71] and crop and livestock models estimated based on the current productivity levels and market prices in the target districts. Standard conversion factor (SCF)[72], conversion factors for outputs and inputs and labour were worked out for the preceding year (2016) and were used in conversion of financial data into economic values.

9. Financial and economic models were prepared in the context of the project districts reproducing data from 2015 (base year/without project) and projected for the project years (with project). Since the beneficiaries of the project will get asset or IFL, the number of beneficiaries will multiply each year. Other social benefits to be realized in the form improved environment and climate change mitigation, gender and peace and justice have not been modeled owing to the complexity in arriving at financial and economic values. Moreover modeling of these benefits were also not necessary as the income enhancement through asset transfer, interest free loans, better nutrition and climate mitigation measures effectively offsets the project cost.

II. THE PROJECT, ITS BENEFITS AND BENEFICIARIES

10. The overall goal of the five year NPGP is "to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change". The project intervention will result into enabling the rural poor especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing. The Project will be implemented in all the provinces (Balochistan, Gilgit-Baltistan, Khyber Pakhtukhwa, Punjab and Sindh) and special administrative areas (Federally Administered Tribal Areas - FATA and Azad, Jammu and Kashmir - AJK). The project scope include districts selected based on a composite criteria which nails down to the selection of beneficiaries using poverty score cards methodology.

A. Project Beneficiaries

11. The Project beneficiaries includes households in the selected union councils of the targeted districts which falls under two broad categories i.e. (i) households have PSC 0 – 11; and (ii) household having PSC 12 – 34. The former will be targeted under the asset transfer while the later will be provided interest free loan. Both types of the beneficiaries and communities at large will be outreached under the SDGs awareness campaign in target Union Councils. Within the asset transfer, the distribution of beneficiaries in terms of the asset to be demanded will include livestock, agriculture, off-farm activities, non-farm enterprise and vocational training. The beneficiaries of interest free loans are expected to invest the borrowings in agriculture, livestock, off-farm and to limited level in non-farm business activities. Summary of the target beneficiaries is given below:

[71] User Beneficiary Assessment Survey Phase-II study (PPAF-III), January 2015
[72] The calculation of the Standard Conversion Factor (SCF) is given in Annex III (a).

Table 1: Household Beneficiaries of the NPGP

Project Activities	Targets and Success Rate	PY1	PY2	PY3	PY4	PY5	PY6	Total Beneficiary HH	Actual Benefited HH
Poverty Graduation								-	
Assets Transfer - Tangible		31 185	22 302	35 154	24 759	25 704		**139 104**	
Adjusted (adoption rate)	*60%*	18 711	13 381	21 092	14 855	15 422			**83 462**
Assets Transfer - Non-Tangible		4 620	2 646	5 166	3 192	-	-	**15 624**	
Adjusted (adoption rate)	*60%*	2 772	1 588	3 100	1 915	-			**9 374**
Toral Interest Free Loan (IFL)								-	
Interest Free Loans		31 887	29 535	52 719	52 096	38 458	9 305	214 000	
Adjusted (adoption rate)	*50%*	*15 944*	*14 768*	*26 360*	*26 048*	*19 229*	*4 653*		**107 000**
Total SDGs - Capacity Building		60 023	68 754	65 480	8 731	-	-	**202 988**	
Adjusted (adoption rate)	30%	*18 007*	*20 626*	*19 644*	*2 619*	-			**60 896**
TOTAL								**556 092**	**260 733**

B. Project Benefits

12. **Asset Transfer – Tangible:** The project intervention regarding transfer of productive asset of tangible nature will be realized typically – livestock (dairy cattle, goat or poultry package), auto-loader and grain grinding machine.

13. **Asset Transfer – Non-Tangible:** The intangible asset provided by the project will be in the form of vocational and entrepreneurship training which will go to semi-skilled persons who want to engage in employment or self-employment. The models worked for this category of asset recipients include semi-skilled person engaged as daily wage worker or self-employed (stitching/embroidery centre and welding workshop) as indicative of this category of assets.

14. **Interest Free Loans:** The recipient of interest free loan are in those households falling in the poverty score between 11 and 34 including those graduating as a result of the asset transfer. The IFL will be provided to household for investment either in agricultural or non-farm enterprise for which separate financial and economic models have been worked out.

15. **Social Mobilization/Awareness on SDGs:** It is estimated that capacity building and subsequent awareness campaigns on SDGs will result into decreased sickness thus increasing productivity of beneficiary households. It is also assumed that the adoption of climate mitigation practices will reduce wastages occurring due to climatic factors. The increase in income is estimated on account of additional days available for work estimated at the prevailing wage rate and decreased crop losses by 3% from an estimated 7% per year now.

III. FINANCIAL ANALYSIS

A. Methodology and Approach

16. The incremental financial benefits of NPGP is in the form of increased annual household income resulting from the productive use of assets, investment of the IFL and change occurring due to awareness raising about nutrition/climate change mitigation. The “Without Project (WOP)” scenario is income stream during the base year while the “With Project (WP)” scenario is the income streams during the project year-1 and afterwards.

B. The Financial Benefits

17. The project financial benefits are enshrined in three major interventions and is quantified based on the different anticipated activities. These benefits are briefly summarized below.

18. **Financial Benefits of Asset Transfer - Tangible:** A number of different productive assets will be provided to the project beneficiaries which will result into higher annual income. The current income level is estimated as wage earning through unskilled labour – on average being Rs. 103,875 per year. The productive asset will enable increase of annual earning to Rs. 130 765 by year 6 of the project as a result of the use of productive assets that may include dairy cattle, goats, poultry or non-farm assets such as auto-loader used for transportation, welding/repair workshop etc. The increase

take into account the opportunity cost of own labour and net benefit realized from the activity as a mean for a more sustainable livelihoods.

19. **Financial Benefits of Asset Transfer – Non-Tangible:** The project support will enable beneficiaries to enhance skills thus resulting into higher income. The estimated average income was noted to be Rs. 121 667 per year which will increase to Rs. 148 668 per year by year 6 of the project. The non-tangible asset/enhanced skills will be used to attain more gainful employment/higher wages or self-employment pursuing entrepreneurship.

20. **Financial Benefits of Interest Free Loans (IFL):** The average annual income of the household falling under the category of Poverty Score Card (PSC) 0 – 18[73] and PSC bands of 19 – 34[74] was worked out to be Rs. 115 580. As a result of the IFL, the annual income will increase to Rs. 128 281 by year 6 of the project. Borrowers will include graduating poor and a beneficiary may utilize several IFL during the project to attain growth in the current economic activity or through a business start-up/diversification.

21. **Financial Benefit of SDGs Campaigns:** The SDGs campaigns are embedded in the social mobilization through partner organisation and the community resource persons (CRPs). The CRPs is expected to be the main vehicle for the awareness campaigns on the key thematic areas of the SDGs. This will result a net income increase of Rs. 2 529 per year on account of additional days available owing to improved nutrition and reduced losses due to climatic factors.

IV. The Financial Cost

22. The total project cost is USD 149.830 million with 51% allocation for asset transfer, 36% for interest free loans, 5% for SDG campaigns and social mobilization and 8% for project management. Summary of the project cost and key indictors is given in Appendix I.

C. Key Assumptions for Financial Analysis

23. While summary of the key assumptions and major indicators is given in Appendix II following are the key assumptions used in the financial analysis of the Project;

- **Financial Income:** The financial income are based on the farm, non-farm and enterprise models. The average increase in income as a result of assets and IFL was noted to be 20% while that of social mobilization as 1%.
- **Success Rate:** 60% in the case of asset recipients, 50% in the case of IFL and 30% in the case of SDGs campaigns.
- **Opportunity Cost of Capital:** The opportunity cost of capital used in the financial analysis is 11.55%[75].

D. Financial Analysis

24. The financial analysis of NPGP shows viability of the proposed project as evident from its overall Financial Internal Rate of Return (FIRR) of 25%. At the component level, the FIRR in the case of asset transfer is estimated to be 20% that of interest free loans as 33% and of SDGs campaigns and social mobilization as 18%. The relatively higher rate of return of IFL is due to the fact that the same amount of funds will be revolved and thus multiple borrowings will be possible.

25. The Net Present Value (NPV) of the proposed project over 12 years' period has been noted to be USD60 million. At the component level, the NPV in the case of asset transfer is estimated to be USD18 million, that of interest free loans as USD417 million and that of SDGs campaigns and social mobilization at USD1.5 million.

[73] Consisting of 2 PSC bands i.e. 0 – 11 (Extremely Poor/Ultra Poor) and 12 – 18 (Chronically Poor).
[74] Consisting of 2 PSC bands i.e. 19 – 23 (Transitory Poor) and 24 – 34 (Transitory Vulnerable).
[75] Interest Rate in Pakistan averaged 11.55 percent from 1992 until 2016 (Source: www.tradingeconomies.com/ State Bank of Pakistan

26. The financial analysis shows that the proposed project is financially viable as indicated by its FIRR and NPV.

Table 2: Financial Analysis of the NPGP

FINANCIAL ANALYSIS	Year	ASSET TRANSFER	INTREST FREE LOANS	SDGs/SOCIAL MOBILIZATION	Total Project Benefit (in million USD)
		Household models' net incremental benefits (in million USD)	Interest free Loans models'net incremental benefits (in million USD)	Household incremental benefits (in million USD)	
	PY1	(18.1)	(7.9)	(1.8)	(27.7)
	PY2	(7.9)	(5.9)	(1.7)	(15.4)
	PY3	(11.1)	(9.0)	(1.2)	(21.2)
	PY4	0.1	(5.4)	1.0	(4.3)
	PY5	2.3	1.3	1.4	4.9
	PY6	17.1	17.9	1.4	36.4
	PY7	19.1	24.6	1.4	45.1
	PY8	19.1	24.5	1.4	45.1
	PY9	19.0	24.4	1.4	44.9
	PY10	18.9	24.4	1.4	44.7
	PY11	13.7	24.4	1.4	39.5
	PY12	13.7	24.4	1.4	39.5
NPV (USD)		18	41	1.5	60
FIRR (@11.55%)		20%	33%	18%	25%

V. ECONOMIC ANALYSIS

E. Methodology and Approach

27. The economic analysis of the proposed project was worked out taking into account the economic cost of the proposed project and the ensuring economic benefits to the intended beneficiaries. The economic cost were worked out using the standard conversion factor whereas economic value of benefits have been worked out using conversion factors of outputs and inputs. The standard conversion factor used in the economic analysis was derived to be 0.907 while the conversion factors for output and inputs were noted to be 1.10 and 0.95 respectively.

