



Investing in rural people

Islamic Republic of Pakistan

Southern Punjab Poverty Alleviation Project – Additional Financing (SPPAP-AF)

Final project design report

Main report and appendices

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Currency equivalents

Currency Unit	=	Pakistan Rupees (PKR or Rp)
US\$1.0	=	PKR 105

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

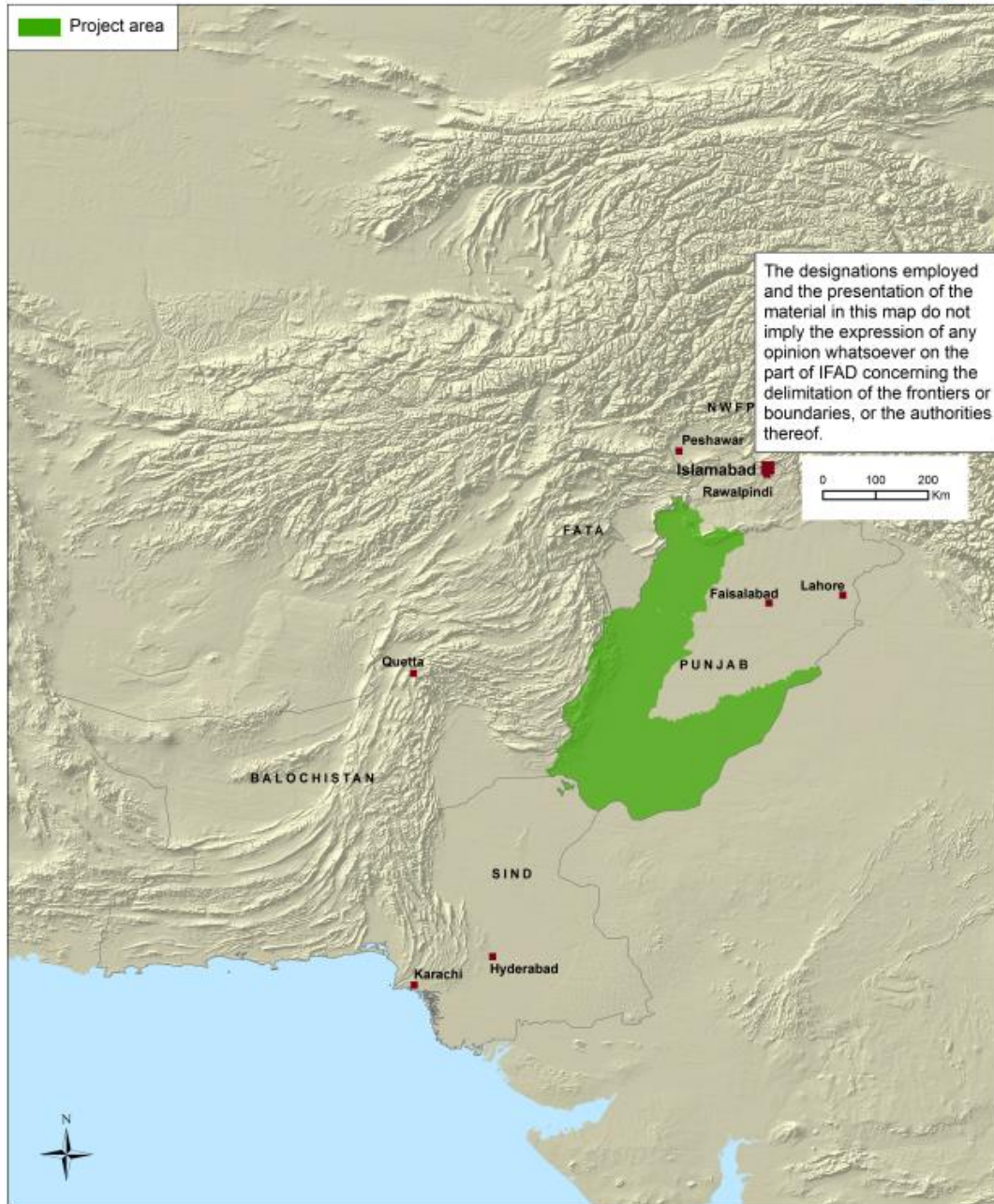
Abbreviations and acronyms

ADP	Annual Development Programme
AF	Additional Financing
AWPB	Annual Work Plan and Budget
BISP	Benazir Income Support Programme
CDD	Community-Driven Development
CDP	Community Development Fund
COs	Community Organizations
CPI	Community Physical Infrastructure
DCC	District Coordination Committee
DCU	District Coordination Unit
DMU	District Management Unit
EAD	Economic Affairs Division
ESMF	Environmental and Social Management Framework
FAO	Food and Agriculture Organization
GDI	Gender Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GLLSP	Gwadar Lasbella Livelihood Support Project
GoP	Government of Pakistan
GoPb	Government of Punjab
IFAD	International Fund for Agricultural Development
LAMP	Livestock and Access to Markets Project
LSOs	Local Support Organizations
M&E	Monitoring & Evaluation
MICS	Multiple Indicator Cluster Survey
MIS	Management Information System
MOF	Ministry of Finance
MTR	Mid-term Review
NGOs	Non-Governmental Organizations
NPGP	National Poverty Graduation Programme
NPSC	National Poverty Score Card
NRSP	National Rural Support Program
P&DD	Planning and Development Department
PMIFL	Prime Minister Interest Free Loan Scheme
PMU	Programme Management Unit
PPAF	Pakistan Poverty Alleviation Fund
PSC	Poverty Scorecard
PSC	Project Steering Committee
PSDF	Punjab Skills Development Fund
PSPA	Punjab Social Protection Authority
PVTC	Punjab Vocational Training Council
RB-COSOP	Results-based Country Strategic Opportunities Programme
RCU	Regional Coordination Unit
RIMS	Results and Impact Management System
RSP	Rural Support Program
SECAP	Social, Environmental and Climate Assessment Procedures
SHU	Small Housing Unit
SMP	Social Mobilization Partner
SO	Strategic Objective

SPPAP	Southern Punjab Poverty Alleviation Project
TA	Technical Assistance
TEVTA	Technical Education and Vocational Training Authority
UC	Union Council
VO	Village Organization
VTO	Vocational Training Organization
WFP	World Food Programme

Map of the project area

Islamic Republic of Pakistan
Southern Punjab Poverty Alleviation Project - Additional Financing
Design report



Map compiled by IFAD | 17-05-2017

Executive Summary¹

Background. Under the ongoing SPPAP, positive (development) results are emerging, alongside indications of increasingly effective service delivery on the one hand, and matched absorptive capacity on the other. *To leverage the momentum, and to indicate its commitment, the Government of Punjab has requested additional financing (investment) to continue its partnership with IFAD, and is prepared to significantly increase its contribution from the original USD 5 million, to an unprecedented USD 76.2 million for scaling up. The combined additional financing for a total of USD 120.9 million² is sought for the geographical expansion and outreach of the programme and its promotion of the poverty graduation model with a specific articulation of women's empowerment and support to youth, as a critical element and driver of rural livelihoods transformation.* The approach is one of poverty graduation for the ultra-poor and poor, through combined interventions in social mobilization, social protection, assets and skills creation and basic rural infrastructure development for improved rural livelihoods. It should be noted that the combined additional financing is intended to be disbursed with a five-year extension on the original SPPAP.

Theory of change. The development hypothesis and theory of change is that the programme through a package of tailored and responsive support serving to meet the essential needs of targeted ultra-poor and poor rural families, will strengthen human capital; while assets building investments will enable them to graduate from extreme poverty and vulnerability to higher levels of economic and social well-being. At community level, the creation or strengthening of Community Organizations is expected to strengthen social capital; while the provision of essential community infrastructure will enhance living conditions, health and nutrition status and as well the productive capacities of all community members. The District-level institutionalized coordination mechanism will concentrate all programme and regular government pro-poor activities on the poorest and most vulnerable as part of the demand-driven model.

Approach. The approach to be adopted in the expanded SPPAP is informed by the theory of change, which is that ultra-poor and poor rural families, through a package of tailored and responsive support serving to meet basic immediate needs, build longer-term human capital and with a provision for asset building (investments), will precipitate their graduation to an improved level of well-being and towards more sustainable livelihoods. Furthermore, the participatory community-driven development model that prioritizes needs through a bottom-up approach will be institutionalized in regular government service delivery systems to become the key driver for poverty alleviation/ graduation. Overall, the expected results stemming from the programme interventions will contribute to deepened policy dialogue and engagement for sustained poverty alleviation push.

Outreach. The consolidated programme (taking into consideration the original financing and additional financing) expects to have **outreach to 480,000 households**, representing just over 3.3 million individuals in the poverty scorecard (PSC) band 0-23 and around 17 per cent of rural population in the targeted districts. These households are members of, and are spread across approximately 19,000 community organizations (COs). The outreach expected with the additional financing alone is 400,000 households³, to be mobilized under 15,000 *new/ revamped* community organizations. It can also be reasonably assumed that through various interventions (such as the community infrastructure and through promotion of community driven development linked to public

¹ Mission composition: Hubert Boirard, IFAD Country Programme Manager, Mission leader; Roberto Longo, Lead Advisor; Qaim Shah, Country Programme Officer; Rab Nawaz, Institutional specialist; Maria Donnat, M&E specialist; Claire Bilski, Gender and targeting specialist; Anta Sow, Financial Management specialist; Michel Kouda, Environment and NRM specialist; Fida Muhammed, Economist; and Ayu Tamara Lampe, Programme management specialist.

² This comprises US\$ 115.5 million in IFAD and Government of Punjab additional financing, as well as beneficiary contribution in the amount of US\$ 5.4 million. This additional financing further complements the 2017 IFAD approved additional financing of USD 25 million.

³ Of this total figure, more than 150,000 hhs are expected to be reached through increased funds made available under a revolving fund mechanism.

sector annual development planning and budgeting), the programme will be relatively inclusive and reach additional households outside of the PSC band 0-23.

Geographical targeting. The programme is expected to expand coverage to poor Union Councils in ten districts of lowest social and economic attainment and with highest incidence of poverty in the Punjab Province. These ten districts include: six in the South sub-region (Bahawalpur, Bahawalnagar, Rahimyar Khan, Muzaffargarh, Rajanpur, Dera Ghazi Khan) and four in the West sub-region (Layyah, Bhakkar, Khushab, and Mianwali). Of note, the new programme will continue to operate in the original four SPPAP districts where more than 215,000 households fall within the PSC band 0-23⁴ and also the four districts that were to be covered under the Livestock and Access to Markets Project (LAMP) which was cancelled in 2017 due to lack of progress (i.e. Khushab, Bhakkar, Layyah and Mianwali).

Targeting strategy and target group. The targeting strategy will be composed of three elements: geographical targeting, poverty scorecard-based household targeting and gender and youth targeting. As in case of all other IFAD-assisted programmes in the country, SPPAP AF will also ensure sound and effective targeting through use of the National Poverty Scorecard (PSC), ensuring that the programme's target group are those households registered within the PSC band of 0-23 (extremely, chronically and transitory poor); specific attention will however be placed on extremely poor households falling within the band 0-11.

Development objective. The SPPAP AF is designed to assist the Government of Punjab to achieve its economic growth and poverty alleviation objectives within ten high-poverty incidence districts. The additional financing does not present any change to the structure and development objective of SPPAP, the latter being *"to increase incomes of 480,000 poor households by enhancing the employment potential of the people and increasing agriculture productivity and production"*. A subsidiary, but equally important objective is to use the lessons, models and approaches of SPPAP for a sustainable policy-level engagement with federal and provincial governments, BISP, PPAF, RSPs and other development partners to mainstream successful poverty graduation models and the principles of community-driven development (CDD) into the national development agenda and approach.

Programme description

Component 1 – Livelihoods enhancement (US\$ 98.2 million). This component consists of three mutually reinforcing sub-components as follows: 1.1. Assets creation for the Ultra-Poor; 1.2 Vocational and entrepreneurial training (for income generation); and 1.3 Community Physical infrastructure (CPIs). The target group under this component will almost be exclusively poor women and their households, with the exception that the CPIs will inclusively benefit the majority of the community or village population.

1.1 Assets creation for the Ultra-Poor. The sub-component covers a range of relevant investments aimed at building up the assets base of the poorest target group and women, which includes provision of small housing units (SHUs) for landless/ homeless women (and their households) in band 0-11 and livestock/ ruminant packages a for women in band 0-18. The target group beneficiaries will be identified on the basis of the BISP Poverty Scorecard, further validated by members of the community organization to address any errors of inclusion or exclusion.

1.2 Vocational and entrepreneurial training. The sub-component is complementary to the target group's current livelihood practices, with provision of vocational/ technical skills and entrepreneurial training to promote income generation. Male and female youth and able bodied persons from families in the PSC band 0-23 will be eligible for participation. The additional financing will fund vocational and technical training on the basis of pre-determined market demand and placement opportunities for the trained beneficiaries. Apart from assistance in securing job placements, the programme will support interested 'graduates' in starting their own enterprises on the basis of learned technology and/or vocation; this includes facilitating access to finance from micro-finance sources including the Prime

⁴ The AF will cover those Union Councils in the four districts that have not benefitted from SPPAP support.

Minister's and Punjab Government's interest-free credit schemes as well as the programme-supported Revolving Fund.

1.3 Community Physical Infrastructure. Based on the priorities identified by the beneficiary communities in their Community Development Plans (see link with sub-component 2.1), the programme will finance both social and economic infrastructure including irrigation water schemes, sanitation schemes, drinking water supply schemes, access/ link roads and minor structures, and other priority schemes in support of improved livestock production and management. The component through its various interventions will directly benefit 152,000 households in PSC band 0-23. Due to the nature of public infrastructure, it is expected that the schemes will benefit further households in the catchment area and beyond the 0-23 band.

Component 2 – Agriculture and Livestock development (US\$ 15.7 million). This component is complementary to Component 1 and draws on the lessons and findings of the SPPAP mid-term review. Consequently, the component has been oriented more towards the institutionalisation of the community-driven development (CDD) approach with direct linkages to the public sector development and service delivery facilities rather than direct project funded interventions. The approach will enhance sustainability prospects of the programme interventions and strengthen food and nutrition security of the poorest and the vulnerable poorest Union Councils and villages.

Institutional Strengthening for CDD. This sub-component supports the promotion and strengthening of local-level 'institutions' or organizations (COs, VOs and LSOs) to represent development needs and demands of their members and to serve poor households falling within their constituencies. With the additional financing, the programme intends to reach an additional 15,000 COs, who serve as the vehicle and entry point for the programme in its entirety. All CO members (255,000 hrs) will benefit from the sensitization and awareness training resulting from their mobilisation, and from social capital formation. The social benefit deriving from this alone, has to be emphasized, as a first real opportunity for these marginalized voices to be heard, for their needs to be expressed and their empowerment to make own decisions; a tangible outcome of the CDD approach, will be the elaboration of the Community Development Plans (CDPs). Furthermore, a majority proportion of the CO member households will also benefit from programme interventions in the form of assets creation, vocational/ entrepreneurial training, CPIs, food security initiatives and the facilitated access to other government-funded initiatives. Over the long-run, and as part of the exit strategy, the COs will have a sustainable link and access to public services and development planning, as well as linkages to the formal microfinance sector.

In parallel, the Government will establish District Coordination Committees; the development and service delivery needs identified through Community Development Plans (CDPs), consolidated at UC level, will be placed before the DCC to enable government agencies to direct development activities and service delivery efforts towards the poorest Union Councils and villages on the basis of these needs and priorities.

Food security and nutrition-sensitive initiatives. With a focus on households in PSC 0-23, the programme will also scale up the initiatives aimed at improving household food and nutrition security, including undertaking more extensive efforts to promote nutrition education and nutrition activities. As well, the current Revolving Fund (for agri-inputs) successfully piloted in four Union Councils, will be scaled-up considerably. The Revolving Fund will facilitate improved access to financial resources to meet food and nutrition security needs, as well as support productive/ income generating activities. The revolving fund will be managed by a professional entity, together with LSOs and can provide credit for: the procurement of supplemental food needs during hunger periods, agricultural and livestock inputs, start-up capital, etc.

Organizational framework, programme management and policy coordination. Overall, the expanded SPPAP will build on the existing institutional and implementation arrangements in-place as confirmed by the mid-term review; equally, the methodologies, procedures and processes that have been fine-tuned throughout the programme lifetime, continue to be valid and will be the basis for

ongoing implementation. On the basis of the strong partnership and institutional arrangements of SPPAP, the Planning and Development Department (PDD) of GoPB will remain the lead programme agency, with overall oversight and responsibility for programme implementation through a Programme Steering Committee (PSC) headed by the Chairman P&D. Day-to-day implementation is delegated to be managed by the Programme Management Unit, based in Bahawalpur District. In respect of the expansion to six additional districts, a Regional Coordination Unit (RCU) will be established in Sargodha, and both the PMU and RCU will be supported by District Coordination Units (DCU).

Policy engagement. Policy dialogue and engagement is a critical element of the scaled-up programme and will take place at three levels, and which are interlinked: (i) at the Community level – in addition to the CDD process for articulation of needs and priorities, the programme will also support networking amongst COs and their association where there is demand; (ii) at District-level, notably for the institutionalisation of the CDD approach – the programme will assist the Government at district-level to establish systems, procedures and guidelines to make district development and service delivery plans responsive to needs identified through the bottom-up process at CO, VO and LSO/ UC level; the necessary planning, coordination and review mechanisms like the District Coordination Committees will be established for this purpose, and will contribute to integrated household solutions to escape poverty; and (iii) at the Provincial-level, notably for institutionalisation of the poverty graduation model – the programme will engage with the Punjab Social Protection Authority to share successful poverty graduation approaches and models and assist in mainstreaming and up-scaling suitable models province-wide. At the national level, dialogue and knowledge sharing forums will be supported involving BISP, PPAF, NRSP and other agencies engaged in poverty graduation and social protection.

Programme cost and financing. In terms of the *additional financing for SPPAP*, the total investment and recurrent costs over the extended 2-year period, including physical and price contingences, are estimated at US\$ 121 million (14.9 billion Pakistani rupees). The financing consists of: (i) an IFAD loan of US\$ 36.5 million; (ii) an IFAD grant of US\$ 2.9 million; (iii) Government co-financing in the amount of US\$ 76.2 million; and (iv) an estimated beneficiary contribution of US\$ 5.4 million, representing the standard 10% contribution to the implementation of CPIs.

It should be noted that in September 2017, IFAD and the Government approved an additional financing of US\$ 25 million in IFAD financing and US\$ 4.5 million in Government counterpart funds, with the intention that further (and more substantial) additional financing would materialise in 2018.

Combining the 2017 and new proposed additional financing for SPPAP, the total investment and recurrent costs over the extended 5-year period, including physical and price contingences, is estimated at US\$ 150.4 million (PKR 18.3 billion)⁵. Noteworthy, is that in the extension and additional financing phase of SPPAP, the programme will have considerably leveraged Government contribution (co-financing), which at US\$ 80.5 million, represents 54% of the total additional financing. The IFAD additional financing is estimated at US\$ 64 million, or 43% of the total additional financing; as discussed with the Government, the *IFAD financing is expected to be utilised within the five-year extension period*.

A comparison of cost per beneficiary household (or individual) between the original SPPAP financing (IFAD and Government contribution) and with the additional financing, showcases that up-scaling can be achieved whilst maintaining the same ratio. Under the original financing (US\$ 49.1 million), the cost per beneficiary household was estimated at US\$ 614 (or US\$ 88 per individual) with outreach to 80,000 households; the combined original and additional financings to SPPAP shows a cost per beneficiary household that is reduced to US\$ 416 (or US\$ 59 per individual) for 480,000 households in total.

Benefits. Through programme assistance, benefits will derive from the following: (i) small housing units which will help the household save expenditures on account of rent, open up opportunities for

⁵ This comprises approximately USD 145 million in combined (2017 and current proposed) IFAD and Government additional financing, and an estimated USD 5.4 million in beneficiary contributions.

independent pursuit of income earning opportunities and as well, house value will appreciate over time thus enriching the asset base of the households; (ii) increased annual income resulting from livestock; (iii) employment and self-employment resulting from vocational/entrepreneurship training; (iv) decreased healthcare expenditure as a result of having access to clean drinking water and improved sanitation and thereby also enhancing nutritional outcomes; (v) decreased cost of travel/transportation resulting from better access roads; (vi) decreased cost of irrigation resulting from irrigation and land protection; and (vii) other need-based infrastructure development. Under the agriculture and livestock development, benefits will accrue through improved access to investment resources from the revolving fund for a range of food security, productive and income generating activities.

Following the economic and financial analysis, the consolidated SPPAP is considered to be feasible on account of the financial and economic benefits envisaged (EIRR of 27.8% and NPV of USD 49.7 million), and which remain viable under different risk scenarios.

Sustainability. Sustainability will be built into the programme design as an essential feature in all key components. 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, are as follows: (i) the strengthening of institutions at the community level to take ownership of their socio-economic development priorities; (ii) institutionalisation of the community-driven development model; (iii) community-owned, managed and maintained infrastructure; (iv) economic sustainability through provision of assets, matched with training and relevant skill sets, serving to propagate additional income sources and which has a multi-sectoral dimension of contributing to improved health, nutrition, and education opportunities; (v) a continuous revolving fund managed jointly by LSOs and a professional financial management institution; and (vi) policy dimensions with the dialogue and support for better articulation and harmonisation across programmes falling within the social protection agenda.

Adherence to IFAD policies. The consolidated SPPAP is fully aligned with IFAD's Strategic Framework 2016-2025, particularly in pursuit of the mutually reinforcing strategic objectives of increasing poor rural people's productive capacities and increasing their benefits from market participation. Furthermore, and as articulated in the outcomes to which the Strategic Framework seeks to contribute to, SPPAP is specifically intervening to promote a more conducive and enabling policy and regulatory framework, as well as to promote increased levels of investment in the rural sector. The principles of engagement (targeting; empowerment; gender equality; innovation, learning and scaling up; and partnerships) are furthermore, fully embedded in the programme through the proposed up-scaling of the poverty graduation model to be pursued. SPPAP also adheres to IFAD policies and strategies for targeting and gender mainstreaming, environment and natural resource management, climate change and social, environmental and climate assessment, and scaling up. The nature of the programme, concentrated primarily on financing social protection initiatives, community development initiatives and supporting assets and skills creation, suggests that the programme is likely to be categorized as 'B' in line with IFAD's Social, Environmental and Climate Assessment Procedures. The possible environmental and social risks by the programme activities are limited with low probability of physical resettlement or economic displacement. With regards to climate change, the expanded SPPAP will introduce best practices and technologies in support of climate resilience where appropriate. In addition, through the vehicle of local organizations (COs/ VO), communities will also be supported to be better cognizant of climate risks, and to (self)-identify mitigation measures. In sum, the residual and preliminary climate risk classification of the project is 'Moderate'.

The proposed additional financing is also aligned with IFAD's Policy for Grant Funding. As proposed, the grant financing is fully allocated to: (i) capacity building and institutional strengthening of institutions/ organisations that deliver services to the target group (poor rural people); subsequently, these strengthened institutions will operate in a more facilitating environment, and be better enabled to advocate and engage in policy dialogue to the benefit of the target group; (ii) knowledge management related-activities; and (iii) innovative and 'green' technologies and CPIs.