F. The Economic Benefits

28. The major economic benefit that will ensue to the project beneficiaries are entailed in the three major interventions for which the financial benefits have been converted into its corresponding economic values.

G. The Economic Cost

29. The economic analyses carried out for the NPGP takes into account the total economic investment and economic recurrent cost of the project during the project period. Beyond the project duration, costs will be incurred on the operation and maintenance of the assets which is also taken into account whereas there is no cost incremental cost anticipated in the case of IFL and awareness on SDGs/social mobilization. The analysis is carried out taking the economic prices estimate in 2017 for the project costs and the economic values of the corresponding benefits during the same year. Price contingencies are excluded from the economic analysis while physical contingencies are included in the analysis but are not estimated otherwise in the project costing. For the capital items, no residual values have been considered in the economic analysis.

30. The total economic cost of the project is estimated at USD126.412 million against the financial cost of USD149.985 The standard conversion factor of 0.907 is used in the conversion of financial cost to economic cost.

H. Key Assumptions for Economic Analysis

31. The following are the key assumption used in the economic analysis of NPGP:

- **Economic benefits:** The economic value has been worked out using the conversion factor of 1.1 for outputs while in the case of inputs and labor the conversion factor of 0.95 has been used. The calculation of conversion factor is given Appendix III (b) and III (c).
- The **aggregation of the economic benefits** take into account the economic value of the net incremental benefits resulting from the project intervention differentiates between the benefit stream during the project period and after the project period. During the post project period, it is assumed that the success rate or the total incremental benefit will decrease by 30%. The recurring economic cost is assumed to the be average project management cost which is assumed to be incurred by public sector, future programme or the partner organizations as well as on account of services availed by the beneficiaries.
- **Economic discount rate:** The shadow discount rate used for the economic analysis is 11.1%.

I. Economic Analysis

32. The overall economic internal rate of return (EIRR) of the project is estimated at 34%. The net present value (NPV) of the project net benefit stream, discounted at 11.1%, was noted to be USD94million. The EIRR and ENPV are given in Table 3 below.

Table 3: Economic Analysis of the NPGP

Detail	Project Years	TOTAL NET INCREMENTAL BENEFITS				NET INCREMENTAL COSTS			Cash Flow (million USD)
		Asset Transfer	Interest Free Loan	SDGs Campaigns	Total Incremental Benefits	Economic Investment Costs (million USD)	Economic recurrent Costs (million USD)	Total Incremental Costs	
ECONOMIC ANALYSIS	**PY1**	(16.0)	(5.2)	(1.5)	(22.7)	0.000	1.826	1.826	**(24.5)**
	PY2	(1.3)	(6.4)	(1.2)	(8.8)	0.000	1.826	1.826	**(10.7)**
	PY3	1.1	(9.6)	(0.6)	(9.1)	0.000	1.826	1.826	**(10.9)**
	PY4	14.0	(7.0)	1.3	8.3	0.000	1.826	1.826	**6.5**
	PY5	17.0	(1.3)	1.6	17.3	0.000	1.826	1.826	**15.5**
	PY6	29.3	13.7	1.7	44.7	0.000	1.826	1.826	**42.9**
	PY7	21.8	13.9	1.2	36.8	0.000	1.826	1.826	**35.0**
	PY8	22.0	13.8	1.2	37.0	0.000	1.826	1.826	**35.2**
	PY9	22.1	13.8	1.2	37.1	0.000	1.826	1.826	**35.2**
	PY10	22.3	9.3	1.2	32.8	0.000	1.826	1.826	**30.9**
	PY11	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY12	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY13	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY14	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY15	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY16	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY17	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
	PY18	16.1	9.3	1.2	26.6	0.000	1.826	1.826	**24.8**
		NPV@ 11.1 % (million USD)		**94**					
		EIRR		**34%**					

VI. SENSITIVITY ANALYSIS

33. The sensitivity analysis looks at different adverse scenarios and assessed its likely impact on the overall economic viability and efficiency of the proposed project. The result of the analysis indicates that the project investment will remain viable in all assumed scenarios. Summary of the sensitivity analysis is given in Table 4 below and the detailed analysis is given in Appendix IV.

Table 4: Sensitivity Analysis of the NPGP

Scenarios	Δ%	Link with the risk matrix	EIRR	NPV (USD M)
Normal Scenario	**Normal**	**No Adverse Risks**	34%	94
Project benefits	-10%	Combination of risks affecting Overall Project Benefits	33%	83
Project benefits	-20%		33%	72
Project costs	10%	Increase Total Project Costs	33%	93
Project costs	20%		33%	91
Time lag in benefits (Year)	1	Risks affecting implementation of Project Interventions in Terms of Timing	32%	79
Time lag in benefits (Year)	2		31%	66

VII. CONCLUSION

34. The summary of the financial and economic analysis is reproduced in the following table:

Table 5: Financial Analysis of the NPGP

Detail	IRR (%)	Net Present Value in Million USD
Financial	25	60
Economic	34	95

35. The project investment is feasible on account of financial and economic benefits envisaged and remains viable under different risks anticipated. Based on the financial and economic analysis, the proposed project is recommended for consideration.

Appendix I: Project Costs and Indicators

TOTAL PROJECT COSTS (IN MILLION USD)				USD 149.830	Base costs	USD 136.140	Project Management		USD 11.793
Beneficiary Households (HH)	556 092	Households	**Beneficiaries**	Asset Transfer	154 728	Interest Free Loans	214 000	SDGs Campaigns	202 988
Cost per beneficiary HH	269	USD x HH	**Adoption rates**	Asset Transfer	60%	Interest Free Loans	50%	SDGs Campaigns	30%

Components and Cost (USD million)		Outcomes and Indicators			
Asset Transfer	USD 76.7	Increased in household income	Increased asset base generating 30% additional annual income (60% of target beneficiaries).	USD	261
Interest Free Loans	USD 54.1	Increased in household income	Income of 50% beneficiaries increase by 30%	USD	109
Social Mobilization	USD 7.2	Time saving (opportunity cost) due to reduced sickness owing to improved nutrition and reduced crop losses due to climate change mitigation practices	1% increase in income	USD	16

Appendix II: Main Assumptions for Financial and Economic Analysis

Analysis	MAIN ASSUMPTIONS & SHADOW PRICES[1]				
	Indicators	Av. Incremental Increase (%)	Increased Values (in PKR)	**Base Values**	**Value (PKR)/HH**
FINANCIAL	Increase in Income (PSC 0-18) HH	23%	139 216	Income (PSC 0-18) HH	112 771
	Increase in Income of (PSC 19-34) HH	19%	137 095	Income of (PSC 19-34) HH	115 580
	Increase in Income of HH	1%	2 529	Income of HH	0

Analysis				
ECONOMIC	Official Exchange rate (OER)	107.0	Discount rate (opportunity cost of capital)[2]	11.6%
			Social Discount Rate	11.1%
	Standard Conversion Factor	0.907	Output Conversion factor	1.20
	Labour Conversion factor	0.95	Input Conversion factor	0.95

Appendix III(a): Standard Conversion Factor

Year	2011/12	2012/13	2013/14	2014/15	2015/16	Average
Total Imports (CIF)	4 009 093	4 489 112	4 630 521	4 644 152	4 658 749	4 486 325
Total Exports (FOB)	2 110 606	2 484 099	2 583 463	2 397 513	2 166 846	2 348 505
Taxes on Imports	216 898	239 459	240 998	306 220	406 180	281 951
Sales tax on Imports	430 403	429 831	495 330	553 028	683 518	518 422
Subsidies on Imports	97 450	97 450				97 450
Taxes on Exports	5 291	3 966	6 200	5 754	5 200	5 282
Subsidies on Exports						
SCF	**0.92**	**0.92**	**0.91**	**0.89**	**0.86**	**0.907**

Sources of Data

Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 10.10 Imports excluded reimports
Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 10.1 Exports excluded re-exports
Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 8.1 Custom Revenue Receipts, Total import duty
Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 2.4 Expenditure on gross national income
Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 8.1: Iqra surcharges, Export duty and 0.25% Export Development Charges
Federal Bureau of Statistics, Monthly Statistical Bulletin, Table 6.1: Iqra surcharges, Refunds and Rebates
Federal Bureau of Statistics, External Trade Statistics, Table 14.4 Exports by Economic category
Federal Bureau of Statistics, External Trade Statistics, Table 14.5 Imports by Economic category
Federal Board of Revenue, Year Book 2011-12, Table 10: Collection of Sales Tax
Federal Board of Revenue, Year Book 2013-14, Table 10: Collection of Sales Tax
Federal Board of Revenue, Year Book 2015-16, Table 8: Collection of Sales Tax
Federal Board of Revenue, Year Book 2011-12, Table 12: Details of Collection of Customs Duties
Federal Board of Revenue, Year Book 2015-16, Table 11: Details of Collection of Customs Duties
Federal Board of Revenue, Year Book 2015-16, Table 3: A Comparison of Collection 2015-16 Vis-a-Vis Target FY 2015-16
Federal Board of Revenue, Year Book 2013-14, Table 10: Details of Collection of Customs Duties
Federal Board of Revenue, Year Book 2011-12, Table 13: Month-wise Collection of FED
Federal Board of Revenue, Year Book 2012-13, Table 10: FED Collection of Major Revenue Spinners
Federal Board of Revenue, Year Book 2014-15, Table 11: FED Collection from Major Commodities FY: 14-15 and FY: 13-14

Appendix III (b): Standard Conversion Factor for Outputs

Parity Price Basis (1)	Wheat	Milk	Vegetables
	(I)	(E)	(E)
Projected Price in Current Dollars $/mt (2)	247	452	343
Factor	1	1	1
Quality Adjustment Factor	1	1	1
World Market Equivalent $/mt	247	497	343
Transport and Insurance	45	45	18
cif, Karachi	292	542	361
Exchange Rate Rs/US$	105	105	105
cif, Karachi (Rs/t)	30 678	56 893	37 919
Clearance & Port charges	1 200	1 400	1 200
Storage and handling	3 000	1 500	1 500
Value at Karachi market	34 878	53 993	35 219
Transport to/from Project Area	9 000	12 000	12 000
Processed Value	43 878	65 993	47 219
Processing Ratio %	1	0	1
Processing/Packaging Cost	1 097	1 000	3 000
Wholesale Value	45 870	64 993	43 747
Local agents' commission/margins	1 500	1 000	1 500
Value at farmgate (Ton)	47 370	63 993	42 247
Economic Value at farmgate (Rs/1000 Litres/Kg)	47 370	383 955	42 247
Local farmgate price (Rs/1000Liters/Kg)	40 000	60 000	40 000
Financial Price per Kg/Litere	40	60	40
Economic Price per Kg	47	64	42
Ratio of border to local farmgate price	1.2	1.1	1.1
(1) Parity : [I] Import, [E] Export			
(2) World Bank Commodoity Prices (for 2016)			1.10

Appendix III(c): Standard Conversion Factors

Parity Price Basis (1)	Urea (I)	DAP (I)	SSP (I)
Projected Price in Current Dollars $/mt (2)	212	368	309
Factor	1	1	1
Quality Adjustment Factor	1	1	1
World Market Equivalent $/mt	212	368	309
Transport and Insurance	43	58	55
cif, Karachi	214	370	311
Exchange Rate Rs/US$	105	105	105
cif, Karachi (Rs/t)	22 477	38 803	32 675
Port charges	1 000	1 000	000
Storage and handling	1 500	1 500	1 500
Value at Karachi market	24 977	41 303	35 175
Transport to Project Area	8 000	8 000	8 000
Value at Project area	32 977	49 303	43 175
Wholesale Value	32 977	49 303	43 175
Local agents' commission/margins	660	986	864
Value at farm gate	33 637	50 289	44 039
Economic Value at farm gate (Rs/50kg Bag)	1 682	2 514	2 202
Local farm gate price (Rs/50kg Bag)	1 700	2 000	3 600
Ratio of border to local farm gate price	0.99	1.26	0.61
Financial Price per Kg	34	40	72
Economic Price per Kg	34	50	44
		SCF - Fertilizer	0.95

(1) Parity : [I] Import [E] Export
(2) World Bank Commodity Prices for 2016

Appendix 11: Draft programme implementation manual

The following is the outline of the draft Programme implementation manual, which has been developed during the final design stage and is available as separate document

Introduction
Programme Description
Logical Framework
Programme Background
Geographic Area
Union Council Selection Criteria
Area Prioritization and Assessment
Target groups
Targeting of Marginalised Households
Key Roles and Institutions

Programme Component Overview
Component 1: Poverty graduation (US$ 123.05 million)
Component 2: Social Mobilization and Programme Management (US$ 27.14 million)
Component 1: Poverty Graduation
Activities under Component 1:

Component 2: Social Mobilization and Programme Management
Component 2.1: Social Mobilization
Component 2.2: Programme Management

Planning process
Pre-start up and Start up activities
Component Specific Planning
Monitoring and Evaluation System
RIMS indicators
Implementation of M&E
Management Information System (MIS)
Reporting and Communication
Learning System **Error! Bookmark not defined.**
Knowledge Management
NGPG Human Resource **Error! Bookmark not defined.**
Proposed Financial Management Arrangements
Disbursement Arrangements and Flow of Funds
Internal Controls
Audits and Assessments
Institutional aspects and implementation arrangements
Institutional Analysis

Annexes

Annex 1: General Eligibility Criteria for Partner Organizations
Annex II: Livelihood Investment Plan
Annex III: Asset Transfer Form
Annex IV: Community Demand Driven Procurement
Annex V: Training Record Form

Annex VI: Implementation Framework Excerpt from PMIFL Operations Manual
The PLUS Dimension
Annex VII: School Enrolment Campaign
Annex VIII: Community Resource Persons (CRPs) and Institutional Community Resource Persons (ICRPs)
Annex IX: NPGP Management Structure & Tors of Key Staff
Annex X: Programme financial profile

Appendix 12: Compliance with IFAD policies

This annex reviews the adherence of Programme design to the following IFAD policies and strategies:

- **Gender sensitive design**
- **Targeting policy**
- **Good governance**
- **SECAP**

Pre-requisites for gender sensitive design[76]

	Yes	No	Partial	Issues and Recommendations
1. Programme document contains poverty and gender analysis data.	X			
2. Based on the above, the Programme articulates a gender strategy that aims to:				
• Expand women's access to and control over fundamental assets – capital, land, knowledge and technologies;	X			Prorgamme's asset creation for ultrapoor will primarily target women. At least 50% of the representation in COs/VOs reserved for women, 80% assets transferred to women, 50% loans offered to women, as well as in technical and vocational training.
• Strengthen their agency – thus their decision-making role in community affairs and representation in local institutions;	X			Women specific producer groups for high value crops and products will be supported. Women representation in decision making positions at VO and CO level will be ensured.
3. The Programme identifies operational measures to ensure gender- equitable participation in, and benefit from, planned activities, and in particular:				
Sets specific targets in terms of proportion of women participants in different Programme activities and components;	X			Not less than 50% women will benefit from all programme activities with some exclusively reserved for them
Ensures women's participation in Programme-related decision-making bodies; and			X	50% of COs will be women while all VOs will be encouraged to be mixed ones with women having say and position in decision-making. Women quota reserved in LSO executive body
Clearly reflects actions identified in the gender-strategy in the cost tables;			X	Complied
Ensures that the Terms of Reference of Programme coordinating unit or Programme management unit (PMU) include responsibilities for gender mainstreaming,	X			A Gender/ Social Mobilization Expert along with TORs provided in NPGP structure to represent and lead gender concerns in all

[76] Adapted from: "Mainstreaming a gender perspective in IFAD's operations – Plan of Action, 2003-2006"

especially at level of Programme director, M&E officer, extension officer and microfinance officer;				planning and implementation.
Explicitly addresses the issue of present and likely availability of field staff to ensure outreach to women, and designs activities accordingly;	X			All PO's must ensure that half their social mobilizers, as well as 50% of CRPs are women
Establishes experience working with women and marginalized groups and willingness to work with these groups as a criterion for NGO selection.	n/a			This has been defined as a criteria for the selection of social mobilization partners
4. The Programme logframe and suggested monitoring system specify sex-disaggregated performance and impact indicators.	X			Details provided in logframe and in the M&E annex
5. The Programme provides opportunities for policy dialogue on issues related to gender equality and empowerment of women.	X			Will be part of Programme knowledge management.

Compliance with IFAD targeting policy

	Key policy principals	Degree of compliance	Comments and observations
1	Focus on rural people who are living in poverty and experiencing food insecurity, and who are able to take advantage of the opportunities to be offered (sometimes referred to as "the productive poor" or "active poor");	Full	A major thrust will be on poverty graduation through provision of productive assets, skills and capital leading to improved food security and income generation for very poor, poor and small holders.
2	Expand outreach to proactively include those who have fewer assets and opportunities, in particular extremely poor people as referred to in MDG 1;	Yes	20,000 ultrapoor and 30,000 very poor and poor being specifically targeted for asset creation and poverty graduation
3	Include marginalized groups, such as minorities and indigenous peoples, and address their specific needs;	Yes	Where appropriate
4	Address gender differences and have a special focus on women within all identified target groups – for reasons of equity, effectiveness and impact – with particular attention to women heads of household, who are often especially disadvantaged;	Partial	Women-headed households, women and female youth particularly targeted under asset creation, technical and vocational training, back yard and semi-commercial poultry and dairy development
5	Recognize that relative wealth or poverty can change rapidly due to external shocks and that this vulnerability needs to be addressed;	Full	Improved marketable skills and vocations, improved economic security through asset provision and mainstreaming of climate concerns will help in building resilience against external shocks
6	Clearly identify at the programme or Programme design stage who the intended target groups are and why, and consistently apply these categories, during implementation, in monitoring and	Full	Design clearly establishes the target groups. Monitoring, including annual outcome surveys, will establish the degree to which people participating on Programme activities are from the

	evaluation (internal and external) of targeting performance. There will be cases when better-off people may need to be included – because of economic and market interdependencies, to avoid conflict, or to engage them as leaders and innovators. In such cases, the rationale and justification should be provided, and risks of excessive benefit capture carefully monitored;		poorer categories of the population. There is only limited variance in incomes and assets in Programme areas.
7	Identify and work with like-minded partners at local, country, regional and international levels to develop a shared understanding of both the dynamics of rural poverty in different contexts and successful targeted approaches;	Full	Partnerships being pursued with BISP, local Civil Society including RSPs, Prime Minister's Interest Free Loans Scheme and other donor programmes. Collaboration with WFP and FAO being explored in nutrition and high value crop production
8	Pilot and share learning on successful approaches to targeting hard-to-reach groups; and	Yes	Knowledge management will disseminate lessons – especially regarding mainstreaming of CDD, poverty graduation, livelihoods development, and access to markets