Logical Framework

Results Hierarchy	Indicators						Means of verification			Assumptions
	Name	Baseline	Original Design	Additional Finance	End Target	Cumulative Result (2017)	Source	Frequency	Resp.	
Outreach	1.b Estimated corresponding total number of household members						Implementing Partners' records and progress reports	Quarterly		Political and economic stability and security
	Household members		560,000	2,801,386	3,361,386	706,167				
	1.a Corresponding number of households reached									
	Households		80,000	400,198	480,198	102,343				
	Non-women-headed households									
	Women-headed households									
	1 Persons receiving services promoted or supported by the project									
	Males		224,000	1,120,554	1,344,554	349,552				
	Not Young		392,000	1,960,970	2,352,970	494,317				
	Young		168,000	840,416	1,008,416	211,850				
Females		336,000	1,680,832	2,016,832	356,615					
Goal To contribute to the reduction of poverty in 10 districts in Punjab	Percentage of beneficiary hh having graduated to a higher poverty category (based on PSC score)						Impact surveys	Mid-term and completion		
	Households		70	70	70					
Objective To increase the income of poor rural households by enhancing their	Percentage of beneficiary hh reporting improved livelihoods means and income						AOS, impact surveys	Annually, mid-term and completion	No major natural disasters in project area, no major changes in agric. and livestock prices, stable	
	Households		75	75	75					

employment potential and increasing agriculture productivity and production										political economic and security situation
Outcome Outcome 1: Improved living conditions and income-generative capacities for poorest and homeless households and the youth		Percentage of persons newly employed/self-employed after receiving vocational or business training					AOS, impact surveys	Annually, mid-term and completion		Continuing market demand for trained workers no major outbreak of livestock disease in project area
	Persons		75	75	75					
Output Ultra-poor and landless hh provided with small housing units and small ruminant packages		1.1.3 Rural producers accessing production inputs and/or technological packages					Implementing Partners' records and progress reports	Quarterly		Availability of transferable land for housing plots current landlords of underprivileged community members do not oppose project implementation
	Females		35,462	38,400	59,500	35,500				
		Ultra-poor hh provided with a small housing unit								
	HHS		1,454	6,400	7,854	1,600				
Output Poor entrepreneurs and the youth provided with vocational and enterprise development training		2.1.2 Persons trained in income-generating activities or business management					Implementing Partners' records and progress reports	Quarterly		Young women and men's motivation to acquire professional skills remain high
	Young		5,451	10,950	16,401	12,859				
	Not Young		12,719	25,550	38,269	5,777				
	Females		10,902	21,900	32,802	9,318				
	Males		7,268	14,600	21,868	9,318				
		People accessing facilitated advisory services								

	Males		2,180	4,380	6,560					
	Females		3,271	6,570	9,841					
Outcome Outcome 2: Strengthened, more inclusive Community Organizations (COs) providing improved services to their members; and improved access to essential community infrastructure in poor communities	No. of Community Organizations (COs) providing new services to their members						annual outcome surveys and impact surveys			Active community participation in infrastructure operation and maintenance
	Community Organisations		4,000	15,000	19,000					
Output Existing and newly-created COs provided with capacity building support	No. of Community Organizations (COs) supported or newly created						IP's records and progress reports			Poorest community members are willing to join a CO
	Community Organisations		4,000	15,000	19,000	4,098				
	People in community groups formed/strengthened									
	Females		39,600	148,500	188,100	52,900				
	Males		26,400	99,000	125,400	14,958				
	People trained in community management topics									
	Women trained in other		3,960	14,850	18,810	5,824				
	Men trained in other		2,640	9,900	12,540	1,810				
Output Community infrastructure identified using participatory	No. of community infrastructure schemes constructed (drinking water systems, irrigation schemes, sanitation, innovative technologies)						IP's records and progress reports			Community members are able to provide in kind contribution
	Infrastructure schemes		1,126	4,410	5,536	1,126				

processes, and constructed or rehabilitated										
	2.1.5 Roads constructed, rehabilitated or upgraded						Progress reports			
	Length of roads		71	125	196	89				
Outcome Outcome 3: Improved food security in targeted communities	1.2.8 Women reporting improved quality of their diets						Annual outcome/ impact survey			No major natural disasters in project districts
	Percentage		75	75	75					
	Women reporting improved quality of their diets		252,000	1,260,624	1,512,624	3,200				
Output Households access to short-term loans and consumption credit	Poor households access short-term consumption credit						IP's records and progress reports			Proper storage infrastructure is available for rent in all targeted Union Councils
	Hhs with consumption credit		1,600	10,000	11,600	5,404				
	1.1.5 Persons in rural areas accessing financial services									
	Total persons accessing financial services - credit		1,600	164,998	166,598	5,404				
Outcome Outcome 4: Strengthened local capacity for Agriculture and Livestock Provision										
Output People trained as Para Vet	People trained as Para Vet						Annual outcome and impact surveys			No social and cultural barriers that prevent women from entering
	Females		100	150	250	89				

	Males		100	150	250	111				non-traditional fields	
Output Modern Agriculture Equipment provided to Community Service Provider (CSP)		No. of CSPs having received equipment					IP's records and progress reports				The high fuel and electricity cost does not limit the small holder capacity to use services
	CSPs		368	800	1,168	368					
Outcome Outcome 5: Strengthened advocacy and dissemination between BISP and the Punjab Government		Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment					Review of policy documents				Government's interest to learn from project experience remains high
	Number		1	3	4						
Output Advocacy fora and knowledge sharing platforms established and facilitated		Policy 1 Policy-relevant knowledge products completed					PCU progress reports				BISP and Provincial Government's interest to engage in advocacy/ policy dialogue remains high
	Number		0	3	3						

I. Strategic context and rationale

Introductory Note. *This project design report (PDR) should be considered as complementary to the original PDR of the Southern Punjab Poverty Alleviation Project (SPPAP). This document presents an updated summary overview of the consolidated project (EB-approved original SPPAP and the proposed additional financing as of June 2018, thus superseding the June 2017 document reviewed and cleared by IFAD's QE Panel), which includes substantive additional Government contribution of USD 76.2 million, highlights departures from the original design as a result of lessons learned and confirmed (agreed) mid-term review (MTR) recommendations, and presents detailed specificities of the proposed additional financing. The overall project has been designed for an extended 5-year timeframe.*

A. Country and rural development context

1. **Economy.** The Islamic Republic of Pakistan, comprising four provinces and four territories, is the sixth most populous country in the world (with a population of 191 million), the twenty-sixth largest economy⁶ and the thirty-sixth largest country in terms of area (881,913 km²).
2. Following persistent economic stagnation during the period 2008-2013, the economy has improved, with a 4.2 per cent GDP per capita growth in 2016. Pakistan is a lower middle-income country, with an average income per capita of US\$1,517⁸. The economy is based mainly on the services sector (59 per cent), followed by agriculture (21 per cent) and industry (20 per cent). 61 per cent of the population of Pakistan (116 million people)⁹ live in rural areas, and the agriculture sector employs 44 per cent of the national workforce. Despite recent improvements, Pakistan still faces significant economic challenges, compounded by public debt at 62 per cent of GDP, stagnating exports and adverse balance of payments. While significant investments have recently been made in major infrastructure, social sectors have not received the same attention; performance on most MDG targets (including education, gender, health, nutrition and infant mortality) remained behind targets. The national security situation has improved considerably, but still remains challenging.
3. After the 18th amendment to the Constitution in 2009, considerable decentralization of mandates and resources from the federal to provincial level has taken place. Social protection, poverty alleviation, agriculture and natural resource management and social sectors are all now entirely provincial responsibilities. However, despite the mandate and additional resource availability, provinces are challenged to accommodate these additional responsibilities in view of existing capacities.
4. **Poverty.** In 2008, the Government carried out a nationwide poverty survey, resulting in the ranking of households on the basis of a proxy score of 0 to 100, and reflected in the National Poverty Scorecard (NPS) registry. 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 (approximately equivalent to US\$ 28) per adult per month. Based on this new definition, around 97 million people have been categorized as extremely poor (band 0-11), chronically poor (band 12-18), transitory poor (band 19-23) or transitory 'vulnerable' (band 24-34).
5. The Government of Pakistan is running one of the largest social protection programmes through Benazir Income Support Programme (BISP) whereby the women head of poor households up to poverty score of 16.7 (the cut-off limit does not represent poverty line) receive monthly stipend of around US\$ 18. Around 5.4 million households were covered during 2016, costing US\$ 1.2 billion. Despite this large outlay, it has now been established that such unconditional cash grants alone do not enable the poor to escape poverty. BISP is cognizant of this but is constrained from initiating any

⁶ World Bank, *Gross domestic product 2014, Public/Private Partnership* (Washington, D.C, 2 July 2015).

⁸ Ministry of Finance, *Pakistan Economic Survey* (Karachi: Government of Pakistan, 2014/15).

⁹ Ibid.

meaningful parallel poverty graduation initiative due to its previous failed initiatives like “Waseela-i-Haq” and “Waseela-i-Rozgar”, its own institutional constraints at the field level and lack of any proven graduation models at-scale.

6. In 2009, with the aim to graduate destitute households to a level where they could access mainstream microfinance, the Pakistan Poverty Alleviation Fund launched a pilot with IFAD assistance 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. The total cost of the package averaged US\$ 500. 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.

7. **Women’s role and participation.** Women in rural Pakistan have been described¹⁰ as being the most socially excluded. They have heavy workloads and carry out a wide range of tasks in agriculture, livestock rearing and off-farm activities. In rural areas, women are involved in a variety of agricultural activities, such as land preparation, seeding, collecting farmyard manure, weeding and harvesting. Women also undertake the responsibility of cleaning, drying, and storage of grains. Taking care of livestock is by and large, women’s responsibility. They collect fodder, clean sheds and process animal products. Despite this, they neither get any recognition for this contribution nor any share from or control over incomes generated from such efforts.

8. Studies show that a typical rural woman in Pakistan works 15.5 hours a day, spending 5.5 hours in caring for livestock, though able to only provide 50 minutes for the care of her own children.¹¹ The migration of men to urban areas has further exacerbated their workload. Rural women are also the most deprived in terms of access to basic social services, livelihood opportunities and vulnerability to violence. Notably, 65 per cent of the women in urban areas are literate in contrast to 30 per cent in the rural areas of Pakistan.¹² Similarly, the overall incidence of home (birthing) deliveries in Pakistan is significantly higher in rural areas (78 per cent) compared to urban areas (68 per cent).¹³ Gender disparities are also more pronounced in rural areas: men’s literacy rate (60 per cent) is twice as high as that of women (30 per cent).

Province of Punjab

9. **Socio-economic context.** The Punjab province in Pakistan is estimated to have a population of around 100 million people, representing 55% of Pakistan’s population and contributes to 52% of the country’s GDP. Whilst Punjab has achieved an annual GDP growth rate of 5.4% over the last decade, outpacing the national average, the benefits of economic growth and development have not been uniform across the population and geographical areas. Districts in the Southern and Western Punjab continue to socially and economically lag behind the rest of province, have higher income and landholding disparities, have higher incidence of poverty, and have 33% people categorized as 'poor' compared to the provincial average of 21%¹⁴. This area also happens to be one with highest ratio of BISP beneficiaries (PSC 16.7) and the most number of rural landless and homeless tenants.

¹⁰ Gazdar, Haris, and Shandana K. Mohmand. Social Structures in Rural Pakistan, Determinants and Drivers of Poverty Reduction and ADB'S Contribution in Rural Pakistan., Rep. no. TA4319-PAK. 2007. Asian Development Bank. <<http://www.adb.org/documents/reports/consultant/37711-pak/socialstructures-rural-pak.pdf>>.

¹¹ <http://www.fao.org/sd/wpdirect/WPre0111.htm>

¹² Government of Pakistan, (2007) Pakistan Social & Living Standard Measurement Survey (2006-2007), Federal Bureau of Statistics, Islamabad

¹³ Ibid

¹⁴ G.M.Arif. Poverty Profile of Pakistan. Pakistan Institute of Development Economics, Islamabad.

10. The Government of Punjab (GoPB) is well cognizant of the challenges to development, and has prepared the Punjab Growth Strategy 2015-2018, aimed at accelerating economic growth, whilst simultaneously improving social outcomes. The recognized key challenges include: slow progress on achieving the Millennium Development Goals (MDGs); underutilized manufacturing capacity and stagnant exports; low productivity of physical and human capital; unemployment, under-employment and skills shortages; and a difficult security situation.

11. Punjab is one of the first provinces to establish its own Social Protection Authority and has initiated social protection programmes including cash assistance programmes for the poor, in parallel to BISP. For the targeting purpose, Punjab is also using BISP poverty registry. Despite some attempts, BISP and Punjab have yet to agree on a common framework and coordination between the two sources of assistance.

12. **Food and nutrition security.** The food security situation in some sub-district areas of the Southern and Western Punjab districts especially adjacent to Sindh Province and KP provinces and desert areas, are considerably in a stressed condition. Although Punjab as a whole has marginally less under-nutrition than other provinces, there are large disparities within the province. Districts with the highest prevalence of under-nutrition are in Southern Punjab. The Punjab Multiple Indicator Cluster Survey (MICS) 2014 indicates that every third child (33.5 per cent) suffers from chronic malnutrition (stunting); furthermore, according to the UNICEF Pakistan 2015 Annual Report, 4.5 million of Punjab's children are stunted and 66 per cent of Punjab households cannot afford a nutritious diet. Low-birth weight affects 29% of children and early pregnancies are very common. Many Pakistani children are faced with long term nutritional deprivation starting from the day of conception until the first 2 years (1000 days) and is aggravated by poverty, food insecurity, poor health services, illnesses linked to hygiene such as diarrhoea, and inappropriate complementary feeding practices.

13. **Agriculture and livestock.** The majority of the rural poor (both male and female) are engaged in the agriculture sector as small owner-operators, share cropping tenants, and laborers. Livestock contributes to 55% of the agriculture GDP of Pakistan. Pakistan is considered the 5th largest producer of milk in the world, and 73% of this is produced in Punjab. Livestock rearing and milk sales are important sources of supplemental incomes for landless and smallholder farmers (with 1-5 acres) and approximately 4 million families or 40 million people depend on livestock for economic viability of their livelihoods. This sub-sector has tremendous scope for pro-poor growth, as the value of milk is greater than that of the other major crops in Pakistan. For landless farmers, livestock production is vital for augmenting their family income as well as a coping mechanism in times of distress. Evidence suggests¹⁵ that provision of livestock as asset building intervention to rural ultra-poor, landless and women-headed households, as part of a larger comprehensive poverty graduation strategy, has an immediate impact on household well-being. Furthermore, the rearing/ fattening of goats, sheep and heifers in Western Punjab districts is an important supplemental income activity for the rural poor.

14. **Environment, natural resources and climate change.** The increased variability of monsoons, the increased risks of floods and droughts and the severe water-stressed conditions in arid and semi-arid region of the Southern and Western Punjab showcase a worsening situation. Furthermore, it is estimated that the drop in crop yield due to rising temperatures is likely to cause shortfalls in wheat production and rice; land resources are 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. Cotton is one of the key cash crops in the region and heavy use of pesticides (cotton accounts for 58% of all ha sprayed)¹⁶ is a major source of pollution. Unsafe practices in pesticide application pose a major environmental and health risk both at the time of spraying and cotton picking. The province of Punjab with meager forestry resources over only *0.771 million hectares*

¹⁵ Impact Assessment studies of Punjab Economic Opportunities Programme (DFID) and SPPAP (IFAD).

¹⁶ 57% of all ha sprayed in Punjab is accounted for by cotton

is a forest deficient province due to the large use of soils for agriculture cultivation. There are various sources of water which includes ground water, canal water, rain-water and on hill torrents, all impacted by climate change. Regarding rain-fed and desert areas, according to the land use data of the Pakistan Forestry Sector Plan of 1992, natural forests and man-made tree plantations covering 4.224 million ha or 4.8% of the land area in the country (Anonymous 1992, Amjad et al. 1996) within southern Punjab, are prone to drought and riverine areas and prone to flooding in the moons. The soils in Punjab are alkaline and those in the southern districts of the state are saline. The intensive agricultural practices with the mono-cropping pattern of wheat-paddy crops in past three decades has resulted in steady decline in its fertility.

15. **Development agenda and policy environment.** Notably, in order to achieve lasting and sustainable inclusive growth with poverty alleviation, GoPB has set a target of 8% annual GDP growth. As envisaged in the Growth Strategy, the transformation of Punjab also calls for investment in social sector coverage, embedding quality provision of education, healthcare and social protection for the poor and vulnerable. The Growth Strategy's objectives will be realized by focusing on key sectors that include: industrial development, cities and urban development, agriculture, livestock, skills, education, demography and population planning, and health. Punjab's development priorities are fully aligned with those of the Federal Government, and the Punjab Growth Strategy 2015-2018 and the Federal Government's Vision 2025 are an outcome of the same strategic thinking. Pakistan Vision 2025, which aims to reduce poverty by half and lift Pakistan to upper middle-income status, has a resulting policy agenda that is focused on economic growth, a knowledge economy, social justice and protection and universal access to quality social services. Working with the Federal Government is essential for Punjab to achieve its objectives. Furthermore, Punjab's Growth Strategy is underpinned by Punjab's Medium Term Development Framework (MTDF) 2018. In terms of the Government's rural development objectives specifically, these include improving the quality of life of rural people by improving the rural economy and living conditions; this should be realised by enhancing agriculture productivity, water resources availability, improving rural infrastructure, providing social amenities and implementing sub-projects responsive to articulated local community needs.

B. Rationale

16. **IFAD and GoPB partnership in scaling up.** IFAD has served as a key development partner in Pakistan, and in Punjab. On the basis of the partnership experience, in particular recent efforts in poverty alleviation through the ongoing South Punjab Poverty Alleviation Project (SPPAP), the Government of Punjab has requested IFAD's support to significantly scale up the successful targeted rural poverty alleviation approaches and interventions tested under SPPAP, for wider geographic and outreach coverage. The approach is one of poverty graduation for the ultra-poor and poor, through combined interventions in social mobilization, social protection, assets and skills creation and basic rural infrastructure development for improved rural livelihoods.

17. Following the long experience in promoting rural institutional capacity strengthening and targeted socio-economic interventions, positive (development) results are emerging, alongside indications of increasingly effective service delivery on the one hand, and matched absorptive capacity on the other. *To leverage the momentum, and to indicate its commitment, the Government of Punjab has requested additional financing (investment) to continue its partnership with IFAD, and is prepared to significantly increase its contribution from the original USD 5 million, to an unprecedented USD 76.2 million for the geographical expansion of the programme and its promotion of the poverty graduation model with a specific articulation of women's empowerment and gender equality as a critical element and driver of rural livelihoods transformation.*

18. IFAD and Government have an established and long experience of building partnership mechanisms, coordinating and mobilizing other rural development partners in favour of targeted support to the poorest rural households in Punjab; the scope of the partnership continues to evolve, from piloting of approaches and activities, to their adjustment, replication and up-scaling, and for further uptake and leveraging of financing from public and other sources of funds. Against this

background, the justification for the additional financing rests on: (i) its responsiveness and alignment with the governments' rural development agenda and priorities – i.e. rural poverty alleviation as part of overall efforts in inclusive growth; (ii) its ability to leverage the past efforts to build institutional capacities of Community Organizations (COs) and Village Organizations (VOs) for scaling-up poverty graduation and rural income generation models successfully piloted under SPPAP with a larger contribution from government's own sources (for every dollar put by IFAD, the government is contributing four additional dollars); and (iii) its ability to leverage the knowledge and experience from scaled up poverty graduation models and approaches for enhanced policy engagement at federal (BISP) and provincial (Punjab Social Protection Authority) levels for development of sustained poverty graduation strategies within the government social protection and economic development framework. Finally, SPPAP AF will continue to champion gender equality and women's empowerment, mainstreaming gender-sensitive planning and activities as part and parcel of rural development and economic growth.

19. **Theory of change.** The development hypothesis and theory of change is that the programme through a package of tailored and responsive support serving to meet the essential needs of targeted ultra-poor and poor rural families, will strengthen human capital; while assets' building investments will enable them to graduate from extreme poverty and vulnerability to higher levels of economic and social well-being. At community level, the creation or strengthening of Community Organizations is expected to strengthen social capital; while the provision of essential community infrastructure will enhance living conditions, health status as well productive the productive capacities of all community members.

20. The opportunities that will be captured and integrated into the expanded programme include: (i) geographical expansion of the poverty graduation model/ approach to new Union Councils within the four SPPAP districts, and an additional six districts; (ii) further fine-tuning of poverty graduation models and approaches and development of policy level dialogue forums for further promotion and expansion of these models; (iii) further strengthening and deepening of SPPAP initiated gender equality and women's empowerment agenda; and (iv) further investments in promotion and strengthening of local community and village organizations as legitimate development partners for rural areas, and as a third tier of local government and service delivery.

21. **SPPAP performance, key emerging results and findings of interim impact assessments/ evaluations.** The value of SPPAP's performance, lies in its demonstration of a relevant and effective model for social, political and economic empowerment of the very poor through a combination of interventions in the form of housing, livestock assets and skill and enterprise development that is further linked to microfinance and markets – i.e. a poverty alleviation model. The poverty alleviation model with emphasis on social mobilization as promoted by SPPAP, has contributed to the establishment of local institutions (community organizations, village organizations) that are increasingly sustainable and of a maturity to take part in development planning and implementation of project-supported activities. This includes responsibilities in procurement, operation and maintenance of infrastructure/ facilities (including longer-term investments like revolving funds, and physical social and economic infrastructure), targeting, identification of ultra-poor homeless/ landless and asset-less households and delivery of assets suiting each household's circumstances and capacities and linking the members to public and financial service providers. Approximately 4000 COs have been established, with 90,000 households reached and receiving services; furthermore, 5700 community members have been trained in various technical and managerial skills. The mobilization of rural communities and organizing them into COs has resulted in local ownership of the development process and brought transparency into allocation and use of resources.

22. Interim assessments indicate a satisfactory level of impact that the project investments have generated, and which include the following: (i) assets creation\ transfers have helped households in the lowest poverty score band graduate to the next level; (ii) capacity building, and vocational and entrepreneurial training have improved gainful employability of rural young men and women; (iii) productive infrastructure, particularly irrigation channels, have helped to enhance agricultural

productivity leading to improved food security; (iv) introduction of innovative activities having brought awareness to communities and has led to increasing adoption of climate-sensitive approaches and the conservation of scarce natural resources; and (v) establishment and strengthening of community institutions with a long term objective, is paving the way for institutionalization of the participatory community-driven development approach by the government.

23. For each core SPPAP intervention, an appraisal has been carried out in terms of the relevance, effectiveness, efficiency, impact and sustainability of the interventions. Of particular note, 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 low-cost housing intervention has brought significant social changes in the lives of the beneficiary households through fulfilling their most pressing needs for permanent shelter, while strengthening their identity and dignity, social security empowerment and emotional wellbeing. A survey conducted among 68 beneficiary households thus shows that 100% of the sample reported improved living conditions (only 19% and 31% of them, respectively, used to have access to safe sanitation or electricity prior to project intervention); 99% felt an improved sense of physical security/integrity; 93% perceived an improvement in their social status; and 91% felt socially empowered. As the house is constructed on plots registered in the name of women, there is also ample anecdotal evidence that this has also strengthened women's position in their families as well as in their communities. Furthermore, 78% of survey respondents have reported an expansion of their income-generating opportunities. as they are now able to freely pursue economic opportunities and productive employment instead of being obliged to provide subsidised or free labour to their former landlords. Progress, so far, therefore shows that this particular intervention offers a blueprint for the government and other development partners to address the large incidence of homelessness among the rural ultra-poor and poor tenants through a workable and cost effective model. The SHU brought an immediate rise in the poverty score of the beneficiaries, as shown by the same survey: 80% of sample households earlier living in the bottom line of poverty i.e. band 0-11 range (extremely / ultra-poor) moved to a next level. More precisely, 44% of them are now in the poverty band 12-18 (very poor), 18% in the poverty band 19-23 (transitory poor) and 19% have a poverty score of "24" and above.