Good Governance Framework

The NPGP Good Governance Framework is based on the following key principals:

- **Transparency** is the foundation for accountability and participation. Information in the public domain and an open & visible decision-making processes signals that there is nothing to hide.
- **Accountability** implies probity in how resources are mobilized and used, and for what ends.
- **Participation (**or **inclusion)** represents the "demand side" of good governance, and implies that people should have a voice in the decisions that may affect them. The involvement of affected communities in all stages of Programmes can simultaneously improve development outcomes and reduce the scope for fraud and corruption.

Programme processes	Actions to be taken	Accountability and transparency	Participation and inclusion	Guidelines/regulations to be followed
Targeting	▪ Ensure inclusion of disadvantaged groups in Programme activities. This requires targeting policies and monitoring of composition of Producer Groups etc.	▪ Progress reports ▪ Outcome surveys ▪ IFAD supervision reports	▪ Report back to Implementing Partners and Govt on composition of PGs and other Programme groups	▪ IFAD appraisal report ▪ Social Mobilization Partner group formation guidelines
Planning (Programme level)	▪ Annual plans for Programme activities to be approved by IFAD	▪ NPGP report to PSC ▪ IFAD & GoP approval of NPGP ▪ Progress reports on implementation of NPGP	▪ PRA at design stage got feedback from local people. ▪ Disclosure of NPGP	▪ GoP procedure for annual budget ▪ IFAD NPGP guidelines
Planning (local level)	▪ Participation in plans at local level	▪ CDPs as main instruments for	▪ Progress reports feedback to Govt and	▪ Participatory planning

	by Community Organisations and CRPs	assessing community needs in participatory manner ▪ Community driven implementation of plans ▪ Clear criteria and cut-off limits for various infrastructure and other interventions ▪ Progress reports with information on participation ▪ Community plans submitted for funding	Union Councils	guidelines
Procurement	▪ Transparent and efficient procurement process to ensure best quality/price. ▪ IFAD implementation support to train staff in procurement processes. ▪ IFAD prior reviews ▪ Dedicated procurement staff and annual procurement plans ▪ Adherence with IFAD procurement guidelines, financing agreement and PPAF procurement policies ▪ All procurements for community led infrastructure like irrigation and land development done through community participation	▪ External audits cover procurement processes ▪ IFAD supervision missions spot check procurements ▪ IFAD technical audits if needed to check value for money and leakages. ▪ Prior review by IFAD for procurements above defined threshold	▪ IFAD receives audit report ▪ IFAD supervision reports and any technical audits to IFAD & GoP. ▪ Communities involved in checking/certifying procurement for irrigation infrastructure.	▪ PPAF Procurement Regulations ▪ IFAD procurement guidelines ▪ Annual procurement plan
Physical activities and outputs	▪ Need to monitor progress in terms of quantity and quality.	▪ Outcome surveys check on outputs delivered to benef. hh. ▪ Progress reports of implementing agencies ▪ Programme website ▪ IFAD supervision reports assess progress	▪ Internal coordination workshops ▪ Programme progress reports to IFAD ▪	▪ IFAD appraisal report ▪
Financial	▪ Minimise cash transactions	▪ Consolidated financial	▪ CO/VO/LSO receipts and expenditures	▪ IFAD financial reporting

management	▪ Training of group leaders and members in accounts. ▪ IFAD implementation support will train staff in Programme accounting and financial processes. ▪ Computerised accounting ▪ Qualified and autonomous finance wing of CDDU	statements ▪ Internal audit ▪ External audit ▪ IFAD supervision mission reports will check financial statements & accounting system	discussed and agreed with all members. ▪ Rotation of group leaders and regular elections. ▪ Audit report to PMC & IFAD ▪ Consolidated financial statements to IFAD ▪ IFAD supervision reports to IFAD & GoP.	guidelines ▪ Government accounting systems ▪ ToR for internal and external audit
Results and impact	▪ Reporting of outcomes and results ▪ Knowledge management to utilise information generated	▪ IFAD supervision reports ▪ IFAD RIMS indicator reporting ▪ Outcome and KAP surveys collect evidence on how well Programme outputs are delivered.	▪ Programme website with results of M&E ▪ Experience sharing publications and workshops.	▪ Programme M&E guidelines ▪ IFAD RIMS guidelines ▪ Programme KM strategy
Complaints remedies	▪ Complaints procedure ▪ Ethical code for staff to avoid conflicts of interest and including sanctions for fraudulent and corrupt practices ▪ Focal points and addresses/points of contact for grievance registration ▪ Redressal and feedback mechanism	▪ Investigative processes ▪ Written response to complainants and record keeping	▪ Reports to SMPs and implementing agencies ▪ Phone numbers of leaders of Programme groups & Programme managers circulated to relevant persons.	▪ GoP Complaints guidelines ▪ Staff ethical code
Communication	▪ Programme communication strategy for all stakeholders ▪ Annual Communication plans ▪ Dedicated communication manager in PMU ▪ Bulletins, brochures, leaflets, electronic and print media use to disseminate programme targets, intended beneficiaries, processes etc.	▪ Budgets for communication and communication strategy ▪ Communication annual plans and budgets ▪ Communication software and materials ▪ Adhoc surveys to assess potential beneficiaries awareness about programme	▪ Beneficiary feedback ▪ Inclusion of vulnerable and women ▪ PMU reports on community awareness and impacts	▪ Programme Communication Strategy

Social Environmental and Climate Assessment Procedures (SECAP) Review Note

I. Major landscape characteristics and Issues (social, natural resources, and climate)

36. The National Poverty Graduation Programme (NPGP) is an IFAD and Government of Pakistan funded US$ 110 million programme that would be implemented over a period of five years. The programme aims to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis while simultaneously improving their overall food security, nutritional status and resilience to climate change. The development objective of the project is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven, flexible and responsive menu of assistance. The programme will have a national focus and its approach, which combines elements of three distinct approaches - *social mobilization, livelihoods development, and financial inclusion* - will be implemented in different geographical settings and socio-economic environments on the basis of a representative sample of the poorest eleven districts in four provinces (Balochistan, Punjab, Sindh and KPK) and three special regions (AJK, FATA, Gilgit-Baltistan).

37. The present Social, Environment and Climate Assessment Procedures (SECAP) Review Note has been prepared in conformity with the latest IFAD guidelines and proposes to highlight, inter alia, issues on Natural Resources Management (NRM) and gender, potential social and environmental impacts and risks so as to improve NRM and mitigate environmental concerns, monitoring aspects and justification of the project environmental and social as well as climate risk categories assigned.

1.1. <u>Socio-cultural context</u>

38. *Demographics:* The Islamic Republic of Pakistan, comprising four provinces and four federal territories, is the sixth most populous country in the world with a population of around 191 million, and the thirty sixth largest country in terms of area (881,913 km2). Today 61% of the population (116 million people) of the country live in rural areas; 32% of young people are illiterate and only 6% have technical skills. In 2050, the country's population is projected to reach 302 million (at 1.9% annual growth). The area of eleven districts targeted to benefit the project implementation has been estimated/projected in 2017 at about 72,355 Km2, about 9.3% from the total country area, and with a population about 20 million people, representing 10.5% of Pakistan's population.

39. *Economy:* Pakistan is a lower middle-income country, with an average income per capita of US$1,516 and is the twenty sixth largest economy. It is a semi-industrialized economy with a well-integrated agriculture sector, and a growing services sector. The Pakistani economy is the 24th-largest in the world in terms of purchasing power and the 41st-largest in terms of nominal GDP (World Bank). The World Bank has estimated Pakistan's projected growth rate at 5.2% for fiscal year 2017 and 5.5% for 2018. Pakistan's economy is mainly based on services sector (59% of GDP), followed by agriculture (21%) and industry (20%). With its 21% of total output (GDP) and 44 percent of total employment generated the agriculture sector remains the mainstay of Pakistan's economy and plays a significant role in overall growth and poverty reduction. There are approximately 7 million small rural households who depend on the livestock sector for their livelihoods. In most rural households, livestock management is a women-centric activity though most often they do not get a fair share of returns due to socio-cultural constraints. Livestock rearing is also an activity with the highest potential for reaching landless men and women who have few other assets. However, Pakistan's rural labour force is expected to increase until 2030 (FAOSTAT), indicating continuing pressure on the average size of farms, and then, on environment and natural resources. The stagnation of rural wages that has characterized the last decade 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.

40. *Health:* Pakistan as a developing country is struggling in many fields in which the health system has suffered a lot, resulting in a 122 rank out of 190 countries in a World Health Organization performance report. The life expectancy at birth is 66 years (Male 65, female 67), which is the lowest

in comparison to south Asian countries. The proportion of population which has access to improved drinking water and sanitation is 91% (2015) and 64% (15) respectively. Communicable diseases have always been the prime cause of mortalities in Pakistan. The reason for the rapid spread of these diseases include overcrowded cities, unsafe drinking water, inadequate sanitation, poor socioeconomic conditions, low health awareness and inadequate vaccination coverage. Among diseases directly or indirectly linked to environment conditions, acute respiratory infection remains the most expanded throughout the country, rending children vulnerability and whose immune systems have been weakened by malnutrition. Following, malaria is a problem faced by the lower-class people in Pakistan. The unsanitary conditions and stagnant water bodies in the rural areas and city slums provide excellent breeding grounds for mosquitoes.

41. *Gender:* The World Economic Forum's (WEF) Global Gender Gap Report 2016 ranks Pakistan 143 out of 144 countries in the gender inequality index which focuses on the relative gaps between women and men across four key areas: health, education, economy and politics. Pakistan is ranked 141 in terms of economic participation and opportunity for women, 132 in terms of education attainment, 119 for health and survival and 85 for political empowerment. 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. Cultural norms and practices, lack of education and self-confidence, and a shortage of time inhibit women's ability to contribute to decision-making at all levels, from household and community to national. Women are often in a weak bargaining position in intra-household decision-making, to the detriment of the well-being of all household members. Whereas gender inequality is a ubiquitous phenomenon in Pakistan, the disparity is most pronounced in rural areas. The migration of men to urban areas for employment has further exacerbated women workload. Studies show that a rural woman in Pakistan works 15.50 hours a day, spending 5.50 hours in caring for livestock, but can provide only 50 minutes for the care of her own children.

42. *Poverty:* According to Pakistan's first-ever official report on multidimensional poverty four out of 10 Pakistanis are living in acute poverty with the population of Balochistan faring the worst among the provinces. The report recently unveiled by Pakistan Planning Minister Ahsan Iqbal in Islamabad details the country's official Multidimensional Poverty Index (MPI), which shows a sharp decline with national poverty rates falling from 55 % to 39% from 2004 to 2015. Rather than income and wealth alone, the MPI uses broader measures to determine poverty based on access to healthcare, education and the overall standard of living, thus giving a more detailed understanding of poverty. Globally the report states that 38.8% of Pakistan's population lives in poverty whilst a majority of the rural population (54.6%) lives in acute poverty against a ratio of only 9.4% in urban areas, emphasizing the need to make rural-centric economic policies. Among the provinces and regions, multidimensional poverty is the highest in the Federally Administered Tribal Areas (Fata) with 73.7% followed by Balochistan (71.2%), Khyber-Pakhtunkhwa (K-P), (49.2%), Gilgit-Baltistan (43.2%), Sindh (43.1%), Punjab (31.4%), le lowest being AJK (25%). Except K-P, where the poverty level remained almost the same over a period of two years, in the other three provinces the acute poverty level declined from 2012-13 to 2014-15. Moreover four of the five poorest districts are in Balochistan, where poverty level is alarmingly high. The poorest district is Kila Abdullah with 97% poor population, followed by Harnai 94.2%, Barkhan 93.6%, Sherani 90.6% and Kohistan in K-P with 95.8% poor people. In Sindh, Tharparkar has been declared the poorest district with 87% population living under the poverty line followed by Umerkot 84.7%, Tando Muhammad Khan 78.4% and Badin and Kashmore where almost 75% of the population is poor. In Punjab, Muzaffargarh (64.8%) and Rajanpur (64.4%) are the poorest districts, followed by DG Khan 63.7% and Bahawalpur 53%. All these districts are part of the project area. This poverty analysis has showed stark regional disparities in poverty across Pakistan. At the indicator level, the greatest contribution, in both urban and rural areas, derives from deprivation in years of schooling, access to health facilities, and child school attendance. In terms of dimensions, education is clearly the greatest contributor to multidimensional poverty in both areas, contributing almost 57% and 42%, respectively. It is followed by the dimension

of living standards (31.5%) and, finally, the dimension of health (25.7%). Notably, deprivation in health contributes almost 5.7% more to poverty in rural areas than it does in urban centres.

1.2. Natural resources and NRM

43. The environmental issues is a great problem for the nature and nation of Pakistan and has been disturbing the balance between economic development and environmental protection. As Pakistan is a large importer of both exhaustible and renewable natural resources and a large consumer of fossil fuels, the Ministry of Environment of Government of Pakistan takes responsibility to conserve and protect the environment.

44. *Water resources:* Hydrological power is a renewable resource which benefits Pakistan a lot. Pakistan Largest River is known as River Indus which flows from Tibet China and enters through Pakistan by KPK with tributaries on both western and eastern side which is important in terms of water supply to crossed areas.

45. *Fuel resources:* Pakistan has extensive energy resources, including fairly sizable natural gas reserves, petroleum oil reserves, coal fields and large hydropower potential.

46. *Agriculture: Ab*out 97% of Pakistan's total land area is under cultivation and is watered by one of the largest irrigation systems in the world. The most important crops are tobacco, cotton, wheat, rice, sugarcane, maize, sorghum, millets, pulses, oil seeds, barley, fruits and vegetables. Agriculture, both irrigated and non-irrigated, is practiced on 20.58 million ha, or 23.4% of the land area, and livestock grazing on 28.509 million ha, or 32.4% of the area.

47. *Fishery*: Fishery and fishing industry plays an important role in the national economy of Pakistan. With a coastline of about 814 km, Pakistan has enough fishery resources that remain to be fully developed. It is also a major source of export earnings.

48. *Mining*: The Salt Range in the Potwar Plateau has large deposits of rock salt. Pakistan has extensive mineral resources, including fairly sizable reserves of gypsum, limestone, chromites, iron ore, rock salt, silver, gold, precious stones, gems, marbles, tiles, copper, sulfur, fire clay and silica sand.

49. *Biodiversity*: Many of biological resources occurring in these areas especially medicinal plants have good commercial potential in biodiversity based industries. A few medicinal plants also occur as weeds in agricultural fields. Usage of plant species by pharmacies/herbal units in Punjab ranges from 279 kg/annum in district Mansa to 527 MT/annum in district Amritsar.

50. *Forests*: About only 4% of land in Pakistan is covered with forests. The forests of Pakistan are a main source of food, lumber, paper, fuel wood, latex, medicine as well as used for purposes of wildlife conservation and Eco tourism. There are 14 national parks, 72 wildlife sanctuaries, 66 game reserves, 9 marine and littoral protected areas, 19 protected wetlands and a number of other protected grasslands, shrublands, woodlands and natural monuments. The non-productive use of most of the land area is due to the arid climate, with less than 250 mm of annual rainfall over more than 70% of the country. Further, not all of the forested area has dense tree cover. Rather, 93% of coniferous forests, 34% of riverine forests, 58% of mangrove forests, and 46% of irrigated plantations have low-density tree growth (Anonymous 1992). Pakistan nonetheless has a rich and diversified flora because of the wide variety of soils, topography, and climatic conditions. The natural forests in Pakistan have been subjected to deforestation for growing agricultural crops, grazing domestic animals, and climatic importance of these forests is considerable. They supply coniferous timber, fuel wood, minor forest produce, hydroelectric power, drinking and irrigation water, minerals, soil nutrients, and places for tourism and recreation. The mountain regions are important centers of biodiversity. Their glaciers, flora, and fauna are indicators of climate change. The altitudinal pattern of vegetation in northern regions of Pakistan follows the latitudinal pattern of vegetation found globally. In the future, these forests are expected to face the combined effect of climate change and socio-economic demands for forest products and services. The distribution of Pakistan's forests is given in Fig. 1. This paper describes the results of a study to determine the impact of climate change on natural ecosystems in

Pakistan in general and forest ecosystems in northern parts of the country in particular in order to suggest adaptation strategies that could be adopted by policy makers to cope with this change. In addition, the current atmospheric CO2 concentration of 350 ppmv is expected to increase to 425 ppmv in 2020, 500 ppmv in 2050, and 575 ppmv in 2080 in this study. The coniferous forests in the northern mountain regions particularly are under the heavy social and economic pressure of tree felling. Less than 4% of land in Pakistan is covered with forests.

51. *Land Use:* Geographically Pakistan has a highly diversified landscape and environment. Lofty snow covered mountains, vast Sandy deserts, and extensive river and piedmont plains have contributed to give rise to a country reflecting remarkable variations in soil characteristics. Out of 19.3 million hectares of area available for farming, irrigated agriculture is practised on about 16 million hectares (about 83%) ha. The irrigation water is mainly supplied through the worlds largest canal system arranged through dams. Intensive and continuous use of surface irrigation has altered the hydrological balance of the irrigated areas, specially Indus basin. The substantial rise in the water table has caused salinity and water logging in large areas of Sindh, Punjab, NWFP and Balochistan. The magnitude of the problem can be gauged from the fact that the area of productive land was being damaged by salinity at a rate of about 40000 hectares annually.

1.3. **Climate**

52. Pakistan climate is arid with low rainfall and humidity and high solar radiation over most parts of the country. Most areas receive less than 200 mm annual rainfall, except for the high altitude northern mountains, which receive more than 500 mm annually. The rainfall distribution varies widely: 60% of rainfall in Sind and Punjab Provinces occurs during the monsoon season i.e. from July to early September. Baluchistan and the northern mountains receive maximum rainfall during October to March. Pakistan lies in the temperate zone with a climate which varies from tropical to temperate. Arid conditions exist in the coastal south, characterized by a monsoon season with adequate rainfall and a dry season with lesser rainfall, while abundant rainfall is experienced by the province of Punjab, and wide variations between extremes of temperature at given locations. Pakistan has four seasons: a cool, dry winter marked by mild temperatures from December through February; a hot, dry spring from March through May; the summer rainy season, or southwest monsoon period, from June through September; and the retreating monsoon period of October and November. The onset and duration of these seasons vary somewhat according to location.