24. SPPAP is well cognizant that the lack of productive assets constrains the ability of the poorest households to generate capital, improve income or access sources of microfinance; subsequently, the provision of a productive asset allows for an immediate boost in terms of income flow and self-confidence. Under SPPAP, the poorest women in PSC band of 0-18 have been provided with a **small ruminant package** (two goats/ sheep) to build their assets' base and provide them with an additional source of income. These assets are procured with the involvement of the community, beneficiaries and Livestock Department. An interim assessment shows that the reproduction rate ranges from 25-35 percent for small ruminants over the project period¹⁷, with a 90 percent survival rate. Another survey conducted among 20 beneficiaries showed that, on average, the increase in beneficiary assets (from pregnant goats or their offspring) was Rs. 8,787 and there is ample anecdotal evidence of improvement in the food security status of beneficiary households. However, a lesson learned is that beneficiary households need to be better linked with veterinary and animal husbandry services in order to ensure a better survival rate for lambs and higher reproduction rates.

25. Given Punjab's young population, with high incidence of illiteracy and where only 6 percent of youth have employable skills, the provision of **technical, skills and vocational training** (priority to male and female youth in PSC band 0-23) has been an important intervention area. SPPAP has financed vocational and entrepreneurship training¹⁸ for approximately 16,000 male and female youth, Vocational training was provided in 32 trade areas while the entrepreneurship training focused on topics such as assessing market demand or business management. Findings of the post training assessment shows that 62 percent of those trained have found gainful employment or started their own business and anecdotal evidence shows that some of the trained community members are now

¹⁷ Assessment study covering 10% sample of total beneficiaries in 2015-16.

¹⁸ IRM has been competitively contracted as the service provider

reporting the acquisition of assets such as refrigerators, rickshaws, wheat grinders or livestock. It was however noted that the lack of access to financial services remains a key constraint for self-employment among the 32 percent of trainees still unemployed, while the lack of official recognition of the training certificate, coupled with the short training duration, were obstacles for their employment.

26. In terms of interventions with bearing on **environment and/ or climate change**, SPPAP has supported the target communities in establishing biogas and solar power systems at household level. These two interventions aimed to enhance the access of rural poor to climate-friendly technologies with economic benefits like savings in the cost of kerosene oil and wax used for light, in fuel, time, etc. Furthermore, these technologies have helped women and men to save and utilize their time for additional activities like sewing at night time, thus generating additional sources of income. Around 79 percent of women saved 20-30 minutes of time on cooking with the introduction of biogas systems; students had light facility thus giving more time for learning while women and children are reported¹⁹ to enjoy smoke-free environment in the house particularly during cooking time, and thus supporting improved health. In an innovative way, one small farmer has a multiple use of bio-gas, cooking plus energy of irrigation tube well and reported to save cumulatively, PKR 51,765 (approximately US\$ 500) during one crop season.

27. **Adjustments to the SPPAP original design, building on lessons learned** (agreed actions and findings of the MTR and interim project evaluation). The proposed structure and framework of the additional financing is primarily based on the evolved SPPAP that has progressed with the observations, findings and recommendations arising from: (i) the mid-term review; and (ii) the recent Government-commissioned evaluation of the project.

28. At mid-term, it was observed that continued viability of the project would require significant corrective actions to sustainably impact on the priority needs of the target group. IFAD and the Government of Punjab therefore agreed that the priority needs of the rural poor in the project area are centred around the following:

- (a) Assets: shelter/house for landless women and provision of small ruminants for the poorest households;
- (b) Productive finance: to get out of permanent heavy debt resulting from the high interest rates charged by middlemen and local suppliers for agriculture input supply; improved access to credit in response to food insecure periods and capital for enterprise or vocational start-ups; and
- (c) Employment: finding sustainable employment to generate a minimum income of \$100 – \$150 equivalent per month.

29. The mid-term review mission had also noted that especially under Component 2, various originally conceived activities were either non-functional, nor particularly responsive to the needs and demand expressed by the target group. It was thus agreed to streamline and focus the programme on more effective areas of intervention. The decisions taken at MTR are as follows, and will continue through the SPPAP expansion phase:

- (a) Given the concerns expressed, the IFAD financing would no longer cover the following activities due to weaknesses or delays in execution:
 - Business Incubation and Business Associations
 - Productivity Enhancement Initiatives
 - Farmer Field Schools
 - Training of female vet assistants
 - Equipment and training for community service providers
- (b) Among the on-going SPPAP activities, specific recommendations are the following:
 - Goat distribution (the package should be available for households ranked 0-11

¹⁹ Initial Assessment, Innovative Technologies – Biogas Plants, NRSP, Sep 2015.

in the PSC)

- Community infrastructure targets should focus on the community benefits;
- Vocational and entrepreneurial trainings will be pursued, but with more systematic linkages between the project activities and the revolving fund especially.

(c) In line with the Government of Punjab's commitment to expand its support to the poorest areas of southern Punjab, SPPAP will initiate simple but high-impact pilot activities that can lay the ground for future poverty reduction interventions in Punjab as follows:

- Housing for the poorest to complement the landless plots provided;
- Community revolving funds for input supply; and
- Start-up capital for skilled youth.

30. Both at mid-term, and with the recently concluded Government-commissioned evaluation of the project, a further critical area to which the project should be oriented lies with institutional strengthening and mainstreaming for the further promotion of sustainable community-driven development. It was further observed that this would be especially strategic in ensuring sustainability of the process and interventions and for empowerment.

31. To-date, SPPAP has been mostly working with the existing community/village organisations supported by NRSP²⁰ as the key social mobilisation/ capacity building service provider (with permanent presence in the project area), and who have now achieved a significant level of institutional maturity. In view of existing levels of institutional maturity and capacity of the COs/VOs/LSOs in the project area, there is considerable evidence of community control, management and decision making authority with respect to economic relationships and institution. COs are also involved in selection and verification of beneficiaries for household-level project activities like housing and asset transfers, and as well undertake procurement for household level and community level interventions. Furthermore, there is a sense of strong ownership of the project financed activities like asset transfers, community infrastructure, training etc.; operation and maintenance of project-financed Community Physical Infrastructure and other facilities are being successfully undertaken by COs/VOs/LSOs.

32. In the long run, it is expected that NRSP will continue to interact with the same COs/VOs after completion of the programme, either through their own, or other government/donor resources which will ensure sustainability and to some degree, institutionalisation of programme benefits and activities. Additionally, NRSP has also set up a microfinance bank, and it is also expected that microfinance operations of the NRSP Bank will be extended to the existing programme COs/VOs.

33. **Ownership, harmonization and alignment.** On the basis of Government's request for IFAD assistance, the additional financing of SPPAP with a five-year extension – i.e. SPPAP AF – would serve as a key IFAD and Government programmatic instrument to achieve priorities set by Vision 2025, PRSP II, the Punjab Growth Strategy 2015-2018 and Punjab Government's agenda for social protection and poverty alleviation. The proposed SPPAP-AF is also directly responding to the strategic objectives set by the 2016-2021 RB-COSOP, notably SOs 1, 3 and 4 with the focus on long-term support through provincial-based programmes, scaling up successful models of poverty reduction, implementation under existing institutional arrangements, and the leveraging of significant government co-financing.

34. A national level poverty graduation initiative, the National Poverty Graduation Programme, is being designed in parallel by IFAD and PPAF in support of government's desire to develop a sustained poverty graduation framework for the BISP social protection beneficiaries. NPGP will scale-up the poverty graduation approaches piloted and tested under IFAD-funded MIOP, and subsequently expanded through World Bank assistance. NPGP will be implemented in close collaboration with the Prime Minister's interest free loan scheme for the youth. The two programmes, SPPAP and NPGP together, will test and develop approaches that respond to huge ethno-cultural and geographic

²⁰ See Appendix 5, Annex I for further information on NRSP and its operating model for community-driven development.

diversity of Pakistan to come up with a framework, which has national level relevance and potential for sustained, scaling-up. Together, they will also offer an opportunity to establish policy level engagement and dialogue with concerned government ministries and entities including BISP for development of mainstreamed poverty graduation approach (see Section on the Organizational Framework for further detail on policy engagement).

II. Project description

A. Project area and target group

35. **Outreach.** The consolidated programme (taking into consideration the original financing and additional financing) expects to have **outreach to 480,000 households**, representing just over 3.3 million individuals in the poverty scorecard (PSC) band 0-23 and around 17 per cent of rural population in the targeted districts. These households are members of, and are spread across approximately 19,000 community organizations²¹ (COs). The outreach expected with the additional financing alone is 255,000 households, to be mobilized under 15,000 *new* community organizations to be established. It can also be reasonably assumed that through various interventions (such as the community infrastructure and through promotion of community driven development linked to public sector annual development planning and budgeting), the programme will be relatively inclusive and reach additional households outside of the PSC band 0-23.

36. In terms of the mechanism for outreach delivery, the programme with its demand-driven nature, will work to establish or work with already established CO, VOs and LSOs²² within the poorest Union Councils; combined, women will represent 60% of the membership across the COs. Through the COs/ VOs, the programme will deliver a carefully tailored mix of public goods (CPIs, extension support for agriculture and livestock, access to finance, marketing etc.) and private (household-level) goods (specifically targeted interventions for ultra-poor and poor households consisting of a mix of assets like housing, cattle, small ruminants and vocational and technical skills followed by entrepreneurship and job placement support).

37. With a first entry point of outreach to 19,000 COs, it is expected that all will benefit from SPPAP-AF interventions in institutional strengthening and institutionalization of the community-driven development (CDD) approach. Furthermore, within the catchment of the 15,000 new COs (i.e. amongst the incremental 255,000 hhs for an average of 17 members per CO for SPPAP expansion area), it is expected that investment in Community Physical Infrastructure (CPI) will be reaching 152,000 hhs within PSC 0-23; 65,000 hhs in PSC band 0-11 will benefit from asset creation activities/ investments; 40,000 hhs in PSC band 0-23 will benefit from food security initiatives; and 50,000 hhs in PSC band 0-23 will benefit from vocational and/or entrepreneurial training activities and investments.

38. **Geographical targeting.** The programme is expected to expand coverage to poor Union Councils in ten districts of lowest social and economic attainment and with highest incidence of poverty in the Punjab Province. These ten districts include: six in the South sub-region (Bahawalpur, Bahawalnagar, Rahimyar Khan, Muzaffargarh, Rajanpur, Dera Ghazi Khan) and four in the West sub-region (Layyah, Bhakkar, Khushab, and Mianwali). Of note, the new programme will continue to operate in the four original SPPAP districts where more than 215,000 households fall within the PSC band 0-23²³ and also the four districts that were to be covered under the Livestock and Access to Markets Project (LAMP) which was cancelled due to lack of progress (i.e. Khushab, Bhakkar, Layyah and Mianwali).

39. The six districts added with the AF are belonging to the same Poverty Zones of the 3 out of the 4 districts already targeted by the programme²⁴. These poverty zones (Extreme Poverty Zone 1 and 2

²¹ There are on average, 17 hhs per CO; subsequently, one VO comprises 10-15 COs and one LSO covers 20 VOs.

²² See Component 2 for further detail on CO, VO and LSO typology and methodology.

²³ The AF will cover those Union Councils in the four districts that have not benefitted from SPPAP support.

²⁴ Under the existing project area Rajanpur district falls into Extreme Poverty Zone 2 (average Poverty HeadCount Ratio at 56.8), Bahawalnagar, Muzaffargarh districts are falling into High Poverty Zone 2 (average Poverty HC Ratio at

according to Pakistan Poverty Alleviation Fund) are characterized by similar poverty determinants including landholding, overall asset ownership, family size, dependency ratio, education of household's head, and gross value of production per hectare.

40. To cover adequately the needs for the new districts in the West sub-region, notwithstanding that the rural population in the programme area is concentrated in the Southern districts (77 per cent versus 23 per cent in the four Western districts), programme resources will be split in proportion of 60 per cent in the South sub-region and 40 per cent in the West sub-region. Such distribution is also motivated by the fact that over the 6 districts in the South, 4 have already benefited from programme support during the original SPPAP phase.

41. Geographical targeting at sub-regional level (South and West) will then consist of identifying the Union Councils in each sub-region requiring the most support given the level of rural poverty²⁵.

42. Within the totality of 590 Union Councils in the programme area, 112 Union Councils will be selected for the purposes of the expanded programme. For the sub-region in the South, and given the geographical allocation, 60 Union Councils will be selected; in the West sub-region, 40 Union Councils will be selected, though this is indicative. It should be noted that preparatory work (identification of villages and community dialogues) had already commenced in the four Western districts under LAMP, on the basis of village targeting rather than Union Council-based targeting²⁶. This early work and village-based approach should be leveraged; SPPAP will thus undertake a review of the proposed targeting in the Western districts, and whilst maintaining the poverty targeting principles, will take into consideration the livestock development potential and need for clustering to ensure ease of access, implementation and impact.

43. For each sub-region, the selection of Union Councils will be done in descending order on the basis of the proportion of 0-23 households for each Union Council as compared for each sub-region. Hence poverty data on the rural population will be summed up for each sub-region (for the 6 Southern districts and for the four Western districts) and then the number of Union Councils selected per district will be equal to the proportion of their specific rural population in the 0-23 PSC band vis-à-vis the total rural population for the sub-region in the 0-23 PSC band.

44. Such a proposed selection may be revisited once data for the ongoing Census on Poverty Scorecards for each Union Council will be available (the Census is being done in 2017 and data may be available before the beginning of SPPAP AF).

45. **Targeting strategy and target group.** The targeting strategy will be composed of three elements: geographical targeting, poverty scorecard-based household targeting and gender and youth targeting. As in case of all other IFAD-assisted programmes in the country, SPPAP AF will also ensure sound and effective targeting through use of the National Poverty Scorecard (PSC), ensuring that the programme's target group are those households registered within the PSC band of 0-23; specific attention will however be placed on the extremely poor households falling within the band 0-11.

46. In addition to the utilization of the PSC, the targeting strategy, and subsequent outreach, will follow the existing SPPAP modalities. As has been the practice, the COs serve as a first entry point, in helping to identify and validate the final selection of programme beneficiaries (i.e. self-targeting at CO-level).

47. Below is a typology of poverty 'bands' that fall within the programme's target group.

45.4), and Bahawalpur falls into High Poverty Zone 1 (average Poverty HC Ratio at 31.2). For the new 6 districts, DG Khan, Rahim Yar Kahn are falling into High Poverty Zone -2 and Bhakar, Layyeh, Khushab, Mianwali are falling into High Poverty Zone -1. *From District Level Analysis of Multidimensional Poverty in Pakistan 2008-09 to 2012-13 – Pakistan Poverty Alleviation Fund.*

²⁵ The targeting and selection of Union Councils must be undertaken in coordination with the National Poverty Graduation Programme (NPGP) to enhance synergy, avoiding the duplication of efforts or gaps.

²⁶ 175 villages were identified; 60% of LAMP resources were initially allocated to Layyah and Bhakkar districts, and allocated 40% to Khushab and Mianwali, on the basis of the population size).

- (a) *Extremely Poor (0-11 Score)*: Large households with a large number of dependents; often women headed; high levels of illiteracy; without own house or living in a shanty or lean-to; no or very limited access to own water sources, improved sanitation, health and education and sources of financing; lack of productive assets, skills or enterprise knowledge; income is derived from irregular/ seasonal menial labour or working for food in better-off households; often indebted. This group require longer-term comprehensive assistance to escape the poverty trap.
- (b) *Chronically Poor (12-18 Score)*: Large households with a large number of dependents; have own basic one-room house and one or very few heads 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. Often have one or two able-bodied adults with the potential to be equipped with skills and/or productive assets to generate a sustainable income stream to eventually get out of poverty.
- (c) *Transitory Poor (19-23 Score)*: Medium-sized households with more than one wage earner or petty entrepreneur; own house with more than one room with some basic sanitation and access to water and schooling; own some productive assets like 2-5 heads of cattle or goats and, in some cases, small piece of land and some means of transport. Vulnerable to seasonality and external shocks like floods, droughts, strikes, and long illness of a main wage earners which often pushes them into poverty and indebtedness. Have the most potential to get out of poverty quickly with well-targeted support and guidance.

48. *Women-headed households*. Women-headed households include those which are headed by widowed, divorced, separated or single women. These households are highly vulnerable as they have a lower status which leads to social and economic exclusion. Due to limited mobility, women have poor access to inputs, information and markets and thus are not able to maximize on production decisions. They often depend on support from families and friends which is variable and can entail high transaction costs. It is estimated that about 12% to 15% of the households in the programme target area are likely to fall in this category. In addition to these households specifically, there are many further households where the men have migrated to other cities for work and come home infrequently leaving the entire burden of managing the household and farm to the women.

49. *Casual labour*. Casual labour in the target districts is characterized by irregular employment, seasonal variation in availability of work, low wages and landlessness. In the target districts, both men and women work mostly as unskilled workers in agriculture, manufacturing, construction industry and the service sector and as domestic help. They live either on rent, occupied state land or on land that belongs to landlords. Men tend to work mostly as agricultural labour and as off-farm labour in construction and in factories, earning daily wages on average of US\$ 3 per day. Although men receive the payment, often their entire family is involved in the labour. Spraying pesticide on cotton for 8-10 days can yield an income of less than US\$ 20. Families working on brick kilns are paid US\$ 3 for 1000 bricks which take one day to make. Given the low wages and paucity of income-earning opportunities, men migrate in search of work to nearby towns or big cities. This can mean greater burdens of work for the women who stay behind. Work is seasonal and is not always available.²⁷ Consequently, during these lean periods these households have to borrow money from shopkeepers, brick-kiln owners or landlords. They are often charged high interest rates and can be caught in an unending cycle of indebtedness. They are also subject to ill health due to poor nutrition, harsh working conditions, poor hygiene and poor access to health services. In addition, family size tends to be large, averaging 8 to 10 members per family.

²⁷ A month of mourning to commemorate the martyrdom of the Prophet's grandson. As the Islamic calendar is a lunar calendar, it rotates around the year.

50. Women's lower status, discriminatory social and cultural practices and heavy burdens of domestic and productive work inevitably means that women in this casual labour group are even more disadvantaged than the men. Women's health due to several factors including poor living conditions, inadequate diet, poor hygiene, high fertility, heavy workloads and exposure to pesticide in cotton fields, pollution in brick kilns, etc. is worse than men's. Although involved in a range of productive tasks, women are either not paid at all with the men of the family receiving the payment or they earn very low wages. As cotton-pickers currently, they are paid 2 cents per kg of the cotton that they pick. The fastest worker can pick around 40 kg per day but most average around 15-20 kgs. Thus the fastest can earn up to US\$ 1 per day. Payment for some of the cereal crops such as wheat and rice is often in-kind. Women interviewed stated that after 8 or 9 days of wheat harvesting a group of 10 women can be paid about 40kg of wheat which is equally divided among the number of households working on the field. Similarly, during rice harvest women receive rice as remuneration rather than cash incomes. As daily wage labourers in jute, textile or ginning factories, they are paid US\$ 1 to US\$ 1.5 per day.

51. *Smallholder farmers.* Farmers with holdings of less than 5 acres in irrigated areas and up to 10-15 acres in the arid zone or rain-fed areas are considered smallholder farmers. Some of these farmers own the land while others have occupied State land. With fragmentation of land holdings due to inheritance or increased pressure due to increase in the number of people dependent on the land through joint ownership, the income from this land is insufficient to meet basic needs. Several factors contribute to the low productivity of the land. This includes lack of water, inability to procure quality seed and other inputs, lack of financial resources and lack of knowledge about modern farming techniques; agricultural implements also have to be hired at considerable cost. Even in the irrigated areas, water is available only 6 months in the year and even at this time water is in short supply with powerful landlords well-positioned to capture more than their share. At harvest they often do not get the procurement price announced by the Government. Most smallholders are not well linked to the market and do not benefit from the procurement price announced by the Government. These families rely partially on off-farm livelihoods to meet the gaps between income and expenditure.

52. The smallholder livestock farmer owner owning less than 2 animals will also be a key target group for SPPAP, and within these households, women will be the main beneficiary of activities in the livestock sector. Livestock is an essential part of the coping mechanism in the lives of many of the poorest in Pakistan and is an important source of income and savings for poor households. Women are responsible for the care of all animals within the homestead. Many small farmers with little or no land rely on animals. Even where the farmers are living on the landlord's land and are too poor to own their own animals, they manage livestock on a shared-basis with the landlord. While the livestock is owned by the landlord, the farmer who tends the animal gets to keep the milk. However, off-spring are shared and the cost of mortality is also shared; in general, the nature of the sharing arrangement varies from place to place. Due to the widely scattered animal population owned or managed by individual households, the cost of collection and transportation of milk from the dispersed population is high. Many households cannot afford to adopt new technologies for production, storage or processing. As such, there is considerable wastage of dairy products.

53. **Gender and youth strategy, women's and youth inclusion and empowerment.** The programme in terms of interventions and activities, is especially gender-sensitive and women-centric, with the expectation that overall, 60% of beneficiaries will be women. Subsequently, special measures will be undertaken to ensure their inclusion. The first of these measures is to confirm that women comprise the majority membership in the established/ formed community organizations (COs); in some cases, the CO may even have an all-female membership. The attention to women's membership in COs is responsive to the opportunity for promoting women's leadership role in discussion forums and subsequent decision-making at their community level, and upwards to village and Union Council level. Similarly, the special attention towards promotion of opportunities, employability and skills enhancement for young rural women and men, is intended to ensure that the rural youth comprise 30% of the programme beneficiaries.

54. A second measure taken by SPPAP to ensure the participation of women and youth, is the active fixing of *sex-based and age-based targets* for main activities under the different programme components. For example, specific interventions such as small housing units for the homeless ultra-poor, are targeted and will be eligible only to women in the poorest poverty band 0-11; similarly, the majority of other asset transfers (small ruminant/ goat packages) are also geared only to women in bands 0-11 and 12-18. In terms of vocational and skills training, the youth are especially targeted, and 60% of those to be trained will be young men and women. For the youth, job market surveys and matching will be key. The most 'inclusive' programme intervention will be the community infrastructure schemes, where the entire community/ village (both men and women) will be expected to benefit. Across the board, monitoring and reporting will apply both sex and age-disaggregation.

55. The terms of reference of each of the staff recruited for the programme will have very specific responsibilities with regard to gender and youth. Every effort will also be made to recruit female staff in the Project Management Unit (PMU) and the District Coordination Units (DMU), especially for such positions as the Deputy Director of Training and Enterprise Development and Deputy Director of Monitoring & Evaluation as well as the Deputy Director Gender and Youth. The staff of the Programme Management Unit and the participating implementing partners will be provided with extensive gender sensitization sessions on a regular basis. It is worth noting that NRSP (the key implementing partner) has been following a gender mainstreaming policy since 2004, allowing all the programmes and projects to be designed, implemented and monitored in a gender sensitive way. The Gender and Development (GAD) unit at the head office is responsible for assessing the core programme, all projects and interventions at the design stage and monitor the performance from a gender perspective so that deviations from NRSP policy are identified and remedial actions taken on time. Finally, gender specific monitoring tools and indicators are proposed for ensuring that the targets with respect to gender (and age) are effectively monitored. The gender strategy/ action plan, and the youth strategy will be revisited accordingly.

B. Development objective and impact indicators

56. The SPPAP AF is designed to assist the Government of Punjab to achieve its economic growth and poverty alleviation objectives within ten high-poverty incidence districts. The additional financing does not present any change to the structure and development objective of SPPAP, the latter being *"to increase incomes of 480,000 poor households by enhancing the employment potential of the people and increasing agriculture productivity and production"*. It is expected that the additional financing will assist 400,000 ultra-poor and poor rural households (PSC 0-23) to graduate out of poverty through access to assets, improved livelihoods opportunities and nutrition. A subsidiary, but equally important objective is to use the lessons, models and approaches of SPPAP for a sustainable policy-level engagement with federal and provincial governments, BISP, PPAF, RSPs and other development partners to mainstream successful poverty graduation models and the principles of community-driven development (CDD) into the national development agenda and approach.