53. According to the report of Task Force on Climate Change (2010) in Pakistan, the country is exposed to a number of natural disasters, including cyclones, floods, drought, intense rainfall, and earthquakes. In the last couple of decades there has been an increase in the incidence, frequency, and intensity of extreme climatic events: about 40% of the people of Pakistan are highly prone to frequent multiple disasters with variations in rainfall patterns, storms, floods and droughts. In most areas of the country, rainfall patterns have become very unreliable and unpredictable, making it difficult for communities to make necessary arrangements for their safety, crops and livestock. The variability of rainfall has increased geographically, across seasons, and annually in Asia over the past few decades. Decreasing trends in rainfall patterns along Pakistan's coastal areas and arid plains have also been observed (IPCC, 2007).

54. According to Pakistan Meteorological Department, major parts of Pakistan experience dry climate. Humid conditions prevail but over a small area in the north. The whole of Sindh, most of Balochistan, major parts of the Punjab and central parts of Northern Areas receive less than 250 mm of rainfall in a year. The Pakistan Meteorological Department reported that in recent year there has been a slow but steady change occurred in the location where major rainfalls concentrate. In the past, monsoon rains fell most intensely over the Punjab. But slowly and steadily, the concentration of rainfall has moved north and west to Khyber Puktonkhuwa. Finally studies on rainfall data have showed a significant decreasing trend all over the country with a relatively drier period from 1998 to 2001 in which Pakistan has faced severe drought, mainly in the southern and central parts of the country. Therefore, Autoregressive Integrated Moving Averages (ARIMA) model used for rainfall analysis predicts downward moving trend (2006-2030). But with excluding drier period from the real

time series, it showed upward moving trend up to 50mm till 2030 in the mean rainfall trend for the whole study area.

1.4. Key Issues

55. Water pollution from raw sewage, industrial wastes, and agricultural runoff, limited natural fresh water resources and a majority of the population does not have access to potable water; deforestation, soil erosion; desertification. Pakistan is subject to frequent earthquakes which are often severe (especially in north and west) and severe flooding along the Indus after heavy rains (July and August). Landslides are common in the northern mountains. Land areas are mostly affected by salinity and due to the high evaporation the water ror irrigation is also affected by salt. The soils are generally sandy silty alluvial soils; the sub soil water is mostly brackish with sweet water zones predominantly near irrigation canals and water channels. While more recently the shortage of irrigation water in canals systems is a cause of great concern, agricultural land has been degraded by water logging and salinity in certain canal irrigated areas and an estimated 15% of the total cultivable land is affected.

56. The project zone has higher income and landholding disparities, higher incidence of poverty and the most number of rural landless and homeless tenants. Women in rural Pakistan are considered as being the most socially excluded since they are the most deprived in terms of access to basic social services, livelihood opportunities and vulnerability to violence. In contrary they have heavy workload and carry out a wide range of tasks in agriculture, livestock rearing and off-farm activities. There is always a risk of exclusion of the poor and women from Project activities and benefits. In fact because the Project is expected to work primarily with women there were concerns by some that since a majority of the Community Organizations only had women members, the men might get apprehensive of why the Project was engaging mostly with women given the social and cultural restrictions imposed on women and the taboos associated with outsiders interacting freely with women. Some men could even get antagonized that they were being left out and this could pose a potential social risk for the Project. However, it was observed during the field visits that in most communities even though the organization consisted of entirely women, the village men would come and sit around the fringes at the Community Organization meeting. In some Communities the women, felt extremely empowered by this fact, and while they allowed men to participate, they would conduct the meeting in a manner in which the men were forced to give deference to them. In other CO, the men were often nominated as the CO secretary or President to help the women manage some of the CO affairs. Even where the COs only have women members the Project expects to will work with the village men through the women. This will help to rectify the years of disempowerment and neglect women have faced in a manner which will be subtle.

57. Rain-fed and desert areas within some selected districts are prone to drought and riverine areas are prone to flooding in the monsoons.

II. Potential programme's social, environmental, and climate change impacts and risks

2.1. Key potential impacts

58. 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. The programmewill contribute to emphasize through social mobilization the establishment of local institutions (community organizations, village organizations) that are sustainable and of increasing maturity to take part in

development planning and implementation of project-supported activities; this includes responsibilities in procurement, operation and maintenance of infrastructure/ facilities, targeting, identification of ultra-poor homeless/ landless and asset-less households and delivery of assets suiting each households circumstances and capacities and linking the members to public and financial service providers. More than 4000 COs have been established, with 90,000 households reached and receiving services. Furthermore, an appraisal has been carried out in terms of the relevance, effectiveness, efficiency, impact and sustainability of the interventions confirmed that the provision of small housing units (SHU) for the most vulnerable homeless women in band 0-11, has had a very visible and concrete impact on poverty graduation. The SHU brought an immediate rise in the poverty score of the beneficiaries; households earlier living in the bottom line of poverty i.e. band 0-11 range (extremely / ultra-poor) moved to the next level i.e. band 12-18 and some also shifted to the next improved level of transitory poor category (band 19-23). The CO model has found to be a very effective one in ensuring equity, identification of the poor and in organizing community contribution. As such, the Project is expected to further strengthen the community capacity for collective actions. Overall, it is likely possible that the project interventions could be instrumental to break the traditional linkage between houseless/homeless and landlords.

2.2. <u>Climate change and adaptation</u>

59. The issue of climate change has emerged very strongly during the last two decades on global scale in view of its projected implications on the environment of vulnerable states. Steadily rising temperature and its impacts on the cryosphere and rainfall are evident in many regions around the world. Pakistan has had its share of the large climatic variations that are known to have taken place. In effect Pakistan has been at number 8 among the top 10 countries most affected from 1995 to 2014 (annual averages) of the Long-Term Climate Risk Index (CRI)[77]. However, Pakistan contribution to greenhouse gas emissions is lowest to climate change in terms of green house emissions but the country remains one of the worst victims of climatic disasters. The dominant component of the climate variations was spatial shifts in the rainfall patterns with changes in rainfall pattern directly affecting water, agriculture and disaster management sector. Therefore, dealing with climate change is no longer a choice for the country but an imperative which it has to cope with and/or to adapt to. During the past ten years the Climate Change induced challenges in Pakistan include unseasonal heavy rains and cloud bursts, river flooding and flash floods, tropical cyclones and prolonged droughts. This phenomenon adversely impacts water security for both irrigated and rain-fed agriculture, results in disruption of crop production cycles, endangers food security and livelihoods, destroys important infrastructure and most-often leads to national scale emergencies. Such nation-wide emergencies happened during the 2010, 2012 and 2014 floods in northern, central and southern Pakistan and the recent drought like situation in AJK and most of other northern rain-fed agriculture areas. In many areas, the land resources are now already degraded due to water logging and salinity, water and wind erosion and are likely to experience further degradation due to existing farming practices. Most of the population depends on shallow wells, hand pumps and even in many cases, open ponds for drinking water. Water borne diseases are especially prevalent in the rural areas, and urban sanitation remains a challenge. Unsafe practices in pesticide application pose a major environmental and health risk. Similarly the increase in temperatures has affected the water and agriculture sectors putting them in a greatest risk. It is estimated that drop in crop yield due to rising temperatures is likely to cause shortfall in wheat production and rice. Consequently, Climate change not only represents a risk for the whole country but also and specifically the project districts areas in terms of resilience for people and environment.

III. Environmental and social category

60. NPGP interventions are summarized as (i) transfer of asset and relevant skill training provision, (ii) establishment and strengthening of platforms to promote socio-economic activities (iii), providing interest free loans to assist mainly women and youth in establishing businesses/finding remuneration

employment as well as to create linkages with private sector , promoting entrepreneurial activities and capacity building, (iv) social mobilization approach already proved dedicated to community organisations to be either in hamlet/village level to be further capacitated and empowered to participate in programme activities. As such the programme interventions do not include any activity of a size or scale that will have significant negative environmental, climate and/or social impact nor aggravate the existing status of environment and natural resources already degraded. Therefore, and in line with IFAD's SECAP the assessment of environmental and social risks suggests a rating of **category B** of NPGP. However, there should be a follow up and rigorous control of COs/VOs and their members activities induced with the various financial support, in terms of consequences/impacts on environment and natural resources as well as their management. Inn particular climate and environment screening check-list should be an integral part of rural infrastructure feasibility and design specifications. This will ensure that infrastructures financed by the programme are, not only climate resilient, but also do not negatively contribute to climate change phenomenon and environmental degradation. In effect proposed interventions listed in component 1, livelihoods enhancement, and under component 2 where interventions are essentially turned on institutional strengthening of COs for community-driven development and establishment of Food Banks and community revolving funds for agriculture input supply do not constitute in any case a threat for environment and natural resource. In contrary, some of those interventions reinforce the protection of environment and natural resource. All activities are at very small scale community based project.

IV. Climate risk category

61. As in para 1.3 above, Pakistan is exposed to a number of natural disasters, including cyclones, floods, drought, intense rainfall, and earthquakes. In the last couple of decades there has been an increase in the incidence, frequency, and intensity of extreme climatic events. The dominant component of the climate variations was spatial shifts in the rainfall patterns with changes in rainfall pattern directly affecting water, agriculture and disaster management sector. As a result land, resources degradation due to water logging and salinity in some parts, water stress and water insecurity for agriculture and domestic use, water and wind erosion, could contribute to weaken poorest population resilience and increase their vulnerability. By developing specific-site actions throughout eleven districts the NPGP will improve the poorest groups/households livelihoods, particularly for women, youth and smallholder farmers. In addition the project infrastructures are at small scale level and have potential to become resilient through the adoption of green technologies. The programme activities will increase their incomes through appropriate provided various assets and capacity building to access to financial services and investment opportunities for sustainably moving up the poverty ladder. In effect the main outcome of the NPGP regrading will be to reinforce the targeted group capacity and awareness to face environment degradation and their availability to adopt appropriate measures to reduce losses and damages from climate hazards. It is that in this spirit the NPGP should include adaptive measures such as alteration in sowing dates, use of new crop varieties, changes in irrigation methods, changes in planting techniques, tillage practices, precision land leveling techniques, improved water management through appropriate environment and climate change awareness, etc. Considering potential climate impacts on potential/targeted areas in the country and the measures included in the programme for building adaptive capacity, and ecosystem and community resilience, the Climate Risk Category is assessed as **Moderate.**

Preliminary Climate Risk Screening of the potential programme target area is recorded in table below.

Table : Preliminary climate risk screening

Question	Yes	No	Additional Explanations
Is the target group of the programme dependent on climate-sensitive natural resources (such as drought-prone crops, rainwater-fed agricultural	X		Types of activities essentially non-farm under the project mitigate climate change hazards

plots, migratory fishstocks)?			
Has the programme area been subject to extreme weather events in the past, such as flooding, drought, tropical storms, or heat waves?	X		
Could changes in temperature, rainfall, or extreme weather affect the programme impact, sustainability or cost over its lifetime?	X		
Will climate variability likely affect agricultural productivity within the programme (crops/ livestock/fisheries) or incidence of pests and diseases?	X		Open field conditions are susceptible to climate related pest and disease outbreaks.
Would weather-related risks or climatic extremes adversely impact upon key stages of identified value chains in the programme (from production to markets)?		X	
Does the programme have potential to integrate climate resilience measures without extensive additional costs (such as applying improved building codes; expanding capacity building programmes; or including climate risk issues in policy processes)	X		
Would the programme benefit from a more detailed climate risk and vulnerability analysis to identify the most vulnerable rural population, improve targeting and identify additional complementary investment actions to manage climate risks?	X		

V. Recommended features of programme design and implementation

5.1. Mitigation measures

62. NPGP should introduce best practices and technologies in support of climate resilience where appropriate. In addition, through the vehicle of local organizations (COs/ VOs), communities should also be supported to be better cognizant of climate risks, and to (self)-identify mitigation measures. The design and implementation process should take into consideration any possible cumulative environmental impacts. Thus environmental and climate change issues may vary from zone to zone and each activity may yield varying impacts hence may require different mitigation inputs depending on location. An upfront mitigation regime for main interventions can not be proposed at this stage as the project would follow a participatory process and site and size of scheme will be based on the outcome of Community Development Plans. Mitigation measures for any possible negative impact should be built into the design process and monitored through regular direct supervision by IFAD. Alongside adaptive such renewable, environment and climate friendly technologies such as solar photo-voltaics to power micro irrigation and houses, biogas coupled with livestock should be incentivized though subsidies, some mitigation measures should be part of project design as following: invest in local capacity for planning, monitoring, decision-making and financial management; transfer control to local institutions; provide training on climate issues and support to farmer-based research and knowledge systems; include smallholders in policy dialogue and scenario-building exercises specially for off-season crops, agriculture diversification and productivity

enhancement for small farmers income generation activities to uplift their living standard at village level.

63. The forestry sector is highly sensitive to climate changes as far as its extent, composition, and productivity are concerned. However, forest adjustment during climate change relies heavily on human adjustment and adaptation. Significant changes in forests may be expected with climate change in the future and adaptation to these changes will become inevitable throughout the whole country. Therefore it is anticipatory adaptation measures that are better than waiting for climate change and then reacting to it because not only it could be costly or the scope of changes could make them irreversible as for example, loss of biodiversity. Here are some mitigation/adaptation strategies/actions to be considered: (1) continuing to increase areas of planting with suitable tree species selected for being fast growing and providing needed products but also able to adapt to a wide range of future temperature and moisture regimes; (2) reducing the use of wood in a highly wasteful manner both as fuel in improving heating efficiency with the use of country-made open stoves and as construction material; (3) reduce smoke generated as a result of the burning of fuel wood within household premises and that come from bush fires; (4) introduce renewable energy sources (e.g. solar energy for heating, cooling, drying and pumping, small wind turbines, biogas digesters) to reduce health hazards, and facilitate a clean living; (5) reduce animal pressure on grazing land by adapting to a lower number of livestock to match the carrying capacity of the pastures or make provision for stall feeding. Of course, the success of all these measures should be supported by effective awareness and capacity building trainings as well as through strong communication management at Cos/Vos level.

5.2. Multi-benefit approaches

64. NPGP design and implementation should encourage introducing aspects as planning more rigorously than ever, practices of forestry, agriculture, horticulture, and grazing so as to avoid widespread erosion, desertification, deforestation, loss of biodiversity, resource depletion, and environmental degradation while reducing tree cutting and land use change on steep slopes. In that regard, people should be allowed to continue to practice all land uses but should be encouraged to do so in a scientific manner and policies and practices should be developed that reduce social pressures on natural resources. In addition the green growth policies that should be an integral part of the country structural reforms needed to foster strong, more sustainable and inclusive growth could lead to: (i) enhancing productivity by creating incentives for greater efficiency in the use of natural resources, reducing waste and energy consumption, unlocking opportunities for innovation and value creation, and allocating resources to the highest value use; (ii) boosting investor confidence through greater predictability in how governments deal with major environmental issues; (iii) opening up new markets by stimulating demand for green goods, services and technologies; (iv) contributing to fiscal consolidation by mobilising revenues through green taxes and through the elimination of environmentally harmful subsidies. These measures can also help to generate or free up resources for anti-poverty programmes in such areas as water supply and sanitation, or other pro-poor investments; (v) reducing risks of negative shocks to growth due to resource bottlenecks, as well as damaging and potentially irreversible environmental impacts.

5.3. Incentives for good practices

65. Good practices are made of appropriate adaptive measures such as alteration in sowing dates, use of new crop varieties, changes in irrigation methods, changes in planting techniques for rice, tillage practices, precision land leveling techniques, bed plantation, gypsum treatment and use of technologies such as planters, training for and better use of chemical and insecticide treatment, etc. Depending the location of programme interventions these practices should be introduced with the support of an intensified awareness programme as well as the sufficient availability of funding in particular for actions should be retained through the SECAP analysis. Vocational training should be part of these incentives.

5.4. Participatory processes

66. The participatory processes in the project areas that mainly include learning and action focus on approaches, tools, attitudes and behaviors to enable and empower the project beneficiaries to present, share, analyze and enhance their knowledge of life and condition and to plan, act, monitor, evaluate, reflect and scale up community action. Participatory mapping in the area of environment and natural resources is often used as part of a baseline assessment of a community. It enables community members or relevant stakeholders to share the experience of their space in an informal manner while also exploring existing community assets and needs, helping to inform project design. The approaches should apply, across project area, on its intervention sectors, and including natural resource management and agriculture, equity, decision making, empowerment, health, human rights, and security. During and beyond the project design the participatory processes are essential for building community organizations and their members capacity in terms of environmental and climate risk sensitivity and how to make collective decision, particularly regarding women. It also includes responsibilities in procurement, operation and maintenance of infrastructure/ facilities, targeting, identification of ultra-poor homeless/ landless and asset-less households and delivery of assets suiting each household circumstances and capacities and linking the members to public and financial service providers. The other area of intervention is the success in imparting vocational and technical skills to rural male and female youth from poor families with very high rate of successful employment and entrepreneurship development.

VI. Analysis of alternatives

67. Planting trees could contribute to mitigate the negative effect of timber harvesting causing carbon emissions to the atmosphere. Therefore it is necessary to reduce the human-made greenhouse gas emissions in planting artificial forests. In the same spirit improved agricultural practices along with paper recycling and forest management, balancing the amount of wood taken out with the amount of new trees growing, could quickly eliminate this significant chunk of emissions.

VII. Institutional analysis

7.1. Institutional framework

68. Pakistan is among few countries which have their own National Climate Heating efficiency of country-made open stoves Change Policy and Framework for implementation of National Climate Change Policy. This policy was approved in 2012 and its framework for implementation was approved in 2013 and both are under implementation in the country. In view of the country's high vulnerability to the adverse impacts of climate change, the 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. The framework for Implementation on National Climate Change Policy (2014-2030) provides information on how to adapt to the changing impact of climate and how to play a role in its mitigation. Furthermore, appropriate actions relating to disaster preparedness, capacity building, institutional strengthening; and awareness raising in relevant sectors have also been made part of this document. Pakistan Environmental Protection Law (PEPA) 1997 is 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 Pakistan Environmental Protection Agency at Federal and through Provincial/Regional Environmental Protection Agencies at provincial/regional level. Pakistan signed the United Nations Framework Convention on Climate Change (UNFCCC) as a Non Annex- I Party in June 1994. The country subsequently, adopted the Kyoto Protocol in 1997 and acceded to it on 11th January 2005. As a follow up to these international commitments, the country has prepared and submitted, Pakistan's Initial National Communication on Climate Change, 2003, Clean Development Mechanism (CDM) National Operational Strategy, 2006 and a high level report called the Task Force report on Climate Change (2010) and recently submitted Pakistan's Intended Nationally Determined Contributions (INDCs), 2016 as mandatory requirement after signing Paris

Agreement, 2015 to UNFCCC. The Ministry of Climate Change is mandated to lead national climate change initiatives both in adaptation and mitigation from 2012 onward after promulgation of 18th Amendment to constitution.