C. Outcomes/Components

57. The proposed additional financing (IFAD contribution and Government contribution) corresponds to the structure of SPPAP following the mid-term review and its recommendations. The expected outcomes and results of the programme will be achieved through two interlinked and mutually reinforcing components: (i) Livelihoods enhancement, which is inclusive of assets creation, vocational/ entrepreneurial training and community physical infrastructure; (ii) Agriculture and livestock development, through institutionalisation of the CDD approach, structured access to regular public sector investments and service delivery and enhanced food security; and (iii) Programme management and policy engagement (see organizational framework below). The outreach targets provided below are incremental, referring to outreach stemming from the additional financing alone.

Outcomes

58. The complementary and reinforcing component activities, with an attention to informed and responsive programme management, is expected to yield the following programme outcomes: (i) improved living conditions and income-generative capacities for poorest and homeless households and the youth; (ii) strengthened, more inclusive Community Organizations (COs) providing improved services to their members; and improved access to essential community infrastructure in poor communities; (iii) improved food security in targeted communities (iv) strengthened policy dialogue and knowledge sharing (including between BISP and the Punjab Government).

Components

59. **Component 1 – Livelihoods enhancement (US\$ 98.2 million)**. This component consists of three sub-components as follows: 1.1. Assets creation for the Ultra-Poor; 1.2 Vocational and entrepreneurial training (for income generation); and 1.3 Community Physical infrastructure (CPIs). The target group under this component will almost be exclusively poor women and their households, with the exception that the CPIs will inclusively benefit the majority of the community or village population.

60. **1.1 Assets creation for the Ultra-Poor**. The sub-component covers a range of relevant investments aimed at building up the assets base of the poorest target group and women, which includes provision of small housing units (SHUs) for landless/ homeless women (and their households) in band 0-11 and livestock/ ruminant packages a for women in band 0-18. The target group beneficiaries will be identified on the basis of the BISP Poverty Scorecard, further validated by members of the community organization to address any errors of inclusion or exclusion. The main interventions under the sub-component are described below.

61. **Small Housing Units (SHUs)**: The intervention will be targeted at ultra-poor landless households (0-11) who have no house of their own and live in a house/shelter provided by a landowner or relative. Beneficiary selection and house construction design and methodology will follow the process already successfully developed under SPPAP. The selected beneficiary households should have at least six members in the family majority of whom should be minors/dependent. The house shall be registered in the name of female head of the family except in those cases where a male widower heads the family. The cost of intervention includes both land and construction price. Around 6,400 ultra-poor households (average 500 per district) will benefit from this intervention.

62. **Asset building through livestock/ ruminants distribution**: The intervention is aimed at ultra-poor and poor households (0-18), towards building their asset base for livelihood generation. Through this intervention each selected household will receive a package of two goats of productive age, plus training on livestock management. The activity will exclusively target women from the 0-18 households. Around 38,400 ultra-poor and poor (0-18) households will benefit.

63. **1.2 Vocational and entrepreneurial training**. The sub-component is complementary to the target group's current livelihood practices, with provision of vocational/ technical skills and entrepreneurial training to promote income generation. Male and female youth and able bodied persons from families in the PSC band 0-23 will be eligible for participation. The additional financing will fund vocational and technical training on the basis of pre-determined market demand and placement opportunities for the trained beneficiaries. Apart from assistance in securing job placements, the programme will support interested 'graduates' in starting their own enterprises on the basis of learned technology and/or vocation; this includes facilitating access to finance from micro-finance sources including the Prime Minister's and Punjab Government's interest-free credit schemes.

64. Activities under this sub-component will be closely coordinated with other on-going government and donor programmes in vocational and technical skills development such as the Punjab Skills Development Fund (PSDF), Punjab TEVTA and Punjab Vocational Training Council (PVTC). To the possible extent, the maximum number (with a minimum number of 15,000) of eligible youth from target households will be linked to these on-going programmes; these linkages will be enabled

through the work conducted by the District Coordination Units and the District Coordination Committees (see organizational framework). SPPAP itself will also directly finance 25,000 vocational trainings and 10,000 entrepreneurial trainings²⁸, with all training to be provided by properly accredited training institutions. In sum, a total minimum of 50,000 young male and female members of eligible poor families will benefit from this sub-component.

65. A specific effort will be made to set up partnerships with financial services providers (including the programme-supported revolving fund) and on-going government concessional credit programmes aimed at the youth and unemployed. In this regard, the project will promote also training on financial literacy. The programme will identify such suitable microfinance products or services and those covered under technical, vocational and enterprise development trainings will be linked up with these facilities. Longer-term hand holding through the social mobilization partner will be ensured to enable the trained beneficiaries to make effective use of the training received and sources accessed for enhanced incomes and livelihoods.

66. **1.3 Community Physical Infrastructure.** Based on the priorities identified by the beneficiary communities in their Community Development Plans (see link with sub-component 2.1), the programme will finance both social and economic infrastructure including irrigation water schemes, sanitation schemes, drinking water supply schemes, access/ link roads and minor structures, and other schemes at supporting livestock management. The component through its various interventions will directly benefit 152,000 households in PSC band 0-23. Due to the nature of public infrastructure, it is expected that the schemes will benefit further households in the catchment area and beyond the 0-23 band.

67. Detailed criteria for scheme eligibility, per beneficiary cost and cost ceilings will be articulated in the updated Programme Implementation Manual. The numbers are indicative, and are based on the assumption that (i) not all COs will be in need of CPIs and (ii) many of the identified infrastructure needs will be met (financed) from regular government 'annual development project' (ADP) funds or Local Government allocations. Through the coordination platform of the District Coordination Committee (DCC), clarity of the CPI financier(s) will be established; SPPAP funds will be utilised in the case where COs are unable to mobilise resources for a pressing social or economic infrastructure need from other financiers/ sources in near future.

68. As per existing norms in CDD, beneficiary communities will be expected to contribute 10% of the CPI scheme cost in the shape of materials, land, labour, etc.; households in poverty band of 0-11 will be exempt from this contribution and will be engaged as a priority, for any wage labour opportunities. CPI priorities will be determined separately with the male and female members of COs so that women's priorities will be given preference. Furthermore, across the board and infrastructure to be approved, climate-proofing and promotion of climate change resilient factors will be considered and integrated to the maximum extent possible. Related to the CPIs (and other project interventions), it is further worthwhile noting that environmental and social safeguards are already in place within the programme, falling under the Environmental and Social Management Framework (ESMF) which was prepared to set out the environmental assessment procedures required by the programme social mobilisation partners and other stakeholders, to assess the environmental consequences of interventions, with a view to preventing execution of interventions with significant negative environmental and social impacts. It also attempts at minimizing potential negative impacts by incorporating mitigations at the design stage and at the implementation stage of the proposed interventions. The ESMF is still valid, though will be reviewed to ensure coverage and effectiveness in the expanded SPPAP.

69. The indicative numbers and costs related to the CPIs are the following:

²⁸ The current service provider, IRM, will focus on courses for female youth that are more focused on home-based enterprise development (embroidery, sewing, stitching, crafts etc.) and are to be delivered in-situ due to social constraints.

- (a) Irrigation/ Water Security Solutions (US\$ 12.2 million): The programme will finance around 770 schemes related to irrigation and water security. Given the huge variation in programme area including irrigated plains, rain-fed desert and sub-mountainous areas, brackish and sweet water zones etc., the programme will finance a flexible menu of interventions related to irrigation and enhanced water security. This will include channel lining in irrigated areas to prevent conveyance losses particularly in sandy zones, innovative solutions including rain-water harvesting and/or solar energy based water pumping/lifting as well as storage ponds in rain-fed areas for small scale vegetable production or cattle use. Detailed cost criteria and ceilings will be worked out in the updated PIM.
- (b) Sanitation schemes (US\$ 14 million): Around 1,300 sanitation schemes consisting of sewage management, solid water disposal and/or construction of communal latrines/ cost effective household latrines for the poorest will be financed. Women will have the priority say in terms of choices and targeting etc. All labour in such schemes will be provided by the community, and the programme will finance costs of materials and skilled workers.
- (c) Drinking Water Supply Schemes (US\$ 10.8 million): The programme will finance around 1,000 drinking water supply schemes. The main criteria will be availability of a safe potable source and the community agrees to a sustainable system of operation and management including payment of user fees. The scheme could be a piped water scheme based on under-ground pumping, a lift-water scheme, storage tanks, household based hand pumps or any other variation or combination.
- (d) Access roads/ minor structures (US\$ 13.4 million): Around 1050 schemes will be financed, inclusive of approximately 100 km of rural access/farm to market roads. This could be upgrading of an existing road or track or a new link road. The main selection criteria will include: benefit to over 80% of the community, demonstrable impact on access to markets, incomes and social services, particularly for women and girls and maximum of one km per CO. On average, each scheme will benefit 80 households in PSC band 0-23, though each scheme can benefit up to as much as 300 households.
- (e) Livestock solutions and green CPIs (US\$ 3.6 million). Approximately 280 schemes are envisaged, primarily for the target population in the Western sub-region, where livelihoods are heavily dependent on livestock. The schemes will centre around water supply, water conveyance efficiency and water ponds, with the objective of improving water quality and availability for livestock, and increasing water availability for fodder production.

70. In the new four Western districts specifically, and where the smallholder livestock sector is dominant, eligible CPIs could include the following: community animal sheds with water facilities; green CPI schemes to counter desertification and improve water harvesting and conservation; innovative technologies for improved energy (e.g. solar, bio-gas) and water management; and dairy value chain complements such as chilling facilities and transportation.

71. **Component 2 – Agriculture and Livestock development (US\$ 15.7 million).** This component is complementary to Component 1 and draws on the lessons and findings of the SPPAP mid-term review and supervision missions. Consequently, the component has been oriented more towards the institutionalisation of the community-driven development (CDD) approach with direct linkages to the public sector development and service delivery facilities rather than direct project funded interventions. The approach will enhance sustainability prospects of the programme interventions and strengthen food security of the poorest and the vulnerable poorest Union Councils.

72. Under the original financing, this component originally comprised three sub-components: 2.1 Productivity enhancement initiatives; 2.2 Technology transfer to farmers through FFS; and 2.3 Training of service providers in agriculture and livestock. Following the mid-term review, the

component was restructured to: (i) put in place a more sustainable model for the provision of services in support not only of agriculture and livestock development, but other poor household needs (integrated household model) – which could be achieved through bottom-up and community-driven articulation of priorities; and (ii) better respond to the immediate needs of the target population, especially their food and nutrition security situation.

73. The additional financing, with the expansion to the four Western districts especially, also makes provision to address the priorities for livestock development in particular, and where capacity building and improved technologies and services around livestock development are key areas requiring support.

74. Subsequently, under component 2, the areas of intervention with the additional financing lies primarily with the following: (i) institutional strengthening of community organizations (COs), village organizations (VOs) and local support organizations (LSOs) for community-driven development (CDD) as a vehicle for identifying and elaborating the investment needs of the target population; (ii) activities in support of enhanced food and nutrition security, including community revolving funds (both for food security and productivity enhancement), as well as nutrition education/ awareness; and (iii) improved services for livestock development.

75. Institutional Strengthening for CDD. This sub-component supports the promotion and strengthening of local-level 'institutions' or organizations (COs, VOs and LSOs) to represent development needs and demands of their members and to serve poor households falling within their constituencies. In partnership with NRSP²⁹ as the social mobilisation partner, the programme intends to reach 15,000 COs (note that 4,000 COs have already been established under the original financing; the 15,000 under the additional financing are to be newly established); these COs are the vehicle and entry point for the programme in its entirety, with membership comprising 255,000 households in PSC 0-23.

76. All CO members (255,000 hhs) will benefit from the sensitization and awareness training resulting from their mobilisation, and from social capital formation. The social benefit deriving from this alone, has to be emphasized, as a first real opportunity for these marginalized voices to be heard, for their needs to be expressed and their empowerment to make own decisions. Furthermore, a majority proportion of the CO member households will also benefit from programme interventions in the form of assets creation, vocational/ entrepreneurial training, CPIs, food and nutrition security initiatives and the facilitated access to other government-funded initiatives. Over the long-run, and as part of the exit strategy, the COs will have a sustainable link and access to public services and development planning, as well as linkages to the formal microfinance sector.

77. Once established, the COs, VOs and LSOs will be strengthened and expanded to ensure priority inclusion of all 0-23 PSC households, and will be assisted to elaborate their community development plans (inclusive of poor household priorities and needs); subsequently, the financing of identified needs will be facilitated by both SPPAP funding and regular government sources (i.e. budget alignment). A major thrust under the programme will be obtaining formal recognition of COs and VOs as legitimate development partners and implementers under the local government development framework and resource provision. District Coordination Committees will be formally established, as the mechanism to promote and enable the government agencies to align their annual development and service delivery plans with the needs and priorities identified through CO/VO generated development plans, consolidated at each LSO level.

78. The existing partnership with the National Rural Sector Programme (NRSP) for implementation of SPPAP will be continued to take advantage of existing developed approaches and systems and in view of NRSP's presence and ongoing activities in all target 10 districts. *This will contribute to programme readiness for immediate roll out across all the target districts.* The AF will finance the

²⁹ See Appendix 5, Annex I for an overview of NRSP and their activities; under the programme approach, Box 1 represents key thematic areas that are globally covered by the process of social mobilisation in promotion of community-driven development.

operational and overhead costs of this social mobilization partner (SMP), as per the principles and cost norms already established in previous and on-going IFAD funded projects. The cost is determined in consideration of the fact that the SMP is already functional with all office and mobility elements, and existing staff and working in most of the geographical target areas with existing COs/VOs. For SPPAP AF, the SMP would use their own staff and facilities, though incremental resources (human resources, etc.) needed to meet programme requirements and operationalise implementation, would be financed by SPPAP.

79. The NRSP is effectively an NGO, set up in 1991 with seed capital provided by the Government of Pakistan. NRSP is currently present in 64 districts in the four provinces of Pakistan and Azad Jammu and Kashmir (AJK). Through a well-developed approach and process, NRSP enables the COs/VOs/LSOs to access funds and services from different development agencies, government departments, banks, donors and other service providers. The COs support their members through individual level income generating activities by mobilizing savings, accessing micro credit and skills training. The COs also implement small-scale physical infrastructure projects and health and education initiatives. The VOs mainly implement larger projects and the LSOs act as mini support organizations that provide guidance to the member VO and COs (see Appendix 5, Annex 1) for detail on NRSP and their methodology for CDD).

80. NRSP-supported development is not a substitute for government rather it complements government service delivery. The examples of this complementary work are the implementation of Prime Minister's Livestock Project, Crop Maximization Project, Dera Ghazi Khan Rural Development Project, Barani Village Development Project, National Programme for Improvement of Watercourses, Punjab Education Sector Reform Programme etc. NRSP has a long and mutually beneficial relationship with IFAD-funded projects including, Barani Village Development Project, Southern Punjab Poverty Alleviation Project (SPPAP), Gwadar Lasbella Livelihood Support Project (GLLSP), Programme etc. The government has also used the platform of NRSP for conducting dialogue with the communities for poverty reduction strategies and for doing surveys such as the poverty survey for implementing the Benazir Income Support Programme (BISP) and others census surveys in different parts of the country.

81. The Government will establish and notify a District Coordination Committee (DCC) headed by the Additional Deputy Commissioner, with representation from key rural development and service delivery departments including the Agriculture Department, Livestock Department, Local Government Department, Social Welfare Departments, District NRSP and TEVTA/PVTC in each district of programme operation; as well, focal points/ liaisons with the Punjab Child Nutrition and Stunting Reduction Programme will be represented in the DCC. The development and service delivery needs identified through Community Development Plans (CDPs), consolidated at UC level, will be placed before the DCC to enable government agencies to direct development activities and service delivery efforts towards the poorest Union Councils and villages on the basis of these needs and priorities. The funding allocated by line departments against CDPs under their annual development and extension budgets will be treated as Government Counterpart financing. Therefore, the programme (SPPAP) has not made any specific allocations for direct investments in agriculture and livestock activities due to adoption of this alignment approach. The SPPAP District Coordination Units will act as Secretariat for the DCC as assist the Additional Deputy Commissioner in development of Committee agenda, its regular coordination meetings, preparation and issuance of minutes and monitoring of progress on Committee's decisions. The Committee will hold its meetings on quarterly basis (more often if needed) to align line departments activities with needs identified through Community Development Plans and review progress.

82. The key areas of SPPAP intervention will include:

- (a) CO/VO/LSO Mobilization, Strengthening and Development Planning: This would include revamping/strengthening of COs/VOs/LSOs in target poorest Union Councils in 10 districts to ensure inclusion of all target ultra-poor, poor and vulnerable households within the CO fold, preparation/updating of community development plans and implementation

of activities financed by programme and sourced from other development avenues. It would also include selection of households for activities under component one including small housing units, asset building, vocational and technical training, entrepreneurial initiatives etc. Around 15,000 new COs will be engaged in 10 districts with the additional financing; the existing 4,000 COs will also continue to be supported towards their exit strategies.

- (b) COs/VOs/LSOs Manager Conferences, Exchange/Exposure Visits: This will involve district and regional level conferences for the CO/VO/LSO office bearers and exchange and exposure visits to other successful initiatives in livelihood development and community driven development.
- (c) Training and Orientation for Line Departments: Relevant line departments including agriculture, livestock, local government, social welfare etc. at District and Provincial level will be trained and oriented towards community driven development and tools and processes for alignment of line agencies annual plans with the CO's development priorities and needs.
- (d) Establishment of District Coordination Committees (DCCs): Headed by the Additional Deputy Commissioner, DCCs will be established in each of the target districts. These committees will be the main forum to coordinate programme and line department activities vis-à-vis the Community Development Plans consolidated at LSO/Union Council level. The committees will enable all service delivery agencies to align their annual budgets and targets with the needs identified in CDPs. P&D/S&GAD will issue formal notification along with TOR for the establishment and functioning of these committees. Through the DCCs, SPPAP will also be able to leverage resources and knowledge from other ongoing programmes (including nutrition programmes) supported by development partners or the Government.
- (e) Technical Assistance: The programme will finance some strategic Technical Assistance to assist the Planning & Development Department, Local Government Department and other relevant line departments to develop/revise guidelines for annual planning and budgeting, with the expectation that this process would align itself to be responsive to the CDD approach; this would recognize CDD planning as a legitimate basis for resource allocation and service delivery. The TA will also assist the departments in developing necessary coordination and M&E tools and systems to assess the quality and quantity of CDD-related interventions. The TA budget can also be utilised to support development of appropriate and priority training and education material (e.g. on CDD, nutrition and environment/ NRM).

83. Food security and nutrition sensitive initiatives. With a focus on households in PSC 0-23, the programme will also scale up the initiatives aimed at improving household food security. This comprises the scaling up of the community revolving funds, and promotion of nutrition mainstreaming activities. Through these two interventions, more than 150,000 households are expected to benefit.

- (a) Revolving funds: A key lesson learned from the ongoing SPPAP is that 0-23 beneficiaries have great difficulty in accessing affordable sources of finance/ capital. As previously and successfully tested, establishing community (agriculture) revolving funds³⁰ has served to improve access by the poorest households to credit for agri-inputs critical to meet food security requirements. The AF presents an opportunity to significantly invest in, and expand the scope of these revolving funds both in terms of eligibility of activities as well as scale; eligible activities could include: agri-inputs or agricultural production loans; livestock rearing loans; short-term consumption loans for meeting food requirement needs during the hunger periods; and start-up capital for graduates of enterprise and/ or

³⁰ The mechanisms, including the co-management of the revolving fund by the LSO and NRSP will be further detailed and elaborated for IFAD's no-objection.

vocational training. These community revolving funds will be continuously revolved (more than 2x per annum) over the five-year extension period, thus expected to reach more than 150,000 poor households.

- (b) Introducing basic nutrition knowledge: With the understanding that physical and mental growth of an individual is affected most by the nutrition he/she gets from conception until two years of age, the programme, in line with emerging Government priorities, will identify measures to promote better nutrition awareness/ education and establish close linkages with specialised partners and other ongoing programmes as part of nutrition mainstreaming; in particular, the programme will seek to establish a concrete partnership with the recently approved Punjab Child Nutrition and Stunting Reduction Programme, which is being implemented in 11 districts of Punjab, and notably across the Southern Punjab districts. Opportunities also abound to partner with WFP or UNICEF on basic nutrition education programmes;. Through the entry point of the COs and their mobilisation, nutrition education/ awareness, including homestead food production, will be imparted to CO members. The nutritional status of young women³¹ (adolescent girls, young mothers, etc.) in the target group is especially important, and education for this sub-group will be prioritised. In the case of CPIs, the safe drinking water schemes and sanitation schemes, will contribute to the nutrition agenda (through hygiene/ health considerations).

84. It is evident that nutrition mainstreaming requires strengthened social mobilisation and coordination; the CDD approach will be a critical mechanism for identification of needs, and strong coordination at district and provincial-level (including at a policy level) will identify opportunities (either directly through programme interventions, or facilitated access to other ongoing government or donor-supported programmes) that can effectively respond to these needs.

85. Institutional services and capacity building. With the expansion to the four Western districts, and where the livestock sector dominates for the target group, the additional financing will aim to facilitate improved services around livestock development and support capacity building initiatives in these districts specifically. Based on identified priorities, activities could include the following: training of community livestock extension workers; training of paravets or re-certification of existing paravets; promotion/ demonstration of suitable fodder varieties for the arid zones; farmer field schools in livestock and poultry rearing and marketing; organization and capacity building of dairy and/ or goat marketing groups; demonstration of nutrition/ mineral blocks; and provision of certified semen for livestock.

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

86. **Lessons learned.** Overall, key lessons learned from past and ongoing IFAD-financed interventions are the basis for informing the orientation and approach to be promoted under the expanded SPPAP. These lessons comprise the following:

- (i) The BISP poverty scorecard, which is currently being updated, allows effective targeting of the most vulnerable people;
- (ii) Investments in agricultural development do not necessarily benefit very poor and landless people. Flexible menu of customized interventions is needed to enable the ultra and very poor to escape poverty, especially with the huge diversity observed in Pakistan;
- (iii) Vocational and entrepreneurship training, combined with start-up capital support activities, are key to boosting self-employment for rural youth;

³¹ Note that Pakistan has the highest rate of anemia in South Asia at 52 per cent. In Punjab, forty per cent of mothers suffer from Vitamin D deficiency while as many suffer from iron deficiency.

- (iv) Evidence shows that investments in pro-poor rural infrastructure have improved access to social and economic services and support value chain development;
- (v) Role of community organizations in local rural development must be institutionalized as part of the third-tier decentralization process, with formal linkages to government budget systems to ensure the relevance and sustainability of investments;
- (vi) Strengthening the resilience of poor rural people to climate change has to be systematically integrated, in collaboration with development partners, to minimize investment risk at the household level;
- (vii) Natural resources management has to be mainstreamed into the project activities particularly in the area of forest protection against trees cut, better land use by combating loss of soils fertility through intensive awareness so as to reach common understanding within the communities;
- (viii) Nutrition is a complex issue and requires a mainstreamed approach, undertaken in partnership with specialized institutions (such as the Food and Agriculture Organization of the United Nations [FAO], UNICEF and World Food Programme [WFP]); and
- (ix) Institutional arrangements should be simplified for efficiency. This favours establishing direct implementation arrangements with experienced national non-governmental institutions such as the National Rural Support Programme (NRSP).

87. The lessons from SPPAP more specifically inform the conceptual framework being promoted under the additional financing for poverty alleviation in Southern Punjab. These lessons inform the principles and approach to be pursued as well as the practical implementation/ operational arrangements.

- (i) For effective poverty alleviation, the project needs to focus on both farm and non-farm activities;
- (ii) For the landless and homeless ultra-poor, provision of small housing units makes a world of difference in terms of their economic and social standing and empowerment and independence in making their economic choices;
- (iii) Technical and vocational trainings offer promising escape from poverty for the poor and male and female youth from poor families but need to be carefully aligned with market demand and backed by start-up packages of tools and capital in case of self-employment.
- (iv) Those with limited skills and resources need a sustainable source of livelihood through asset creation, skill development and entrepreneurial training to build their equity base;
- (v) There is limited access to basic services such as drinking water, irrigation infrastructure, drainage and sanitation facilities, small link roads, etc. Provision of these is a key to enhanced productivity, production and marketing;
- (vi) Focus on increasing productivity and production should be closely coordinated with marketing where such market opportunities are limited;
- (vii) Transfer of technology through an interactive and sustained approach can help to impart key technologies to smallholder farmers and livestock farmers; and for that the current limited outreach of government agencies need to be strengthened together with development of a cadre of community service providers.
- (viii) Nutrition challenge is as much an outcome of lack of access to incomes and food as it is of lack of education and knowledge. So interventions for improved nutrition need to work on both aspects.

- (ix) When assets and infrastructure is provided there should be a careful analysis of the individual or communities capacity to operate and maintain the asset or scheme;
- (x) A clear exit strategy and a focus on sustainability in choosing project activities and implementation arrangements.

88. SPPAP has produced some very relevant lessons regarding the interface between social protection, asset building of the ultra-poor, food and nutrition security, and agriculture and livelihoods development for building resilient and sustainable rural livelihoods. The project experience and outcomes indicate that rural poverty is a multi-layer phenomenon and the classical participatory development design consisting of investments in agriculture, livestock and other NRM activities, further supplemented by rural infrastructure development, do not necessarily benefit all, and especially the ultra and very poor. To enable the ultra-poor and very poor (who are mostly landless and homeless tenants and daily wagers) to escape poverty sustainably requires a more nuanced and tailored approach for different types of rural poor. So, while investments in public goods and agriculture development benefit the rural communities in general and also create income generation opportunities for the poor, the ultra-poor and poor need more targeted and tailored interventions. In SPPAP, targeted interventions like asset transfer (Housing, small ruminants and cattle), food banks, etc. improved the households standing and overall poverty score and opened up opportunities like access to credit, vocational and technical skills and liquidity through cash incomes from construction of housing and other village infrastructure.

89. As informed by past evidence, a dual approach of ultra-poor targeting with social protection and asset building, and the strengthening of the surrounding livelihoods eco-system with focus on the agriculture/ livestock sector, ensures sustainability of the graduation model.

90. **Adherence to IFAD policies and the SECAP.** The consolidated SPPAP is fully aligned with IFAD's Strategic Framework 2016-2025, particularly in pursuit of the mutually reinforcing strategic objectives of increasing poor rural people's productive capacities and increasing their benefits from market participation. Furthermore, and as articulated in the outcomes to which the Strategic Framework seeks to contribute to, SPPAP (along with other IFAD-supported projects in Pakistan) is specifically intervening to promote a more conducive and enabling policy and regulatory framework of increased levels of investment in the rural sector. The principles of engagement (targeting; empowerment; gender equality; innovation, learning and scaling up; and partnerships) are furthermore, fully embedded in the programme through the proposed up-scaling of the poverty graduation model to be pursued.

91. SPPAP also adheres to IFAD policies and strategies for targeting and gender mainstreaming, environment and natural resource management, climate change and social, environmental and climate assessment, and scaling up. The nature of the programme activities, including the construction of small housing units, livestock development, capacity building and financing of social initiatives, community development initiatives and supporting assets and skills creation, suggests that the programme is likely to be considered as **category B** in line with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP). As well, the programme intervention impacts and particularly those derived from CPI implementation, are site-specific and can be readily remedied by appropriate actions and/or mitigation measures (regular maintenance of infrastructure, limited cutting of wood, use of animal dejections instead of chemical fertilizers, awareness on necessity to limit the meager natural resources of the programme area, etc.). The Environmental and Social Management Framework (ESMF) that was developed and is already in place, provides further guidance on safeguards. Finally, livelihoods enhancement and interventions essentially focused on institutional strengthening of COs for community-driven development and establishment of Food Banks do not constitute in any case a threat for environment and natural resource. Rather, these interventions more increase their self-determination to be more responsive to the protection of environment and natural resource, being understood that all activities are at a very small community-based scale. In doing so the possible environmental and social risks by the programme activities are limited, with low probability of physical resettlement or economic displacement.

92. In general climate change may represent a risk for the proposed programme area in Punjab. Today, there is 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; in the context of existing farming practices, there is however scope to address some of the challenges or mitigate the risk, during programme implementation. Options could include developing appropriate 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, etc. Furthermore, programme activities are oriented to better make use of climate sensitive resources (small scale irrigation system), physical infrastructures that have potential to contribute to improve vulnerability and resilience of project beneficiaries, institutional development and capacity building for rural institutions. Overall, taking into consideration the relative 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**. The expanded SPPAP will introduce best practices and technologies in support of climate resilience where appropriate. In addition, through the vehicle of local organizations (COs/ VOs), communities will also be supported to be better cognizant of climate risks, and to (self)-identify mitigation measures.

III. Project implementation

A. Approach

93. The approach to be adopted in the expanded SPPAP is informed by the theory of change, which is that ultra-poor and poor rural families, through a package of tailored and responsive support serving to meet basic immediate needs, build longer-term human capital and with a provision for asset building (investments), will precipitate their graduation to an improved level of well-being and towards more sustainable livelihoods. Furthermore, the participatory community-driven development model that prioritizes needs through a bottom-up approach, will form the institutional and principle basis for poverty alleviation/ graduation. Overall, the expected results stemming from the programme interventions will contribute to deepened policy dialogue and engagement.

Box 1: Priority thematic areas of the community-driven development (CDD) model	
Theme	Programme/Projects
Social Organization	Establishment and revitalization of the 3-tier structure i.e COs, VOs and LSOs, youth groups, community working committees to undertake the development and DRM works etc.
Institutional Strengthening and Transparency	Skills enhancement on community management and development operations, community managed CIF/CLF, endorsing democracy for transparency and accountability, introduction of technology for efficiency, practice of self-help and savings etc.
Access to Public Services	Development of productive linkages with local government/provincial government, donors and specialized NGOs/Private sector, access to improved basic health facilities, schools, clean drinking water, mother and child health care, registration of birth, CNIC, Vote etc. Most donor funded projects are also being implemented through the COs/VOs/LSOs.
Disaster preparedness, management, Social Protection and introduction of new technologies	Improvement in living standards through access to basic services and livelihoods opportunities, protection of rights of children and women, grants for destitute and deprived, special projects for disaster preparedness and management, linking communities with service providers for new technologies e.g. solar solutions, social marketing etc.
Gender and Development	Encouraging and empowering women to lead social institutions, take part in development operations and raise their voices for good etc.
Theme	Programme/Projects
Social Empowerment	Community institutions and developmental activities lead and implemented by women, social protection increased participation and recognition, improvement in self-confident through practical knowledge and engagement in social development etc.
Economic Empowerment	Microfinance programme, skills enhancement, community investment and livelihoods fund, transfer of productive assets etc.
Access to Public Services	Mother and child health services including water, sanitation, nutrition, reproductive health, immunization, enrollment and adult education for girls, registration of Vote etc

Source: NRSP Annual Report 2015-2016

B. Organizational framework

94. Overall, the expanded SPPAP will build on the existing institutional and implementation arrangements in-place as confirmed by the mid-term review; equally, the methodologies, procedures and processes that have been fine-tuned throughout the programme lifetime, continue to be valid and will be the basis for ongoing implementation. On the basis of the strong partnership and institutional arrangements of SPPAP, the Planning and Development Department (PDD) of GoPB will remain the lead programme agency, with overall oversight and responsibility for programme implementation through a Programme Steering Committee (PSC) headed by the Chairman P&D. Day-to-day implementation is delegated to be managed by the Programme Management Unit, established under the supervision of the Planning and Development Department of GoPB, and based in Bahawalpur District. In respect of the expansion to six additional districts, a Regional Coordination Unit (RCU) will be established in Sargodha, and both the PMU and RCU will be supported by District Coordination Units (DCU).

95. **Programme Steering Committee (PSC).** The PSC will be chaired by the Chairman PDD, with a membership that comprises: Secretaries of relevant departments (Agriculture, Livestock, Local Government and Social Welfare Department); the head of the Provincial Social Protection Authority; the CEO of the SMP(s); and the CEO of the Punjab Skills Development Fund. The Project Director of SPPAP will be Secretary to the PSC. The PSC will meet at least twice a year to review progress, approve AWP/Bs, approve any changes required for improved progress and impact and resolve any emerging implementation issues. Overall, the PSC is responsible for strategic direction and approval of strategies, and will in particular, ensure the policy-level coordination between SPPAP and regular government pro-poor and rural development initiatives. It will be through the mechanism and leadership of the PSC, that efforts to formalize any change and/ or structures relating to the institutionalisation of community driven-development and the interaction with public services and budget allocations (deliberated through the District Coordination Committees (DCCs) to be established), will be promoted and sponsored. Furthermore, the PSC will also serve as a forum to strengthen the practical linkages between SPPAP and other Government-funded initiatives.

96. **Programme management and policy coordination.** In view of the proposed expanded geographical coverage, the management structure for programme planning, coordination, financing and monitoring and evaluation is fine-tuned to enhance efficiency and effectiveness of programme delivery, and to respond to the ground realities of field implementation.

97. *Programme Management Unit (PMU).* A well-staffed PMU will be established under the supervision of the Planning and Development Department of the Government of Punjab, and will be responsible for overall management, coordination, monitoring and evaluation (especially of adherence to the poverty, gender and youth targeting), knowledge management and financial management and fiduciary responsibilities. The PMU will be based in Bahawalpur District, in relative close proximity to the four original target Districts in Southern Punjab and the two additional Southern Punjab Districts. The PMU comprises the Project Director, Deputy Directors with technical specialties (including Gender and Poverty, and M&E Specialists), the Finance Manager and Procurement Specialist. The necessary complement of support staff including assistants, clerks and drivers will fall under the different technical/ functional areas.

98. At the PMU level, planning and coordination will be consolidated, as will M&E and reporting, including of fiduciary aspects. The PMU will hold regular monthly coordination and planning meetings with all staff including representatives of the implementing partners as and when required. In these meetings, the work plans, targets, performance, monitoring and report requirements, etc. will be discussed and agreed. With regards to M&E, the PMU is responsible for monitoring of programme progress, evaluation of quality and impact of interventions, and preparation of progress reports per IFAD M&E and RIMS guidelines.

99. Whilst the additional financing extends coverage beyond Southern Punjab districts, the rationale behind maintaining the PMU in Bahawalpur lies with the intention to capitalize on the existing

experienced staff of the PMU, avoid disruption to the programme implementation momentum and set-up, and avoid unnecessary delays in shifting human resources, physical structures and the closing and re-opening of bank accounts. However, with the expanded geographical coverage, the PMU in Bahawalpur will have to take on an elevated role of coordination, and similarly, of policy dialogue and engagement up to the level of the Province, and nationally as required; this policy role will be the direct responsibility of the Project Director. The necessity of the policy role, is in order to ensure effective coordination, follow-up and provide greater legitimacy and visibility to the efforts to enhance the policy engagement objectives (see below).

100. Although the PMU will have overall day-to-day management and coordination responsibility for the programme in its entirety (across the ten Districts), it will be supported by a satellite Regional Coordination Unit (RCU) and District Coordination Units (DCUs) to ensure quality control and effective monitoring.

101. *Regional Coordination Unit (RCU)*. With the geographic expansion and increased workload and responsibilities, the RCU will be established in Sargodha, for a strengthened liaison, coordination and monitoring of field implementation in the four new Districts in Western Punjab. The RCU will be composed of a Regional Coordinator, a Training Officer, a Social Mobilisation Officer and M&E Officer, consistent with the programme priorities. The RCU will hold monthly programme coordination meetings amongst the four Western Districts, in which all implementing partners will participate to discuss work plans, targets, performance, monitoring and reporting requirements, etc. to feed back to the PMU.

102. *District Coordination Units (DCUs)*. The current structure of the District Management Units has been revised (including its composition) in view of the fine-tuned priorities and objectives of the programme following the mid-term review and current Additional Financing framework. Furthermore, the programme emphasis on the institutionalisation of CDD with the relevant line departments engaged in rural development and agriculture service delivery, also calls for a revised structure with an enhanced coordination function; therefore, the District Management Units have been reformulated to serve as District *Coordination* Units, to be headed by a District Coordinator, and who will also act as the Secretariat for the proposed District Coordination Committees to be established.

103. A total of ten DCUs will be established, providing a closer and first-level engagement with field operations. In view of the (technical) specialist requirements, the DCU composition will include a District Coordinator, Engineer and Livestock Coordinator. The District Coordinator will also have a policy assistance function, providing support to the Additional Deputy Commissioner (ADC) of the district, who will chair the District Coordination Committees (DCCs) to be formally established. As indicated in Component 2, the DCCs are central forums for public-led (district-level) coordination amongst line departments and with the SMP for annual planning and delivery against the Community Development Plans; this would serve to ensure that regular government development and service delivery interventions at village level are made responsive to community identified needs to the maximum extent possible. The committee will also ensure targeted and concentrated delivery of multiple pro-poor interventions to the poorest households identified by SPPAP to enable quick escape from poverty. The principle of district-level policy engagement, is therefore linked to the institutionalisation of the community-driven development (CDD) approach as promoted under Component 2.

104. Across the PMU, RCU and DCUs, the requisite operating costs, equipment and transportation/logistical requirements will be supported by the programme. Furthermore, the efficiency and efficacy of the management and coordination arrangement will be reviewed during the second-round progress review (i.e. a second mid-term review), and any required adjustments will be agreed upon at this time. The terms of reference of the PSC, PMU, RCU and DCUs as outlined in the Programme Implementation Manual together with a job description for each of the key staff members, will be reviewed and revised as needed.

105. **Policy Engagement.** Policy dialogue and engagement is a critical element of the scaled-up programme and will take place at three levels, and which are interlinked: (i) at the Community level – in addition to the CDD process for articulation of needs and priorities, the programme will also support networking amongst COs and their association where there is demand; (ii) at District-level, notably for the institutionalisation of the CDD approach – the programme will assist the Government at district-level to establish systems, procedures and guidelines to make district development and service delivery plans responsive to needs identified through the bottom-up process at CO, VO and LSO/ UC level; the necessary planning, coordination and review mechanisms like the District Coordination Committees will be established for this purpose, and towards contribution to integrated household solutions; and (iii) at the Provincial-level, notably for institutionalisation of the poverty graduation model – the programme will engage with the Punjab Social Protection Authority to share successful poverty graduation approaches and models and assist in mainstreaming and up-scaling suitable models province-wide. Overall, the programme will provide strategic technical assistance (TA) to support the Government in the development of required approaches, strategies and action-plans; understanding that priorities and circumstances (context) do change over time, the programme will maintain flexibility in the policy-areas.

106. With respect to the area of social protection in particular, the Government of Pakistan is now operating one of the world's largest social protection programmes under the aegis of the Benazir Income Support Programme (BISP). The programme is disbursing around US\$ 18 per month to 5.4 million poor families as unconditional cash grants; in 2016, the total cost of the programme was US\$ 1.2 billion. Despite this huge financial outlay, it has become increasingly clear that cash grants alone are not sufficient a means to help beneficiary families graduate out of poverty sustainably. BISP attempted two programmes during the initial phase aimed at helping the beneficiary families to graduate out of poverty but then discontinued them due to weaknesses in design and implementation approach. Other issues limiting BISP's intent towards development of an effective graduation programme include: a static poverty registry with no means or methodology to track individual household's changes in wellbeing status to facilitate inclusion and exclusion on the basis of change in status; lack of availability of suitable approaches and models for poverty graduation; lack of social mobilization-based outreach and support for beneficiary households; lack of strategy and tools to build partnerships with other organizations working on poverty graduation despite their utilisation of the BISP registry to help in targeting; lack of tools and systems to track all interventions that are reaching BISP beneficiary households from government and non-government sources (such as the Prime Minister's Interest Free Loans (PMIFL), SPPAP's housing and other asset distribution, vocational and skills training and placement under Punjab Skills Development Fund, etc.).

107. On the other hand, over the last five years, considerable work has been done by different projects and agencies like PPAF and NRSP on piloting BRAC's model of poverty graduation with considerable success. These positive results have contributed to the expanded SPPAP, and towards another IFAD supported programme being designed in parallel – i.e. the National Poverty Graduation Programme (NPGP). It should be noted that the SPPAP AF focuses on the poorest districts of the largest province in Pakistan (Punjab), and the NPGP covers representative poor districts in all regions of Pakistan. Both promise to capture and provide important lessons and directions to sustainably imbed a countrywide poverty graduation approach in government and donor development and social protection frameworks. *To take full advantage of the knowledge generated and models developed, there is need for creation of appropriate forums for regular sharing of experience as an input to government policy and for donor resource allocation.*

108. IFAD, with assistance from its two funded programmes, SPPAP and NPGP, and in coordination with other funding agencies active in social protection (ADB, DFID, World Bank) will assist BISP at Federal level and the Punjab Social Protection Authority (PSPA) at Punjab level to establish permanent Policy Dialogue and Knowledge sharing platforms led and coordinated by the two agencies. The two agencies will be assisted through technical assistance to develop TORs for these forums and processes for effective conduct of their business. The output of these forums will contribute to government policy on social protection and poverty graduation as well as mobilization of

required resources for a country wide sustained approach for poverty graduation. The platforms will bring together relevant donor agencies, government ministries and departments, RSPs, NGOs and academia. The programme will finance the conduct of biannual convening of these platforms, as well as the preparation and printing of case studies and lessons learned for sharing on these platforms.

109. Through the Policy Dialogue forums, the two IFAD-assisted programmes will provide strategic level support to BISP and the Punjab Social Protection Authority to become knowledge management organizations with regard to social protection and poverty graduation, and whereby they will be enabled to coordinate and monitor investments in poverty graduation from various sources. The expectation is that they will have the tools, systems and processes to be able to track interventions right down to each beneficiary household level and consequent changes in beneficiary households wellbeing status; this allows for further decision-taking on their graduation out the cash grant programmes. A shared poverty graduation dashboard would be one of the tools to be developed for this purpose. Programme financed technical assistance (TA) will be made available to the Punjab Social Protection Authority for development of suitable systems and processes for both knowledge management and beneficiary graduation tracking.

110. Subject to satisfactory progress on poverty graduation models, policy dialogue outcomes and development of systems and tools for poverty graduation tracking, it is expected that more effective, coordinated and sustainable financing of poverty graduation initiatives will materialise.

111. **Partnerships.** The expanded scale of the programme and its multi-sectoral dimensions, necessitate the establishment of multiple partnerships, ranging from implementing partners/ service providers, to institutional partnerships with other donors and development partners such as WFP on nutrition mainstreaming.

112. *Implementing partners/ service providers.* continue with the direct contracting of NRSP as the social mobilisation partner, responsible for mobilisation and capacity building of the community institutions, as well as supporting the implementation of programme-specific interventions. To this end, a revised contractual agreement will need to be negotiated with NRSP; a separate agreement will be signed with NRSP Bank for the management of Community Revolving Funds on the pattern already established. With regards to vocational and entrepreneurial training, service providers such as IRM and others may be contracted to provide training for the specific needs of rural women, especially young women; to the extent possible, the programme will also facilitate the identification of youth to enter into ongoing Government training initiatives, notably P-TEVTA, PSDF and PVTC sponsored courses which also offer stipends and certification.

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

Planning

113. The Annual Work Plan and Budget (AWPB) and Procurement Plan (PP) will be prepared following an iterative, participatory planning process with the participation of all Implementing Partners, line Departments and PMU/DMU staff, on the basis of the Community Development Plans prepared by the COs. Key references for the preparation of the AWPB will also be the Logframe, which summarizes and quantifies the key results to be achieved by the project completion date and (the Cost Tables, which provide an indicative project budget broken down by years and activities.

114. On this basis, district-wise AWPBs will be prepared, then aggregated into a global AWPB. A results-oriented template will be used, describing: (i) the detailed outputs and related physical targets to be achieved; (ii) the key activities, sub-activities and inputs required in order to deliver planned outputs; (iii) the timetable for implementation of key activities; (iv) the staff/IPs responsible for each activity and sub-activity; (v) the financial resources required for implementing planned activities or acquiring planned inputs and related budget categories. The AWPB will also include a detailed Procurement Plan that will specify the various goods and services to be procured and the procurement methods to be followed.

115. The draft AWPB and PP will be first approved by the Programme Steering Committee before being submitted to IFAD for no objection. Upon IFAD's no objection and in order to serve as an effective M&E and management tool, the global AWPB will be sub-divided into district-wise, quarterly work plans. Thereafter and in order to assess progress in meeting quarterly physical and financial targets, the PMU will organize monthly coordination meetings with all DMUs, as well as quarterly coordination meetings with all Implementing Partners and Line Departments. Similarly, the District Coordination Committees (DCCs) will meet quarterly to align programme activities and Community Development Plans with those of Line Departments.

Monitoring and evaluation

116. With the project Logframe as key reference, the main purpose of the M&E system will be to provide project management, the Government of Punjab and IFAD with reliable and timely information on project execution performance and results, so that informed management decisions can be timely taken and in order to ensure that project implementation is efficient and effective. The M&E system managed by the PMU M&E Officer will thus aim at: (i) Monitoring project execution, which will imply the regular tracking of activities and outputs targets as identified in the AWPB ; (ii) Monitoring outreach, i.e. the number of direct beneficiary households receiving goods and services (including expected community infrastructure users); (iii) Measuring and evaluating project results, and monitoring the critical assumptions identified in the Logframe.

117. **Monitoring of implementation progress.** The monitoring of project implementation will essentially consist in the tracking of project activities and outputs against planned, physical targets (as identified in the AWPB), and in the monitoring of the quality products and services being delivered. More precisely, the monitoring of implementation progress will focus on: (i) Assessing the rates of physical execution of yearly planned activities/sub-activities against planned annual targets; (ii) Verifying compliance by all actors (DMU/PMU staff, Implementing Partners, line Departments) with agreed calendar and deadlines; (iii) Assessing the rate of financial execution against the provisional planned budget.

118. As for the SPPAP, responsibility for the collection of activity, output and outreach data will be primary vested with the concerned Implementing Partners and line Departments, using standardized data collection forms and templates prepared by the M&E Officer and included in IP contracts or Line Departments' Memorandum of Understanding. Activity data will be shared at agreed intervals with the PMU, while output and outreach data will be geo-tagged in the project MIS (allowing the preparation of maps showing the geographic location of all beneficiaries, by type of activity).

119. Once collected and consolidated, activity and output data will be analysed by the M&E Officer and findings will be shared with PMU staff and Project Manager during bi-monthly or monthly coordination meetings. Among others, adherence with agreed calendar, implementation bottlenecks and Implementing Partners' performance will be discussed. Such information, which shall inform all Logframe output indicators, including RIMS first-level indicators, will also be the basis for the preparation by the M&E Officer of periodic progress reports and the reporting of RIMS data to IFAD on an annual basis.

120. In order to verify, randomly, the data submitted by the various Implementing Partners and monitor the quality of delivered outputs, the M&E Officer will participate in monthly field visits, alone or jointly with other PMU staff or Project Implementers. Such field visits shall also provide an opportunity to interact with beneficiaries, assess their satisfaction with services received or document stories from the field (i.e. for the preparation of knowledge material).

121. **Outreach monitoring.** For each key output, as and when they will be delivered, the MIS shall record the profile of each beneficiary (e.g. name, ID number, gender, age, number of household number, location, poverty score, type of support received). Similarly, the MIS shall also record the profile of each CO (e.g. geographic coordinates, number of members, bank account number, name of CO's Head, date of CDP finalization, type of support received).