7.2. Capacity building

69. NPGP includes capacity building under both component 1 (livelihoods enhancement) and component 2 (institutional strengthening of COs). There is scope under component 1 for capacity building on environment and climate change activities. Capacity building should target PMU, CO members and all public and private partners involved in the project implementation. To facilitate a smooth implementation of climate change adaptation measures such as activities to improved clean water as well as water for livestock actions availability and resilience to climate shocks, targeted training and exposure visits need to be undertaken. In particular, the following thematic areas can be prioritised for capacity building: clean and safe livestock production,...

7.3. Additional funding

Proposed measures do not need additional funding at this stage of the development.

VIII. Monitoring and Evaluation

70. The project uses an integrated participatory rural development approach. Details of community participation throughout the project cycle from initial social mobilization and formation of community organizations to the identification, selection, design, implementation, supervision, and operation and maintenance stages is described in detail in Working Papers 5&7.

71. Under the project design, the process of environmental monitoring through the communities has been built in. The social mobilization and community organization formation will include capacity building, training and sensitization on environmental and health issues. The training will be supported by an effective information, education and communications activity. Monitoring of projects will be carried out throughout the project life cycle and reported in quarterly reports and also directly through regular IFAD supervision missions to ensure issues highlighted in this ERSN are addressed.

72. Indicators on environment and adaptation to climate change need to be included in the SPPAP M&E system. In addition to including the number of CO members and their organisations, private partners sensitised for climate resilient and environmentally sustainable resource management in the log frame of NPGP, relevant indicators are recommended for inclusion in the programme logical frame.

73. In order to monitor and evaluate the ENRM and climate change aspects and other actions related to project implementation it is recommended to establish a reference framework of the project zone in view to follow the project progress.

74. IX. Further information required to complete screening, if any

None

X. Budgetary resources and schedule

75. Given the ‘moderate’ environment and social rating and ‘medium’ climate risk rating, a full-scale ESIA is not necessary. Mid-term assessments on environmental and climate relevant indicators will inform the need to revise the environment and climate strategy

76. XI. Record of consultations with beneficiaries, civil society, general public etc.

The program mission team met with several potential beneficiary communities throughout the selected districts of the project area. In addition, the Design Team had detailed consultation with all key stakeholders in Stakeholder Workshops. The relevant staff from Environment Protection Departments of the provincial Governments was invited to this workshop. The SECAP review note was compiled drawing on literature and discussions with institutional stakeholders and community members and their organizations regrouping mainly women and youth during several design missions in the field. These discussions contributed to ensure the good understanding of the project objectives, the necessity to take into account protection and improvement of project area already degraded natural resources, the climate change risks and a safeguard towards effective ownership notably from community organizations and their individual members. For details please see mission itineraries and list of people met. List of some of the community members consulted during the mission visits to the project districts are outlined below. List of some of the community members consulted during the mission visits to the project districts are parts of the PDR.

Appendix 13: Contents of the Project Life File

PROGRAMME DESIGN TEAM COMPOSITION

Hubert Boirard – Country Programme Manager, IFAD, Rome Italy

Rab Nawaz, Team Leader, in charge of the overall PDR delivery

Qaim Shah, Sr. CPO accompanied the Mission and participated in meetings.

Abdul Karim, IS-M&ES, accompanied the Mission and participated in meetings

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LESSONS LEARNED FROM SIMILAR PROGRAMMES

- 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.
- Availability of BISP poverty score card allows for effective targeting of the ultra and vulnerable poor that can be further validated through the community organizations to address any errors of inclusion or exclusion.
- Flexible menu of customized interventions, tailored to respond to the needs of individual poor households to enable such households to sustainably escape poverty.
- Social mobilization approaches also offer opportunities to build awareness and to mainstream suitable interventions for improved climate change resilience and nutrition.
- 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.
- 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 and decision-making powers within the household and community).

Annex 1: NPGP Design Mission Feb-Mar 2017

Mission Schedule/Itinerary

Schedule	Location	Activity
01-03 Feb 2017	Islamabad	Mission assembles Islamabad Meeting with concerned Federal Ministries/donors/potential partners
04-07 Feb 2017	Field	Field work
08 Feb 2017	Islamabad	Aide Memoir preparation
09 February 2017	Islamabad	Wrap-up with PPAF
10-16 February 2017	Islamabad	Report writing + data missing collection
17 February 2017	Islamabad	Wrap-up with EAD
18-28 February 2017	Home-based	Report writing
02 March 2017	Home-based	Submission of Draft PDR by Mission Leader

Annex 3: List of People Met During Programme Design

Location	**Name**	**Designation**
Islamabad	Humaira Ahmed	Additional Secretary, EAD
	Mumtaz H. Shah	Deputy Secretary(WB\IFAD Wing) EAD
	Shaista Gul	Section Officer,(WB\IFAD Wing) EAD
	Zafar Ahsan	Additional Secretary, Ministry of P&D
	Ms. Yasmeen Masood	Secretary, BISP
Donors	Wrner E. Liepach	Country Director, ADB
	Patrick T. Evans	Representative, FAO
	Francesco Gamarro	Deputy Rep, FAO
Implementing Partners/NGOs	Dr. Rashid Bajwa	CEO, NRSP
	Agha Ali Jawad	GM, NRSP
	Dr. Mir yusouf	RGM, NRSP, Turbat, Balochistan
	Sardar Attique	RGM, NRSP, AJK
	Shandana Khan	CEO, RSPN
	Khalid Tatlay	COO, RSPN
	Fazal Saadi	GM, M&ER, RSPN
	Khurram Shahzad	Manager, M&ER, RSPN
	Dr. Muhammad Amjad Saqib	CEO, Khidmat Foundation
Pakistan Poverty Alleviation Fund	Qazi Azmat Isa	CEO, PPAF
	Simi Kamal	Senior Group Head, Operations
	Amir Naeem	Senior Group Head, Financial Management and Corporate Affairs
	Samia Liaquat Ali Khan	Group Head, Compliance and Quality Assurance
	Atif Raza	General Manager, Finance and Accounts
	Muhammad Riaz	General Manager, Projects

Consultations with communities

Date of Consultation	Partner Organisation	District	Union Council	LSO/VO/CO Name	Number of people consulted
17-03-17	RCDS	Layyah	Aulakh Thal Kalan	Aulakh Thal Kalan	31
15-03-17	ADO		Noshehra Thal Kalan	Sojhla Foundation	20
16-03-17			Jakhar	LSO Jakhar	18
17-03-17	FDO	Multan	Nawabpur & Binda Sandila	Sawera development organiza	16
18-03-17	NRSP	DG Khan	Paigan	Paigan	14
18-03-17			Kot Chutta	Al-Rehman	12
18-03-17			Aali Wala	Aali Wala	8
18-03-17			Kot Chutta	Phool Kot Chutta	9
15-03-17		Bahwalnagar	52/f	LSO 52/F	30
16-03-17			42/f	LSO 42/F	30
20-03-17			28/f	LSO 28/F	30
15-03-17	Mojaz Foundatior	Muzaffargarh	Khan Pur M.Garh	LSO Khan Pur M.Garh	23
			Baseera	LSO Baseera	20
20-03-17	TRDP	Tharparkar	Dabhro	Hujag	37
20-03-17			Bhitaro	wango development organizat	43
20-03-17			Islam kot	Mehran	22
21-03-17			Mithro batti	Megh Malhar Tarqiati edara	16
21-03-17			Malnhore veena	Sarang development Programı	14
20-03-17			Khetlar	hamdard	28
21-03-17			Mohrano	Razi shah	25
18-03-17	BRDS	Badin	Bhugra Memon	coastal Development	25
19-03-17	IET	Thatta	Gharo	Gharo	85
18-03-17	IET		Dhabeji	Dhabeji	116
17-03-17	BRSP	Zhob	Algadh wall Babar	Algadh wall	16
17-03-17			Garda Babar	Garda Babar	18
18-03-17			Badinzai	Omza Vialla	10
18-03-17			Badinzai	Badinzai	15
18-03-17			Badinzai	Ittifaq Badinzai	17
18-03-17	BRDRS	Killa Saifullah	Kan Mehterzai	Kan Mehterzai	17
18-03-17	CERD	Lower Dir	Koto	Koto	15
18-03-17	SERVE	S.Wazirsitan	Sarwakai	Sarwakai	9

The attendance sheets of the events are available with PPAF and will be forwarded if required.

Consultation with PPAF's Partner Organisations (POs) on Thursday, February 16, 2017

PO Name	Acronym	Name of Participants
Farmers Development Organization	FDO	Ghulam Mustafa
Health And Nutrition Development Society	HANDS	Rahila Rahim
International Fund for Agricultural Development	IFAD	Rab Nawaz
National Rural Support Programme	NRSP	Agha Ali Javad
Participatory Integrated Development Society	PIDS	Baber Shah Khan
Social Action Bureau for Assistance in Welfare and Organizational Networking	SABAWON	Khalid Sayeed Babar Iftikhar Hussain