122. **Results' measurement.** In order to measure early outcomes and impact, the PMU shall organize the following surveys:

(i) *Baseline survey.* A baseline survey will be undertaken in the new project districts in order to document the socio-economic and livelihoods conditions of the potential beneficiary households prior to programme interventions. This information will, at mid-term and completion, become the reference against which to measure changes, and therefore appreciate project outcomes and impact, or lack thereof. In the four SPPAP district, the baseline will be derived from the quantitative survey undertaken at completion

(ii) *Mid-term and completion surveys.* The mid-term and completion surveys will be conducted, respectively, prior to the start of the mid-term review mission and completion review missions, so that both surveys can inform these important review processes. They shall use the same questionnaire as the one used for the baseline survey. Comparison with baseline data will allow the measurement of changes in key indicators and questions, and thus to infer on likely project outcomes and early impact. Such surveys shall be conducted among a representative sample of beneficiary households selected randomly in each district.

(iii) *Outcome surveys.* In order to measure early programme results, a number of outcome surveys will be undertaken starting Y2 of the expansion phase. In order to be cost-effective, such surveys shall use a smaller sample size than for the mid-term and completion surveys, using a shorter questionnaire.

Learning and knowledge management

123. Knowledge management and learning will be an integral element of programme implementation, particularly in view of the longer-term scaling up agenda by Government and the programme's policy influence objectives. Continuous identification of key challenges and successes, lessons learned and evidence of concrete results will be collected, analyzed; and they will be disseminated using a variety of communication tools (e.g. print, videos, policy briefs) as part of a Communication Strategy which will be developed by the PMU. Notably, key success factors pertaining to women's economic and social empowerment, cost-effective solutions for graduation from extreme poverty or cost-effective solutions for rural youth employment, will be reflected on and promoted.

D. Financial management, procurement and governance

124. **Financial management. Fiduciary risk assessment.** The country's inherent fiduciary risk is rated as *Medium*. In 2016, Transparency International (TI) ranked Pakistan 116th out of 176 countries, a significant improvement from its 143rd rank in 2010. Thanks to the steady improvement in Pakistan's TI score (from 27 in 2012 to 32 in 2016), the country risk rating was moved from High to Medium. However, corruption remains a serious problem in Pakistan and, although strengthened in recent years, oversight mechanisms remain under-resourced. According to the last Public Expenditure and Financial Accountability (PEFA) report published in 2012, significant efforts have been made to establish an effective system for financial management, reporting and audit, and to strengthen the country's public procurement system. Under the Pakistan Improving Financial Reporting and Audit (PIFRA) Project supported by the World Bank, some key milestones have been achieved, including a centralized and advanced financial reporting system, and an important reform program to establish an effective accounting, reporting and auditing system complying with accepted standards. Obstacles in the implementation of reforms have included the ongoing upgrade of the Government Financial Management Information software (GFMS) and the volatile law and order situation in Baluchistan and FATA. In addition, problems remain with budget execution (especially the tax system), procurement, and internal audit and controls function. Although legislative scrutiny is still lagging, external audit practices are improving and reforms introduced by the Auditor General of Pakistan have improved the timeliness of submission of audit reports.

125. The project overall fiduciary risk is rated as *Medium* due to potential delays in availability of funds from the Government (particularly during the 1st quarter of each year), a sub-optimal accounting software and the lack of internal audit function at the executing agency level. The risk assessment summary table and proposed mitigation measures are shown in Appendix 4 (Attachment 1).

126. *Financial management.* The SPPAP financial management is currently handled by a team of 4 staff (a Finance and Accounts Manager, an Admin and Accounts Officer and 2 Accounts Assistants), all based in the PMU. In order to cope with the anticipated increase in the volume of work (due to the geographical expansion), the finance team will be reinforced with 2 Finance & Accounts Officers and 2 additional Accounts Assistants. An HR Officer will also be recruited to manage all personnel and administrative matters. All new staff will be competitively recruited. Financial and administrative management functions will be centralized at the PMU, and each office (RCU and DCUs) will have a petty cash fund to allow for sundry expenditures.

127. Since the QuickBooks system currently in use by SPPAP does not fully meet IFAD requirements, the PMU will have to install an adequate accounting software that will allow for (i) recording and reporting of transactions by component, category, source of fund, AWPB activity and district, (ii) budget monitoring, (iii) production of withdrawal applications and SOE, (iv) contract management and monitoring of financial commitments, and (v) production of the required financial reports and statements. Additionally, the PMU must ameliorate their procedures manual, by further detailing the financial, accounting, procurement and administrative arrangements applicable for SPPAP. In addition to the mandatory quarterly interim financial reports, the PMU will be required to produce monthly financial reports that will include analyses of disbursement rates, AWPB execution, cash forecast, IPs financial situation and procurement plan execution.

128. *Flow of funds.* A chart of the flow of funds arrangements is shown in Appendix 4 (Attachment 2). Due to the delays necessary for the closing and opening of designated accounts, the designated account currently used for IFAD funding will be kept and continue to be used under this additional financing. The authorized allocation will be equivalent to approximately 6 months of project expenditure so as to ensure a smooth flow of funds and avoid delays in project implementation.

129. *Counterpart funding.* The GoPb contribution will amount to 80% of total project costs, essentially in the form of cash to cover most project activities. Payment of expenditure on counterpart funds will be made from the GoPb assignment account managed by the PMU. In order to avoid any disruption in the implementation of field activities due to government disbursement procedures, the PMU will be required to complete the AWPB & PP and obtain PSC approval by the end of March each year, so that the counterpart funds may be released as early as July each year.

130. *Audit.* The annual external audit of the project will be carried out by the Auditor General of Pakistan as agreed by IFAD, and in accordance with the International Standards of Supreme Audit Institutions. Audit TOR will be prepared by the PMU each year as per IFAD Guidelines for Project Audits and will be submitted to IFAD for prior no objection. The final audit report and management letter are required to be submitted to IFAD by the Borrower at the latest six months after the end of each fiscal year. In addition to external audit activities, the project will recruit an Internal Auditor to evaluate/review the effectiveness of internal controls, risk management and governance, the economical and efficient use of project resources, the reliability and integrity of financial information, the achievement of operational/physical targets, and the project's compliance with the financing agreement and applicable rules and regulations. The Internal Auditor will also assist in the preparation of the annual external audit and the implementation of auditor's recommendations. S/he will report administratively to the Project Director but will have direct access (and will submit audit reports directly) to the Chairman of the Project Coordination Committee (Secretary P&DD).

131. **Procurement.** As is already the case in SPPAP, the procurement of goods, works and services to be funded from IFAD financing proceeds will be carried out in accordance with the procurement rules of the Government³², to the extent that they are consistent with IFAD procurement guidelines. The applicable guidelines and procedures will be detailed in the Letter to the Borrower (LTB) and in the financial and administrative procedures manual.

132. The preparation of annual procurement plans (PP) will form the basis for all procurements, and will be consistent with the duly approved annual work plan and budget (AWPB). The PP should

³² The Punjab Procurement Rules 2009 and Punjab Procurement Regulatory Authority Act 2009

comply with IFAD standards in both format and content, and will be submitted (together with the AWPB) to the PSC for approval and to IFAD for no objection. The PP will be presented by component and type of procurement, and for each envisaged procurement, it will indicate the AWPB reference, the estimated cost, the procurement method, the need for IFAD prior review (based on applicable thresholds) and the timeline for execution of each step in the procurement process until contract signature. While conducting procurement for the project, the guiding principles of ethical behavior, accountability, competition, transparency, fairness, efficiency and value for money must be followed. The project must ensure that the cost of procurement never exceeds the amount of allocated funds per category as laid out in the Financing Agreement.

133. Procurement relating to project management, technical assistance and the contracting of the SMP and training institutions will be carried out by the PMU. A Procurement Officer with specialized training in public procurement is already in place within the PMU, and is fully in charge of the procurement function. The rest of the procurement (under components 1 and 2) will be carried out by the COs with oversight by a Procurement Committee including representatives of the COs, beneficiaries, project staff and the social mobilization partner (NRSP). The procedures applicable to community procurement are defined by the PMU and described in the SPPAP financial and administrative procedures manual.

134. **Governance.** Whilst the enforcement of good governance is the primary responsibility of the Government, all stakeholders of the project should be aware that IFAD applies a zero tolerance policy towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants. The dissemination of IFAD's anti-corruption policy³³ amongst project staff and stakeholders is expected to reinforce good practices. Additionally, in accordance with IFAD guidelines, procurement for goods, works and services financed from resources funded or administered by IFAD will require bidding documents and contracts to include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the project will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of project activities.

E. Supervision

135. The consolidated SPPAP will continue to be directly supervised by IFAD, with at least a yearly formal supervision mission to be fielded with the project and Government participation. Emphasis will however be placed on providing implementation support missions on a more frequent basis, and especially during the first two *additional* years of programme implementation. A second round 'progress review' (with the same scope of a regular 'mid-term review') is expected in the beginning of the third year following SPPAP extension.

F. Risk identification and mitigation

136. The main risks associated with achieving the programme objective are related to: (i) security; (ii) financial management capacity, and (iii) climate-risks. Despite the tenuous political and uncertain security and economic situation in the country, which is beyond the programme management to control, there is a certain modicum of security and stability within the project districts. Furthermore, although IFAD in general classifies Pakistan as inherently high risk for financial management, it is expected that SPPAP institutional and implementation arrangements will be adopted, and by virtue that the efforts to enhance the robustness and effectiveness of the financial management system are in place, the risks are mitigated; given the measures adopted by SPPAP, financial management risk

³³ IFAD's anticorruption policy is available on the IFAD website at www.ifad.org/governance/anticorruption/index.htm. The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

was not considered to be high. Finally, SPPAP AF will continue to aim to introduce best practices and technologies that will support climate resilience where appropriate, mitigating climate-related risks.

IV. Programme costs, financing, benefits and sustainability

A. Programme costs

137. In terms of the proposed overall *additional financing for SPPAP*, the total investment and recurrent costs over the extended 5-year period, including physical and price contingences, is estimated at US\$ 150.4 million (PKR 18.3 billion). In September 2017, against the overall additional financing proposed, IFAD approved partial financing in the amount of US\$ 25 million from IFAD financing and US\$ 4.5 million in Government counterpart funds. The tables below present the programme costs by components, and by components and by year.

Table 1: Programme Costs by Component

Islamic Republic of Pakistan Southern Punjab Poverty Alleviation Project Components Project Cost Summary		(PKR Billion)			(US\$ Million)			%	% Total
		Local	Foreign	Total	Local	Foreign	Total	Foreign	Base
								Exchange	Costs
A. Livelihoods Enhancement									
Asset Creation	6.1	-	6.1	51.8	-	51.8	-	37	
Vocational and Entrepreneurial Training	1.0	-	1.0	8.9	-	8.9	-	6	
Community Physical Infrastructure	5.8	-	5.8	49.4	-	49.4	-	36	
Subtotal	13.0	-	13.0	110.0	-	110.0	-	80	
B. Agriculture and Livestock Development									
Institutional strengthening for CDD	0.9	-	0.9	7.8	-	7.8	-	6	
Food Security and Nutrition Sensitive Initiative	1.1	-	1.1	9.7	-	9.7	-	7	
Institutional Services and Capacity Building	0.0	0.0	0.0	0.3	0.1	0.3	20	-	
Subtotal	2.1	0.0	2.1	17.8	0.1	17.9	-	13	
C. Project Management	1.2	-	1.2	10.2	-	10.2	-	7	
Total BASELINE COSTS	16.3	0.0	16.3	138.0	0.1	138.1	-	100	
Physical Contingencies	0.3	-	0.3	2.2	-	2.2	-	2	
Price Contingencies	1.7	0.0	1.7	10.0	0.0	10.1	-	7	
Total PROJECT COSTS	18.3	0.0	18.3	150.3	0.1	150.4	-	109	

Table 2: Programme Components by Year

Islamic Republic of Pakistan Southern Punjab Poverty Alleviation Project Project Components by Year -- Base Costs		Base Cost (PKR Billion)					Base Cost (US\$ Million)					Total	
		2018	2019	2020	2021	2022	Total	2018	2019	2020	2021		2022
A. Livelihoods Enhancement													
Asset Creation	1.5	1.5	1.5	1.2	0.3	6.1	12.9	12.9	12.9	10.5	2.7	51.8	
Vocational and Entrepreneurial Training	0.3	0.3	0.3	0.2	-	1.0	2.4	2.4	2.4	1.6	-	8.9	
Community Physical Infrastructure	1.6	1.4	1.4	1.2	0.3	5.8	13.4	11.5	11.5	10.4	2.4	49.4	
Subtotal	3.4	3.2	3.2	2.7	0.6	13.0	28.8	26.8	26.8	22.5	5.1	110.0	
B. Agriculture and Livestock Development													
Institutional strengthening for CDD	0.2	0.2	0.2	0.2	0.2	0.9	1.6	1.6	1.6	1.6	1.6	7.8	
Food Security and Nutrition Sensitive Initiative	1.1	-	-	-	-	1.1	9.7	-	-	-	-	9.7	
Institutional Services and Capacity Building	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.3	
Subtotal	1.3	0.2	0.2	0.2	0.2	2.1	11.4	1.6	1.6	1.6	1.6	17.9	
C. Project Management	0.3	0.2	0.2	0.2	0.2	1.2	2.7	1.9	1.9	1.8	1.8	10.2	
Total BASELINE COSTS	5.1	3.6	3.6	3.1	1.0	16.3	42.9	30.4	30.4	25.9	8.5	138.1	
Physical Contingencies	0.1	0.1	0.1	0.1	0.0	0.3	0.6	0.5	0.5	0.5	0.1	2.2	
Price Contingencies													
Inflation													
Local	0.1	0.3	0.5	0.6	0.2	1.7	1.1	2.4	4.0	4.9	2.1	14.5	
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Subtotal Inflation	0.1	0.3	0.5	0.6	0.2	1.7	1.1	2.4	4.0	4.9	2.1	14.5	
Devaluation	-	0.0	0.0	0.0	0.0	0.0	-	-0.6	-1.1	-2.0	-0.8	-4.4	
Subtotal Price Contingencies	0.1	0.3	0.5	0.6	0.2	1.7	1.1	1.8	2.9	2.9	1.4	10.1	
Total PROJECT COSTS	5.3	3.9	4.1	3.7	1.3	18.3	44.5	32.8	33.8	29.3	9.9	150.4	

138. A comparison of cost per beneficiary household (or individual) between the original SPPAP financing (IFAD and Government contribution) and with the additional financing, showcases that up-

scaling can be achieved whilst maintaining the same ratio. Under the original financing (US\$ 49.1 million), the cost per beneficiary household was estimated at US\$ 614 (or US\$ 88 per individual) with outreach to 80,000 households; the combined original and additional financing to SPPAP shows a cost per beneficiary household that is reduced to US\$ 416 (or US\$ 59 per individual) for 480,000 households in total.

139. Detailed tables of the 2018 proposed additional financing³⁴ of US\$ 121 million are provided below.

Table 3: Programme Costs by Component and Financier (2018 proposed additional financing)
 (Thousands of United States dollars)

<i>Component</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>Beneficiaries</i>		<i>Borrower/Counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Livelihoods Enhancement	25 436	26	1 661	2	5 398	5	65 734	67	98 230
2. Agriculture and Livestock Development	10 050	64	-	-	-	-	5 603	36	15 653
3. Project Management and organizational framework	9 65	14	1 191	17	-	-	4 869	69	7 025
Total	36 452	30	2 852	2	5 398	5	76 206	63	120 908

Table 4: Programme Costs by Expenditure Category and Financier (2018 proposed additional financing)
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan</i>		<i>IFAD grant</i>		<i>Beneficiaries</i>		<i>Borrower/counterpart</i>		<i>Total</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Civil Works	10 481	21	1 661	3	5 398	10	33 149	65	50 689
2. Vehicles	90	41	-	-	-	-	129	59	218
3. Equipment and Materials	28	41	-	-	-	-	40	59	69
4. TA, Trainings and Studies	3 811	39	1 191	12	-	-	4 755	49	9 757
5. Grants (to beneficiaries)	21 194	39	-	-	-	-	33 852	61	55 046
6. Salaries and Allowances	640	17	-	-	-	-	3 232	83	3 872
7. Operating Costs	208	17	-	-	-	-	1 049	83	1 257
Total	36 452	30	2 852	2	5 398	1	76 206	63	120 908

B. Programme financing

140. Of the combined total additional financing, US\$ 120.5 million (or 80% of the total) will go to finance Component 1: Livelihoods Enhancement; US\$ 18.8 million (or 13% of the total) to finance Component 2: Agriculture and Livestock Development; and US\$ 11 million (or 7%) for Programme management and policy coordination. The overwhelming investment costs are related to Component 1, though this comprises soft investments in capacity building, as well as ‘hard’ investments in the provision of livelihoods assets and community infrastructure.

141. The table below represents the partition of the additional financing by the financiers. It should be noted that the 2017 approved US\$ 29.5 million (US\$ 25 million in IFAD financing and US\$ 4.5 million Government counterpart funds) is included within the financing/ cost tables. The financing

³⁴ As separate from the USD 25 million in IFAD additional financing and USD 4.5 million counterpart funds approved in 2017.

reflects: IFAD additional financing for a total of US\$ 64.4 million (including US\$ 2.9 million as a grant), Government additional financing in the amount of US\$ 80.5 million, and beneficiary contributions of US\$ 5.4 million.

Table 3: Programme Components by Financiers

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
Components by Financiers

	(US\$ Million)									
	IFAD_Loan		IFAD_Grant		GoPb		Beneficiary Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Livelihoods Enhancement										
Asset Creation	28.4	50.0	-	-	28.4	50.0	-	-	56.7	37.7
Vocational and Entrepreneurial Training	4.9	50.0	-	-	4.9	50.0	-	-	9.7	6.5
Community Physical Infrastructure	14.0	25.9	1.7	3.2	32.9	60.9	5.4	10.0	54.0	35.9
Subtotal	47.3	39.2	1.7	1.4	66.1	54.9	5.4	4.5	120.5	80.2
B. Agriculture and Livestock Development										
Institutional strengthening for CDD	4.4	51.9	-	-	4.1	48.1	-	-	8.5	5.6
Food Security and Nutrition Sensitive Initiative	5.0	50.0	-	-	5.0	50.0	-	-	10.0	6.6
Institutional Services and Capacity Building	0.2	50.0	-	-	0.2	50.0	-	-	0.3	0.2
Subtotal	9.6	50.8	-	-	9.3	49.2	-	-	18.8	12.5
C. Project Management	4.7	42.7	1.2	10.8	5.1	46.5	-	-	11.0	7.3
Total PROJECT COSTS	61.5	40.9	2.9	1.9	80.5	53.5	5.4	3.6	150.4	100.0

142. Noteworthy, is that in the extension and additional financing phase of SPPAP, the programme will have considerably leveraged Government contribution (co-financing), which at US\$ 80.5 million, represents 54% of the total additional financing. The IFAD additional financing is estimated at US\$ 64 million, or 43% of the total additional financing; as discussed with the Government, the IFAD financing is expected to be utilised over the five-year extension period. The estimated beneficiary contribution at US\$ 5.4 million represents the standard 10% contribution to the implementation of CPIs.

143. Finally, whilst not directly costed into SPPAP, the programme through its partnerships, particularly with SMPs, will leverage an additional US\$ 20 million as parallel financing from the SMP micro-finance programme and government concessional and interest free credit programmes for youth. These will be linked to programme beneficiaries under vocational, technical and entrepreneurship training.

C. Summary benefits and economic analysis

144. **Summary benefits.** Through programme assistance, benefits will derive from the following: (i) small housing units which will help the household save expenditures on account of rent, open up opportunities for *independent* pursuit of income earning opportunities and as well, house value will appreciate over time thus enriching the asset base of the households; in addition, In addition, the household plots have provided the opportunity to grow vegetables and have fruit trees in home yards; (ii) increased annual income resulting from livestock; (iii) employment and self-employment resulting from vocational/entrepreneurship training; (iv) decreased healthcare expenditure as a result of having access to clean drinking water and improved sanitation and thereby also enhancing nutritional outcomes; (v) various physical infrastructure will generate incremental benefit in term of time saving (opportunity cost for the time otherwise spent on fetching water), less sick days (time available for labour), reduced losses to produce, reduced O&M cost of transportation; decreased cost of travel/transportation resulting from better access roads; and; (vi) the other infrastructure such as livestock related solutions (community livestock sheds) are expected to result into increased productivity. Under the agriculture and livestock development, benefits will accrue through improved access to investment resources from the revolving fund for range of food security, productive and income generating activities.

145. *Livelihoods Enhancement.* The programme interventions related to livelihoods enhancement can have two broad impacts i.e. directly resulting into increased household income or contributing to increased disposable income through the reduction of household expenditures which can otherwise be used for productivity and consumption purposes. The transfer of productive asset (livestock and

skills – vocation/entrepreneurial training) will result in increased income while the housing unit and physical infrastructure schemes typically results into reduced cost of economic activities as well household on account of transportation. The benefits of the livestock are estimated on the financial model for dairy, goat package and poultry (layers).

146. **Agriculture and Livestock Development.** The project component will foster institutional services and capacities as well makes provision for access to finance for start-up and working capital for investment in on-farm, off-farm and non-farm enterprises. The benefits are enshrined in decreased mark-up for the loan compared to the commercial rates for loans. This will include short-term consumption loans during food deficit period, thus facilitating household access to food.

147. **Financial analysis.** The financial analysis of SPPAP-AF shows viability of the proposed project as evident from its overall Financial Internal Rate of Return (FIRR) of 23.2%. The Net Present Value (NPV) of the proposed project over 20 years' period has been noted to be USD 49.8 million. The FIRR and the NPV are based on financial prices of the project.

148. **Economic analysis.** The overall economic internal rate of return (EIRR) of the project is estimated at 27.8%. The economic net present value (NPV) of the project net benefit stream, discounted at 11.1%, was calculated to be USD 49.7 million.

149. **Sensitivity analysis.** Three major risks were identified – (i) security; (ii) financial management capacity, and (iii) climate-risks – as potentially leading to underperformance for the achievement of full scale project benefits, delay in realization of benefits and reduced effectiveness. Under various risk scenarios, the analysis reveals acceptable values of both NPV and EIRR, and thus the proposed investment is feasible under these adverse scenarios.

D. Sustainability

150. **Key factors of programme sustainability, including exit strategies.** Sustainability will be built into the programme design as an essential feature in all key components. Notably, implementing partners/ service providers are permanently based in the programme targeted areas. 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 community and 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, are described below.

151. **Local/ community institutions.** The strengthening of 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 or local 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. Furthermore, as part of the exit strategy, these local institutions will have a direct link with public services and public annual development budgets, and will also be facilitated to have improved access to the formal microfinance sector. To the extent possible, the programme will serve to promote the formal recognition of these local institutions as development partners on the one hand, and as the legitimate voice of the communities, for institutionalisation of community-driven development.

152. In terms of community infrastructure, the community-led planning and identification process will be used to identify the priority infrastructure, and which will be linked to the extent possible, with their income generation and socio-economic development priorities. Furthermore, the communities will lead and take ownership of the implementation and contribute 10% towards the cost of the scheme. By virtue of the process and the training of the community, it is expected that they will commit to manage and ensure the operation and maintenance of the infrastructure/ facilities. Noteworthy, is that

climate change resilience and water security will be central in all rural infrastructure planning and specifications.

153. *Local resource development.* As part of the exit strategy, SPPAP is supporting the establishment of a cadre of community resource persons that can become local hubs of technical expertise and knowledge, and that can allow communities to access relevant information and further expertise – where the need is identified, these resource persons can facilitate the linkages government programmes, environment and climate change adaptation, markets and private sector investment opportunities.

154. *Economic sustainability.* The underlying poverty graduation approach to be adopted and streamlined seeks to contribute to continuous growth opportunities for poor rural households. The provision of assets, matched with relevant skill sets, can serve to propagate additional income sources and lead to better access to markets; the programme through training provision and access to information of a multi-sectoral dimension, will also add value, building in improved health, nutrition and education opportunities. In general, the poverty graduation model is expected 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.

155. *Policy/ institutional support.* The programme intends to scale up the promotion of the 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 approximately 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 5.2 million households).

156. *Mainstreaming environmental concerns.* With climate change, the magnitude and frequency of stresses and shocks is changing and approaches such as social protection, disaster risk reduction (DRR) and climate change adaptation (CCA) will be needed to bolster local resilience and supplement people's experience, all thing necessary to ensure sustainability. Linking social protection, CCA and DRR in the context of agriculture and rural growth and exploring how linking these three approaches together will help enhance resilience to shocks and stresses in agriculture-dependent rural communities are essential. The adoption of the ESMF supports the comprehensive assessment of these rising concerns, and provides opportunities to identify feasible mitigation measures.

Appendix 1: Programme cost and financing

A. Programme costs

1. In terms of the combined overall *additional financing for SPPAP*, the total investment and recurrent costs over the extended 5-year period, including physical and price contingences, is estimated at US\$ 150.4 million (PKR 18.3 billion). In September 2017, against the overall additional financing proposed, IFAD approved partial financing in the amount of US\$ 25 million from IFAD financing and US\$ 4.5 million in Government counterpart funds. The tables below present the programme costs by components, and by components and by year.

Table 1: Programme Costs by Component

Islamic Republic of Pakistan Southern Punjab Poverty Alleviation Project Components Project Cost Summary		(PKR Billion)			(US\$ Million)			%	% Total
		Local	Foreign	Total	Local	Foreign	Total	Exchange	Base Costs
A. Livelihoods Enhancement									
	Asset Creation	6.1	-	6.1	51.8	-	51.8	-	37
	Vocational and Entrepreneurial Training	1.0	-	1.0	8.9	-	8.9	-	6
	Community Physical Infrastructure	5.8	-	5.8	49.4	-	49.4	-	36
	Subtotal	13.0	-	13.0	110.0	-	110.0	-	80
B. Agriculture and Livestock Development									
	Institutional strengthening for CDD	0.9	-	0.9	7.8	-	7.8	-	6
	Food Security and Nutrition Sensitive Initiative	1.1	-	1.1	9.7	-	9.7	-	7
	Institutional Services and Capacity Building	0.0	0.0	0.0	0.3	0.1	0.3	20	-
	Subtotal	2.1	0.0	2.1	17.8	0.1	17.9	-	13
	C. Project Management	1.2	-	1.2	10.2	-	10.2	-	7
	Total BASELINE COSTS	16.3	0.0	16.3	138.0	0.1	138.1	-	100
	Physical Contingencies	0.3	-	0.3	2.2	-	2.2	-	2
	Price Contingencies	1.7	0.0	1.7	10.0	0.0	10.1	-	7
	Total PROJECT COSTS	18.3	0.0	18.3	150.3	0.1	150.4	-	109

Table 2: Programme Components by Year

Islamic Republic of Pakistan Southern Punjab Poverty Alleviation Project Project Components by Year -- Base Costs		Base Cost (PKR Billion)					Base Cost (US\$ Million)						
		2018	2019	2020	2021	2022	Total	2018	2019	2020	2021	2022	Total
A. Livelihoods Enhancement													
	Asset Creation	1.5	1.5	1.5	1.2	0.3	6.1	12.9	12.9	12.9	10.5	2.7	51.8
	Vocational and Entrepreneurial Training	0.3	0.3	0.3	0.2	-	1.0	2.4	2.4	2.4	1.6	-	8.9
	Community Physical Infrastructure	1.6	1.4	1.4	1.2	0.3	5.8	13.4	11.5	11.5	10.4	2.4	49.4
	Subtotal	3.4	3.2	3.2	2.7	0.6	13.0	28.8	26.8	26.8	22.5	5.1	110.0
B. Agriculture and Livestock Development													
	Institutional strengthening for CDD	0.2	0.2	0.2	0.2	0.2	0.9	1.6	1.6	1.6	1.6	1.6	7.8
	Food Security and Nutrition Sensitive Initiative	1.1	-	-	-	-	1.1	9.7	-	-	-	-	9.7
	Institutional Services and Capacity Building	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.3
	Subtotal	1.3	0.2	0.2	0.2	0.2	2.1	11.4	1.6	1.6	1.6	1.6	17.9
	C. Project Management	0.3	0.2	0.2	0.2	0.2	1.2	2.7	1.9	1.9	1.8	1.8	10.2
	Total BASELINE COSTS	5.1	3.6	3.6	3.1	1.0	16.3	42.9	30.4	30.4	25.9	8.5	138.1
	Physical Contingencies	0.1	0.1	0.1	0.1	0.0	0.3	0.6	0.5	0.5	0.5	0.1	2.2
	Price Contingencies												
	Inflation												
	Local	0.1	0.3	0.5	0.6	0.2	1.7	1.1	2.4	4.0	4.9	2.1	14.5
	Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Subtotal Inflation	0.1	0.3	0.5	0.6	0.2	1.7	1.1	2.4	4.0	4.9	2.1	14.5
	Devaluation	-	0.0	0.0	0.0	0.0	0.0	-	-0.6	-1.1	-2.0	-0.8	-4.4
	Subtotal Price Contingencies	0.1	0.3	0.5	0.6	0.2	1.7	1.1	1.8	2.9	2.9	1.4	10.1
	Total PROJECT COSTS	5.3	3.9	4.1	3.7	1.3	18.3	44.5	32.8	33.8	29.3	9.9	150.4

2. The detailed tables of the 2018 proposed additional financing³⁵ of US\$ 121 million are provided below.

Table 3: Programme Costs by Component and Financier (2018 proposed additional financing)
 (Thousands of United States dollars)

Component	IFAD loan		IFAD grant		Beneficiaries		Borrower/ Counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	
1. Livelihoods Enhancement	25 436	26	1 661	2	5 398	5	65 734	67	98 230
2. Agriculture and Livestock Development	10 050	64	-	-	-	-	5 603	36	15 653
3. Project Management and organizational framework	9 65	14	1 191	17	-	-	4 869	69	7 025
Total	36 452	30	2 852	2	5 398	5	76 206	63	120 908

Table 4: Programme Costs by Expenditure Category and Financier (2018 proposed additional financing)
 (Thousands of United States dollars)

Expenditure category	IFAD loan		IFAD grant		Beneficiaries		Borrower/ counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	
1. Civil Works	10 481	21	1 661	3	5 398	10	33 149	65	50 689
2. Vehicles	90	41	-	-	-	-	129	59	218
3. Equipment and Materials	28	41	-	-	-	-	40	59	69
4. TA, Trainings and Studies	3 811	39	1 191	12	-	-	4 755	49	9 757
5. Grants (to beneficiaries)	21 194	39	-	-	-	-	33 852	61	55 046
6. Salaries and Allowances	640	17	-	-	-	-	3 232	83	3 872
7. Operating Costs	208	17	-	-	-	-	1 049	83	1 257
Total	36 452	30	2 852	2	5 398	1	76 206	63	120 908

3. A comparison of cost per beneficiary household (or individual) between the original SPPAP financing (IFAD and Government contribution) and with the additional financing, showcases that up-scaling can be achieved whilst maintaining the same ratio. Under the original financing (US\$ 49.1 million), the cost per beneficiary household was estimated at US\$ 614 (or US\$ 88 per individual) with outreach to 80,000 households; the combined original and additional financing to SPPAP shows a cost per beneficiary household that is reduced to US\$ 416 (or US\$ 59 per individual) for 480,000 households in total.

B. Programme financing

4. Of the combined total additional financing, US\$ 120.5 million (or 80% of the total) will go to finance Component 1: Livelihoods Enhancement; US\$ 18.8 million (or 13% of the total) to finance Component 2: Agriculture and Livestock Development; and US\$ 11 million (or 7%) for Programme management and policy coordination. The overwhelming investment costs are related to Component 1, though this comprises soft investments in capacity building, as well as 'hard' investments in the provision of livelihoods assets and community infrastructure.

³⁵ As separate from the USD 25 million in IFAD additional financing and USD 4.5 million counterpart funds approved in 2017.

5. The table below represents the partition of the additional financing by the financiers. It should be noted that the 2017 approved US\$ 29.5 million (US\$ 25 million in IFAD financing and US\$ 4.5 million Government counterpart funds) is included within the financing/ cost tables. The financing reflects: IFAD additional financing for a total of US\$ 64.4 million (including US\$ 2.9 million as a grant), Government additional financing in the amount of US\$ 80.5 million, and beneficiary contributions of US\$ 5.4 million.

Table 5: Programme Components by Financiers

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Components by Financiers

	(US\$ Million)										
	IFAD Loan		IFAD Grant		GoPb		Beneficiary Contribution		Total		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
A. Livelihoods Enhancement											
Asset Creation	28.4	50.0	-	-	28.4	50.0	-	-	56.7	37.7	
Vocational and Entrepreneurial Training	4.9	50.0	-	-	4.9	50.0	-	-	9.7	6.5	
Community Physical Infrastructure	14.0	25.9	1.7	3.2	32.9	60.9	5.4	10.0	54.0	35.9	
Subtotal	47.3	39.2	1.7	1.4	66.1	54.9	5.4	4.5	120.5	80.2	
B. Agriculture and Livestock Development											
Institutional strengthening for CDD	4.4	51.9	-	-	4.1	48.1	-	-	8.5	5.6	
Food Security and Nutrition Sensitive Initiative	5.0	50.0	-	-	5.0	50.0	-	-	10.0	6.6	
Institutional Services and Capacity Building	0.2	50.0	-	-	0.2	50.0	-	-	0.3	0.2	
Subtotal	9.6	50.8	-	-	9.3	49.2	-	-	18.8	12.5	
C. Project Management	4.7	42.7	1.2	10.8	5.1	46.5	-	-	11.0	7.3	
Total PROJECT COSTS	61.5	40.9	2.9	1.9	80.5	53.5	5.4	3.6	150.4	100.0	

6. The table below presents the programme components by financier and partition between the 2017 approved additional financing and proposed 2018 additional financing.

Table 6: Programme Components by Financiers and 2017/2018 Additional Financing

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Components by Financiers

	(US\$ Million)													
	IFAD Loan AF		IFAD Grant AF		GoPb AF		IFAD Loan 2017		GoPb 2017		Beneficiary Contribution		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. Livelihoods Enhancement														
Asset Creation	15.0	25.9	-	-	30.1	52.1	12.7	22.0	-	-	-	-	57.8	38.4
Vocational and Entrepreneurial Training	-	-	-	-	2.5	26.0	5.5	58.0	1.5	16.0	-	-	9.5	6.3
Community Physical Infrastructure	10.5	19.4	1.7	3.1	33.1	61.4	3.3	6.1	-	-	5.4	10.0	54.0	35.9
Subtotal	25.4	21.0	1.7	1.4	65.7	54.2	21.5	17.7	1.5	1.3	5.4	4.5	121.3	80.6
B. Agriculture and Livestock Development														
Institutional strengthening for CDD	3.8	50.0	-	-	1.9	24.5	1.9	25.5	-	-	-	-	7.6	5.1
Food Security and Nutrition Sensitive Initiative	6.2	60.0	-	-	3.6	35.0	0.5	5.0	-	-	-	-	10.3	6.9
Institutional Services and Capacity Building	0.1	15.0	-	-	0.1	35.0	0.2	50.0	-	-	-	-	0.4	0.2
Subtotal	10.1	54.9	-	-	5.6	30.6	2.6	14.4	-	-	-	-	18.3	12.2
C. Project Management	1.0	8.9	1.2	11.0	4.9	44.8	0.9	8.0	3.0	27.4	-	-	10.9	7.2
Total PROJECT COSTS	36.5	24.2	2.9	1.9	76.2	50.7	25.021	16.6	4.5	3.0	5.4	3.6	150.424	100.0

7. Noteworthy, is that in the extension and additional financing phase of SPPAP, the programme will have considerably leveraged Government contribution (co-financing), which at US\$ 80.5 million, represents 54% of the total additional financing. The IFAD additional financing is estimated at US\$ 64 million, or 43% of the total additional financing; as discussed with the Government, the IFAD financing is expected to be utilised over the five-year extension period. The estimated beneficiary contribution at US\$ 5.4 million represents the standard 10% contribution to the implementation of CPIs.

8. Finally, whilst not directly costed into SPPAP, the programme through its partnerships, particularly with SMPs, will leverage an additional US\$ 20 million as parallel financing from the SMP micro-finance programme and government concessional and interest free credit programmes for youth. These will be linked to programme beneficiaries under vocational, technical and entrepreneurship training.

C. Detailed cost tables

Component 1

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Table 1. Component 1: Livelihoods Enhancement

Detailed Costs	Unit	Quantities					Total	Unit Cost (PKR)	Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)					Total
		2018	2019	2020	2021	2022				2018	2019	2020	2021	2022	
I. Investment Costs															
A. Asset Creation															
1. Small Housing Units	hh	1 500	1 500	1 500	1 500	400	6 400	782,000	6,800	10 393	10 731	11 083	11 267	3 130	46 604
2. Asset Building (Livestock Packages) /a	Packages	12 000	12 000	12 000	2 400	-	38 400	28,750	250	3 057	3 156	3 260	663	-	10 135
Subtotal										13 450	13 887	14 342	11 930	3 130	56 739
B. Vocational & Entrepreneurial Trainings															
	hhs	10 000	10 000	10 000	6 500	-	36 500	28,750	250	2 560	2 643	2 730	1 804	-	9 736
C. Community Physical Infrastructure /b															
1. Drinking Water Supply Schemes /c	Schemes	260	250	250	250	-	1 010	1,150,000	10,000	2 649	2 630	2 716	2 762	-	10 757
2. Access Roads/Minor Structures /d	schemes	300	250	250	250	-	1 050	1,380,000	12,000	3 668	3 156	3 260	3 314	-	13 398
3. Sanitation Schemes /e	Schemes	300	250	250	250	250	1 300	1,150,000	10,000	3 057	2 630	2 716	2 762	2 877	14 042
4. Innovative Water Schemes for Arid/Desert Areas /f	Schemes	250	200	200	120	-	770	1,725,000	15,000	3 821	3 156	3 260	1 988	-	12 225
5. Green Community Physical Infrastructure /g	Schemes	30	30	30	30	-	120	1,725,000	15,000	459	473	489	497	-	1 918
6. Miscellaneous (incl. livestock solutions, ect.) /h	Schemes	40	40	40	40	-	160	1,150,000	10,000	408	421	435	442	-	1 705
Subtotal										14 061	12 467	12 875	11 764	2 877	54 044
Total										30 071	28 996	29 947	25 498	6 007	120 519

^a per beneficiary household

^b Each scheme is estimated to serve a minimum average of 15 beneficiary households

^c Each scheme is estimated to serve a minimum average of 20 beneficiary households.

^d Each scheme should reach on average 80 hhs in poverty band of 0-23; inclusively up to 300 hhs can be reached. The schemes include 25 km of roads per year.

^e Each scheme is estimated to serve a minimum average of 15 beneficiary households

^f Each scheme is estimated to serve a minimum average of 20 beneficiary households

^g A scheme will on average benefit about 20 HHs - to improve forest/tree cover for fuel & fodder, combat desertification and soil erosion rain - water harvesting, water conservation, afforestation soil

^h Average 15 HH per scheme - communal sheds with water troughs etc. for small and large ruminants for small holder livestock farmers, milk marketing infrastructure including chillers, water solutions/ponds for small and large ruminants, community milk

Component 2

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Table 2. Component 2: Agriculture and Livestock Development

Detailed Costs

	Unit	Quantities					Total	Unit Cost (PKR)	Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)					Total
		2018	2019	2020	2021	2022				2018	2019	2020	2021	2022	
I. Investment Costs															
A. Institutional Strengthening for CDD/a															
1. Mobilization, Trainings and Capacity Building /b	Ls to SMP	1	1	1	1	1	5 184,000,000	1,600,000	1 598	1 650	1 704	1 733	1 805	8 491	
B. Food Security and Nutrition Sensitive Initiative															
1. Revolving/Productivity Enhancement Fund /c	unit	33 333	-	-	-	-	33 333	34,500	300	9 989	-	-	-	9 989	
C. Institutional Services and Capacity Building															
Training Community Livestock Extension Workers /d	unit	100	100	100	100	100	500	11,500	100	10	10	11	11	53	
Training of Paravets /e	unit	100	100	100	-	-	300	11,500	100	10	10	11	-	31	
Demonstration of Fodder Resources	Demo	30	30	30	30	-	120	57,500	500	15	15	16	16	63	
Training of Dairy Marketing Groups	Groups	50	50	50	50	-	200	17,250	150	8	8	8	8	31	
Training of Goats Marketing Groups	Group	50	50	50	50	-	200	17,250	150	8	8	8	8	31	
Demonstration of Animal Nutrition Technologies	Demo	50	50	50	50	50	250	11,500	100	5	5	5	5	27	
Provision of Improved Semen (Goats and Cattles) /f	Head	20 000	20 000	20 000	20 000	20 000	100 000	115	1	20	21	21	22	106	
Subtotal										<u>75</u>	<u>77</u>	<u>80</u>	<u>71</u>	<u>342</u>	
Total										11 663	1 728	1 784	1 803	18 823	

\a At total of 112 Union Councils to be covered (Rajanpur 15, Muzaffargarh 12, Bahawalpur 13, Bahawalnagar 20, RY Khan 08, DG Khan 8, Khushab 8, Mianwali 8, Bhakkar 10, Layyah 10).

\b Lumpsum for social mobilisation and related operations, training and capacity building

\c The revolving fund will provide loans at the community level for a range of activities including loans for production inputs for livestock and agriculture, livestock fattening, agriculture/dairy marketing, start up/working capital for the trainees of vocat

\d 70% of target trainees shall be females.

\e Including recertification of existing paravets through accredited certification institution.

\f To be administered through trained Paravets under the project where possible.

Programme management and policy coordination

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Table 3. Component 3: Programme Management
Detailed Costs

Unit	Quantities					Unit Cost (PKR)	Unit Cost (US\$)	Totals Including Contingencies (US\$ '000)					Total	
	2018	2019	2020	2021	2022			2018	2019	2020	2021	2022		
I. Investment Costs														
A. Project Management Unit														
1. Equipment														
Computers/laptops	Set	8	-	-	-	8	110,000	957	8	-	-	-	-	8
Printers	Printer	2	-	-	-	2	50,000	435	1	-	-	-	-	1
UPS/Internet	Set	1	-	-	-	1	6,900	60	0	-	-	-	-	0
Heavy Generator	Generator	1	-	-	-	1	1,500,000	13,043	13	-	-	-	-	13
Photocopier	Photocopier	1	-	-	-	1	350,000	3,043	3	-	-	-	-	3
Mobile Phone	unit	15	-	-	-	15	50,000	435	7	-	-	-	-	7
Furniture	Set	10	-	-	-	10	100,000	870	9	-	-	-	-	9
Acs DC inverter	Set	2	-	-	-	2	90,000	783	2	-	-	-	-	2
Heaters	Set	2	-	-	-	2	2,530	22	0	-	-	-	-	0
Vehicles	Vehicle	1	-	-	-	1	4,000,000	34,783	35	-	-	-	-	35
Subtotal									76	-	-	-	-	76
2. Technical Assistance for Policy Engagement														
Dialogue Platforms	Lumpsum	1	1	1	-	3	5,750,000	50,000	50	52	53	-	-	155
Technical Assistance /a	LS	1	1	1	-	3	17,250,000	150,000	150	155	160	-	-	464
Subtotal									200	206	213	-	-	619
3. Studies, Evaluation and Communication /b														
Baseline/Mid-Line & Gender Assessment	LS	1	-	-	1	2	5,750,000	50,000	50	-	-	54	-	104
Participatory M&E	ls	1	1	1	1	1	5,750,000	50,000	50	52	53	54	56	265
Knowledge Management and Communication	LS	1	1	1	1	1	5,750,000	50,000	50	52	53	54	56	265
Evaluations and Other Technical Studies	ls	1	1	1	1	1	5,750,000	50,000	50	52	53	54	56	265
PCR	Lumpsum	-	-	-	-	1	9,200,000	80,000	-	-	-	-	90	90
Subtotal									200	155	160	217	259	990
Subtotal									476	361	373	217	259	1 686
B. Regional Coordination Unit														
1. Equipment														
Laptops	Set	3	-	-	-	3	110,000	957	3	-	-	-	-	3
Desktop Computers	Set	2	-	-	-	2	80,000	696	1	-	-	-	-	1
3 in 1 Printers	Printer	2	-	-	-	2	50,000	435	1	-	-	-	-	1
Photocopier	Photocopier	1	-	-	-	1	250,000	2,174	2	-	-	-	-	2
Overhead Projector	Set	1	-	-	-	1	150,000	1,304	1	-	-	-	-	1
Air-conditioners	Unit	4	-	-	-	4	90,000	783	3	-	-	-	-	3
Generator	Generator	1	-	-	-	1	100,000	870	1	-	-	-	-	1
Furniture	LS	1	-	-	-	1	800,000	6,957	7	-	-	-	-	7
Miscellaneous	Set	1	-	-	-	1	200,000	1,739	2	-	-	-	-	2
Vehicles - DC Pickup	Vehicle	1	-	-	-	1	4,000,000	34,783	35	-	-	-	-	35
Vehicles - Car 1300 cc	Vehicle	2	-	-	-	2	2,000,000	17,391	35	-	-	-	-	35
Motorcycle	Vehicle	1	-	-	-	1	100,000	870	1	-	-	-	-	1
Subtotal									92	-	-	-	-	92
C. District Coordination Unit														
1. Equipment														
Laptops	Set	30	-	-	-	30	110,000	957	29	-	-	-	-	29
3 in 1 Printers	Printer	10	-	-	-	10	50,000	435	4	-	-	-	-	4
Photocopier	Photocopier	10	-	-	-	10	150,000	1,304	13	-	-	-	-	13
Air-conditioners	unit	20	-	-	-	20	90,000	783	16	-	-	-	-	16
Generators	Generator	10	-	-	-	10	100,000	870	9	-	-	-	-	9
Furniture	ls	10	-	-	-	10	600,000	5,217	52	-	-	-	-	52
Miscellaneous	Set	10	-	-	-	10	100,000	870	9	-	-	-	-	9
Vehicles - DC Pickup	Vehicle	10	-	-	-	10	4,000,000	34,783	347	-	-	-	-	347
Vehicles - 4x4 Jeep/1000 cc car	Vehicle	10	-	-	-	10	1,500,000	13,043	130	-	-	-	-	130
Motorcycle	Vehicle	10	-	-	-	10	100,000	870	9	-	-	-	-	9
Subtotal									618	-	-	-	-	618
Total Investment Costs									1 185	361	373	217	259	2 395

Islamic Republic of Pakistan
Southern Punjab Poverty Alleviation Project – Additional Financing (SPPAP-AF)
Final project design report
Appendix 1: Programme cost and financing

Programme management and policy coordination continued...

II. Recurrent Costs															
A. Project Management Unit															
1. Project Management Staff															
a. Project Director	Months	12	12	12	12	12	60	495,000	4,304	52	53	55	56	58	274
b. KM and M&E Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
c. Infrastructure Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
d. Agriculture Specialist /c	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
e. Livestock Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
f. Training and Enterprise Development Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
g. Gender and Poverty Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
h. Finance & Accounts Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
i. Social Mobilization Specialist	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
j. Support Staff															
Admin & Accounts Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
Procurement Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
HR Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
Communication Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
Finance & Accounts Officers (2)	Months	24	24	24	24	24	120	150,000	1,304	31	32	33	34	35	166
Internal Auditor	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
Account Assistants (4)	Months	48	48	48	48	48	240	80,000	696	33	34	36	36	38	177
Computer Operator - M&E	Months	12	12	12	12	12	60	80,000	696	8	9	9	9	9	44
M&E Assistants (2)	Months	24	24	24	24	24	120	40,000	348	8	9	9	9	9	44
Office Assistants (2)	Months	24	24	24	24	24	120	40,000	348	8	9	9	9	9	44
Secretaries (2)	Months	12	12	12	12	12	60	50,000	435	5	5	6	6	6	28
Quantity Surveyor	Months	12	12	12	12	12	60	50,000	435	5	5	6	6	6	28
Drivers (8)	Months	96	96	96	96	96	480	25,000	217	21	22	22	23	24	111
Peon (4)	Months	48	48	48	48	48	240	20,000	174	8	9	9	9	9	44
Guards (5)	Months	60	60	60	60	60	300	20,000	174	10	11	11	11	12	55
Gardeners (2)	Months	24	24	24	24	24	120	20,000	174	4	4	4	4	5	22
Sw eepers (2)	Months	24	24	24	24	24	120	18,000	157	4	4	4	4	4	20
Subtotal									226	233	241	245	255	1 199	
Subtotal									523	540	558	567	591	2 780	
2. Office running costs															
Rent PMU	Months	12	12	12	12	12	60	450,000	3,913	47	48	50	51	53	249
Utilities	Months	12	12	12	12	12	60	80,000	696	8	9	9	9	9	44
Stationery and Supplies	Months	12	12	12	12	12	60	30,000	261	3	3	3	3	4	17
POL	Months	12	12	12	12	12	60	300,000	2,609	31	32	33	34	35	166
Vehicle O&M costs	Months	12	12	12	12	12	60	100,000	870	10	11	11	11	12	55
Communication, postage, email, internet	Months	12	12	12	12	12	60	25,000	217	3	3	3	3	3	14
Seminars, Workshops, Meetings	Lumpsum	12	12	12	12	12	60	12,000	104	1	1	1	1	1	7
Office maintenance	Months	12	12	12	12	12	60	30,000	261	3	3	3	3	4	17
Subtotal									107	111	114	116	121	569	
3. Travel Costs															
TA/DA (day)	Days	12	12	12	12	12	60	200,000	1,739	21	22	22	23	24	111
Rental Vehicles	Veh/day	12	12	12	12	12	60	5,000	43	1	1	1	1	1	3
Air Tickets	numbers	12	12	12	12	12	60	25,000	217	3	3	3	3	3	14
Subtotal									24	25	26	26	27	127	
Subtotal									654	676	698	709	739	3 476	
B. Regional Coordination Unit															
1. Regional Coordination Office Staff															
a. Regional Coordinator	Months	12	12	12	12	12	60	295,000	2,565	31	32	33	33	35	163
b. M&E Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
c. Social Mobilization Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
d. Vocational & Enterprise Officer	Months	12	12	12	12	12	60	150,000	1,304	16	16	17	17	18	83
e. Support Staff															
Office Assistant	Months	12	12	12	12	12	60	40,000	348	4	4	4	5	5	22
Computer Operators (3)	Months	36	36	36	36	36	180	40,000	348	13	13	13	14	14	66
Drivers (3)	Months	36	36	36	36	36	180	25,000	217	8	8	8	8	9	42
Naib Qasid (3)	Months	36	36	36	36	36	180	20,000	174	6	6	7	7	7	33
Guards (2)	Months	24	24	24	24	24	120	20,000	174	4	4	4	5	5	22
Subtotal									35	36	37	38	39	186	
Subtotal									113	116	120	122	127	598	
2. Office running costs															
Rent RCU	Months	12	12	12	12	12	60	50,000	435	5	5	6	6	6	28
Utilities	Months	12	12	12	12	12	60	50,000	435	5	5	6	6	6	28
Stationery and Supplies	Months	12	12	12	12	12	60	20,000	174	2	2	2	2	2	11
POL	Months	36	36	36	36	36	180	40,000	348	13	13	13	14	14	66
Vehicle O&M costs	Months	36	36	36	36	36	180	18,000	157	6	6	6	6	6	30
Communication, postage, email, internet	Months	12	12	12	12	12	60	20,000	174	2	2	2	2	2	11
Seminars, Workshops, Meetings	Lumpsum	12	12	12	12	12	60	8,000	70	1	1	1	1	1	4
Office maintenance	Months	12	12	12	12	12	60	10,000	87	1	1	1	1	1	6
Subtotal									35	36	37	38	39	184	
Subtotal									147	152	157	160	166	782	
C. District Coordination Unit															
1. District Coordination Units Staff															
a. District Coordinators (10)	Months	120	120	120	120	120	600	150,000	1,304	156	161	167	170	177	831
b. District Livestock Coordinators (10)	Months	120	120	120	120	120	600	150,000	1,304	156	161	167	170	177	831
c. District Engineers (10)	Months	120	120	120	120	120	600	80,000	696	83	86	89	90	94	443
d. Support Staff															
Office Assistants (10)	Months	120	120	120	120	120	600	40,000	348	42	43	44	45	47	221
Computer Operators (10)	Months	120	120	120	120	120	600	40,000	348	42	43	44	45	47	221
Drivers (20)	Months	240	240	240	240	240	1200	25,000	217	52	54	56	57	59	277
Naib Qasid (20)	Months	240	240	240	240	240	1200	20,000	174	42	43	44	45	47	221
Guards (10)	Months	24	24	24	24	24	120	20,000	174	4	4	4	5	5	22
Subtotal									181	187	193	197	205	964	
Subtotal									577	596	616	626	652	3 068	
2. Office running costs															
Rent DMU (10)	Months	120	120	120	120	120	600	40,000	348	42	43	44	45	47	221
Utilities	Months	120	120	120	120	120	600	40,000	348	42	43	44	45	47	221
Stationery and Supplies	Months	120	120	120	120	120	600	12,000	104	13	13	13	14	14	66
POL Vehicle	Months	240	240	240	240	240	1200	40,000	348	83	86	89	90	94	443
POL Bike	Months	120	120	120	120	120	600	5,000	43	5	5	6	6	6	28
Vehicle O&M costs	Months	240	240	240	240	240	1200	15,000	130	31	32	33	34	35	166
Bike O&M costs	Months	120	120	120	120	120	600	1,000	9	1	1	1	1	1	6
Communication, postage, email, internet	Months	120	120	120	120	120	600	15,000	130	16	16	17	17	18	83
Seminars, Workshops, Meetings	Lumpsum	120	120	120	120	120	600	6,000	52	6	6	7	7	7	33
Office maintenance	Months	120	120	120	120	120	600	5,000	43	5	5	6	6	6	28
Subtotal									244	252	260	264	275	1 296	
Subtotal									821	848	876	890	928	4 364	
Total Recurrent Costs									1 623	1 676	1 731	1 760	1 833	8 622	
Total									2 808	2 037	2 103	1 976	2 092	11 017	

la TA may include support to promote CDD institutionalisation, capacity building of policy makers and poverty analysis

lb Including development of video documentaries, case studies and dissemination workshops

lc Agriculture Specialist will look after/monitor the Revolving Fund for Agri Input Supplies and promotion of smart agriculture, conservation technologies and kitchen gardens among beneficiaries of housing units.

Expenditure Accounts – Project Cost Summary

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project

Expenditure Accounts Project Cost Summary

	(PKR Billion)			(US\$ Million)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
I. Investment Costs								
A. Civil Works	5.8	-	5.8	49.4	-	49.4	-	36
B. Vehicles	0.1	-	0.1	0.6	-	0.6	-	-
C. Equipment and Materials	0.0	-	0.0	0.2	-	0.2	-	-
D. Technical Assistance, Trainings and Studies	2.1	-	2.1	18.2	-	18.2	-	13
E. Grants to Beneficiaries	7.3	0.0	7.3	61.8	0.1	61.8	-	45
F. Credit	-	-	-	-	-	-	-	-
Total Investment Costs	15.3	0.0	15.4	130.1	0.1	130.1	-	94
II. Recurrent Costs								
A. Salaries and Allowances	0.7	-	0.7	5.9	-	5.9	-	4
B. Operating Costs	0.2	-	0.2	2.0	-	2.0	-	1
Total Recurrent Costs	0.9	-	0.9	7.9	-	7.9	-	6
Total BASELINE COSTS	16.3	0.0	16.3	138.0	0.1	138.1	-	100
Physical Contingencies	0.3	-	0.3	2.2	-	2.2	-	2
Price Contingencies	1.7	0.0	1.7	10.0	0.0	10.1	-	7
Total PROJECT COSTS	18.3	0.0	18.3	150.3	0.1	150.4	-	109

Expenditure Accounts by Components – Base Costs

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Expenditure Accounts by Components - Base Costs

	(PKR Billion)									
	Asset Creation	Vocational and Entrepreneurial Training	Community Physical Infrastructure	Institutional strengthening for CDD	Food Security and Nutrition Sensitive Initiative	Institutional Services and Capacity Building	(PKR Billion) Project Managemen	Total	Physical Contingencies	
								%	Amount	
I. Investment Costs										
A. Civil Works	-	-	5.8	-	-	-	-	5.8	2.0	0.1
B. Vehicles	-	-	-	-	-	-	0.1	0.1	-	-
C. Equipment and Materials	-	-	-	-	-	-	0.0	0.0	-	-
D. Technical Assistance, Trainings and Studies	-	1.0	-	0.9	-	-	0.2	2.1	1.2	0.0
E. Grants to Beneficiaries	6.1	-	-	-	1.1	0.0	-	7.3	1.7	0.1
F. Credit	-	-	-	-	-	-	-	-	-	-
Total Investment Costs	6.1	1.0	5.8	0.9	1.1	0.0	0.3	15.4	1.7	0.3
II. Recurrent Costs										
A. Salaries and Allow ances	-	-	-	-	-	-	0.7	0.7	-	-
B. Operating Costs	-	-	-	-	-	-	0.2	0.2	-	-
Total Recurrent Costs	-	-	-	-	-	-	0.9	0.9	-	-
Total BASELINE COSTS	6.1	1.0	5.8	0.9	1.1	0.0	1.2	16.3	1.6	0.3
Physical Contingencies	0.1	0.0	0.1	-	-	-	-	0.3	-	-
Price Contingencies										
Inflation										
Local	0.7	0.1	0.6	0.1	0.0	0.0	0.1	1.7	-	-
Foreign	-	-	-	-	-	0.0	-	0.0	-	-
Subtotal Inflation	0.7	0.1	0.6	0.1	0.0	0.0	0.1	1.7	-	-
Devaluation	-	-	-	-	-	0.0	-	0.0	-	-
Subtotal Price Contingencies	0.7	0.1	0.6	0.1	0.0	0.0	0.1	1.7	1.6	0.0
Total PROJECT COSTS	6.9	1.2	6.6	1.0	1.2	0.0	1.3	18.3	1.6	0.3
Taxes	-	0.3	-	0.2	-	0.0	0.1	0.6	1.2	0.0
Foreign Exchange	-	-	-	-	-	0.0	-	0.0	-	-

Project Components by Year – Base costs

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Project Components by Year -- Base Costs

	Base Cost (PKR Billion)						Base Cost (US\$ Million)						
	2018	2019	2020	2021	2022	Total	2018	2019	2020	2021	2022	Total	
A. Livelihoods Enhancement													
Asset Creation	1.5	1.5	1.5	1.2	0.3	6.1	12.9	12.9	12.9	10.5	2.7	51.8	
Vocational and Entrepreneurial Training	0.3	0.3	0.3	0.2	-	1.0	2.4	2.4	2.4	1.6	-	8.9	
Community Physical Infrastructure	1.6	1.4	1.4	1.2	0.3	5.8	13.4	11.5	11.5	10.4	2.4	49.4	
Subtotal	3.4	3.2	3.2	2.7	0.6	13.0	28.8	26.8	26.8	22.5	5.1	110.0	
B. Agriculture and Livestock Development													
Institutional strengthening for CDD	0.2	0.2	0.2	0.2	0.2	0.9	1.6	1.6	1.6	1.6	1.6	7.8	
Food Security and Nutrition Sensitive Initiative	1.1	-	-	-	-	1.1	9.7	-	-	-	-	9.7	
Institutional Services and Capacity Building	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.3	
Subtotal	1.3	0.2	0.2	0.2	0.2	2.1	11.4	1.6	1.6	1.6	1.6	17.9	
C. Project Management	0.3	0.2	0.2	0.2	0.2	1.2	2.7	1.9	1.9	1.8	1.8	10.2	
Total BASELINE COSTS	5.1	3.6	3.6	3.1	1.0	16.3	42.9	30.4	30.4	25.9	8.5	138.1	
Physical Contingencies	0.1	0.1	0.1	0.1	0.0	0.3	0.6	0.5	0.5	0.5	0.1	2.2	
Price Contingencies													
Inflation													
Local	0.1	0.3	0.5	0.6	0.2	1.7	1.1	2.4	4.0	4.9	2.1	14.5	
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Subtotal Inflation	0.1	0.3	0.5	0.6	0.2	1.7	1.1	2.4	4.0	4.9	2.1	14.5	
Devaluation	-	0.0	0.0	0.0	0.0	0.0	-	-0.6	-1.1	-2.0	-0.8	-4.4	
Subtotal Price Contingencies	0.1	0.3	0.5	0.6	0.2	1.7	1.1	1.8	2.9	2.9	1.4	10.1	
Total PROJECT COSTS	5.3	3.9	4.1	3.7	1.3	18.3	44.5	32.8	33.8	29.3	9.9	150.4	
Taxes	0.1	0.1	0.1	0.1	0.1	0.6	1.3	1.2	1.2	0.9	0.5	5.1	
Foreign Exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	

Expenditure Accounts by Years – Base costs

Islamic Republic of Pakistan
 Southern Punjab Poverty Alleviation Project
 Expenditure Accounts by Years -- Base Costs

	Base Cost (PKR Billion)					Foreign Exchange			Base Cost (US\$ Million)					Foreign Exchange		
	2018	2019	2020	2021	2022	Total	%	Amount	2018	2019	2020	2021	2022	Total	%	Amount
I. Investment Costs																
A. Civil Works	1.6	1.4	1.4	1.2	0.3	5.8	-	-	13.4	11.5	11.5	10.4	2.4	49.4	-	-
B. Vehicles	0.1	-	-	-	-	0.1	-	-	0.6	-	-	-	-	0.6	-	-
C. Equipment and Materials	0.0	-	-	-	-	0.0	-	-	0.2	-	-	-	-	0.2	-	-
D. Technical Assistance, Trainings and Studies	0.5	0.5	0.5	0.4	0.2	2.1	-	-	4.4	4.3	4.3	3.3	1.8	18.2	-	-
E. Grants to Beneficiaries	2.7	1.5	1.5	1.2	0.3	7.3	0.1	0.0	22.7	12.9	12.9	10.6	2.7	61.8	0.1	0.1
F. Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Investment Costs	4.9	3.4	3.4	2.9	0.8	15.4	-	0.0	41.3	28.8	28.8	24.3	6.9	130.1	-	0.1
II. Recurrent Costs																
A. Salaries and Allowances	0.1	0.1	0.1	0.1	0.1	0.7	-	-	1.2	1.2	1.2	1.2	1.2	5.9	-	-
B. Operating Costs	0.0	0.0	0.0	0.0	0.0	0.2	-	-	0.4	0.4	0.4	0.4	0.4	2.0	-	-
Total Recurrent Costs	0.2	0.2	0.2	0.2	0.2	0.9	-	-	1.6	1.6	1.6	1.6	1.6	7.9	-	-
Total BASELINE COSTS	5.1	3.6	3.6	3.1	1.0	16.3	-	0.0	42.9	30.4	30.4	25.9	8.5	138.1	-	0.1
Physical Contingencies	0.1	0.1	0.1	0.1	0.0	0.3	-	-	0.6	0.5	0.5	0.5	0.1	2.2	-	-
Price Contingencies																
Inflation																
Local	0.1	0.3	0.5	0.6	0.2	1.7	-	-	1.1	2.4	4.0	4.9	2.1	14.5	-	-
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0
Subtotal Inflation	0.1	0.3	0.5	0.6	0.2	1.7	-	0.0	1.1	2.4	4.0	4.9	2.1	14.5	-	0.0
Devaluation	-	0.0	0.0	0.0	0.0	0.0	85.0	0.0	-	-0.6	-1.1	-2.0	-0.8	-4.4	-	-
Subtotal Price Contingencies	0.1	0.3	0.5	0.6	0.2	1.7	-	0.0	1.1	1.8	2.9	2.9	1.4	10.1	-	0.0
Total PROJECT COSTS	5.3	3.9	4.1	3.7	1.3	18.3	-	0.0	44.5	32.8	33.8	29.3	9.9	150.4	-	0.1
Taxes	0.1	0.1	0.1	0.1	0.1	0.6	-	-	1.3	1.2	1.2	0.9	0.5	5.1	-	-
Foreign Exchange	0.0	0.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.1	-	-

Appendix 2: SECAP Review Note

Social Environmental and Climate Assessment Procedures (SECAP) Review Note

I. Major landscape characteristics and Issues (social, natural resources, and climate)

1. SPPAP additional financing is designed, following the request to IFAD's support from the Government of Punjab, to leverage the momentum while preparing to invest its own funds to realize poverty alleviation objectives in ten Punjab province. SPPAP AF aims at scaling up the SPPAP approach which is one of poverty graduation for the ultra-poor and poor, through combined interventions in social mobilization, social protection, assets and skills creation and basic rural infrastructure development for improved rural livelihoods in a context of sound natural resources management. The present Social, Environment and Climate Assessment Procedures (SECAP) Review Note has been prepared using the latest IFAD guidelines. The review note 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. Socio-cultural context

2. *Demographics:* The Islamic Republic of Pakistan, comprising four provinces and four 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 Punjab province in Pakistan is estimated to have a population of around 100 million people, representing 55% of Pakistan's population. Districts in the Southern Punjab continue to socially and economically lag behind the rest of the province. These four districts are located along the southern fringe of Punjab Province within the cotton - wheat zone with a total area of 49,577 km² and a population of 10.7 million of which rural population is 8.63 million (about 81%).

3. *Economy:* Pakistan is a lower middle-income country, with an average income per capita of US\$1,516¹ and is the twenty sixth largest economy. The economy is mainly based on services sector (59%), followed by agriculture (21%) and industry (20%). Agriculture sector employs 44% of the national workforce. The Punjab province contributes to 52% of the country's GDP. Whilst Punjab has achieved an annual GDP growth rate of 5.4% over the last decade, outpacing the national average, the benefits of economic growth and development have not been uniform across the population and geographical areas. Districts in the Southern Punjab continue to socially and economically lag behind the rest of province, have higher income and landholding disparities, have higher incidence of poverty, and have 33% people categorized as 'poor' compared to the provincial average of 21%. This area also happens to be one with highest ratio of BISP beneficiaries (PSC 16.7) and the most number of rural landless and homeless tenants. Because Pakistan is a class and caste based society with strong caste and kinship relations in rural areas, the sociological literature and empirical work on rural Pakistan strongly suggests that there are supra-household levels of aggregation (namely wider kinship groups) that act as crucial dimensions of identity, collective action and mobility. There are strong patterns of solidarity as well as hierarchy across and within kinship groups in which all individuals and households in the census villages belonged to. There were no individuals or households in the census villages that did not belong to any higher level of identifiable kinship aggregation. Overall, in southern Punjab the environmental and political-institutional conditions pose some challenges where social hierarchy is deeply entrenched. The poor here are almost by definition those who are socially marginalized and fragmented, and are not "spontaneously" part of wider networks.

4. *Health*: The project districts lag significantly behind other districts in Punjab in all key indicators (refer Working Paper 5 for a detailed social and gender assessment) including infant mortality rates, literacy, sanitation, waste water and solid waste disposal. Lack of safe drinking water is a prime concern and a major source of various water-borne diseases including typhoid, hepatitis, and gastroenteritis. Other prevalent diseases include TB and malaria.

5. *Gender*: The southern districts of Punjab rank the lowest in terms of female literacy. Gender disparities persist across the urban and rural sectors, and tend to be higher in rural areas. There also remains a wide gap in employment opportunities. Limited access to income generating opportunities, together with a range of life cycle risks related to malnutrition, health, school non-attendance, marriage and dowry, pregnancy and child birth, widowhood, make women considerably more vulnerable to poverty than men. This area is also known for crimes against women such as honour killings. Women in rural areas have heavy workloads and carry out a wide range of tasks in agriculture, livestock rearing and off-farm activities. 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. The migration of men to urban areas for employment has further exacerbated their workload.

6. *Poverty*: The project area has very high prevalence of poverty (the estimates range from 55% to 64% in Rajanpur). The landless form a very large part of the population and this is a major contributor to poverty as confirmed from consultations with various stakeholders including the marginalized. Besides the high number of landless households, 85% of the farms are under 5 ha in size. Small land holdings combined with an average family size of 7.3 further contribute to the high poverty rates. The structural changes that are taking place in Punjab's rural economy over time have important implications for the poor. Although the share of agriculture has declined considerably, from 31 to 20.3 per cent between 1991 and 2007 about 44 per cent of Punjab's labour force is still employed in the agricultural sector. The bulk of employment in the province is in the informal sector, which employs nearly two thirds (74 per cent) of the non-agricultural employed labour force.³⁶ Women workers are particularly vulnerable in this regard as of the total number of employed females in Punjab's non-agricultural sector, 73 percent work in the informal sector.

7. Changes in patterns of land tenure in the Punjab have, over time, also contributed to poverty. There is a dramatic decline in tenancy and a corresponding increase in owner-cultivation between 1972 and 2000. In Punjab, farm area managed by landless tenants declined from 26 percent in 1972 to 11 percent in 2000. Owner-cultivation increased from 39 percent in 1972 to 69 percent in 2000, mainly through eviction of tenants. The proportion of owner/tenant farm area in Punjab declined from 36 percent in 1972 to only 19 percent in 2000. With these trends, the plight of the landless has increased and a need for means to increase non-agricultural income has gained added significance.

1.2. **Natural resources and NRM**

8. *Biodiversity*: Punjab is primarily an agricultural state. However, forests in the Shivaliks, Birs, Rakhs and Mand contribute to its rich 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.

9. *Forests*: According to the land use data of the Pakistan Forestry Sector Plan of 1992, natural forests and man-made tree plantations cover 4.224 million ha, or 4.8% of the land area in the country (Anonymous 1992, Amjad et al. 1996). 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. The balance of 34.67 million ha, or 39.4%, consists of snow, glaciers, rock, deserts, tidal flats, water bodies, river beds, lakes, dams, towns, cities, and so forth. 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

³⁶ | Government of the Punjab, Punjab Economic Report 2007, Punjab Economic Research Institute

than 70% of the country. Forest area is also small and scattered for the same reason, as natural tree growth is not possible in low-rainfall areas (Siddiqui 1997). 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. The expected changes in distribution of different forest ecosystems, as well as in their parameters of growth, were determined for the years 2020, 2050 and 2080 taking 30 yr average climate data for the period 1961–90 as the baseline and assuming a 0.3°C rise in temperature and a 0, +1 and –1% change in precipitation per decade, with 1990 as the base year. 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. obtaining fuel wood and timber over a period of thousands of years. 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. The province of Punjab with an area of 20.63 million hectares and meager forestry resources over only 0.771 million hectares in the public sector is forest deficient province due to the large use of soils for agriculture cultivation.

10. **Water:** The project districts depend upon various sources of water which includes ground water, canal water, rain-water and on hill torrents. All of these are impacted by climate change. Rain-fed and desert areas within southern Punjab are prone to drought and riverine areas and prone to flooding in the moons. The sub soil water is mostly brackish with sweet water zones predominantly near irrigation canals and water channels.

11. **Land Use:** The soils in Punjab are alkaline in nature with low to medium Nitrogen (N) content, medium Phosphorus (P) content and medium to high in Potash (K) content. The soil is saline in the southern districts of the state. The intensive agricultural practices with the mono-cropping pattern of wheat-paddy crops in past three decades has resulted in steady decline in its fertility, both with respect to macro (NPK) and micronutrients (zinc, iron & manganese). The burning of wheat and paddy stubbles & left over straw in fields is also contributing to loss of soil fertility.

1.3. Climate

12. 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). 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**

13. The project zone area has higher income and landholding disparities, higher incidence of poverty (33% people categorized as poor compared to the entire province of Punjab), 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 addition, they have heavy workload and carry out a wide range of tasks in agriculture, livestock rearing and off-farm activities. Successful results of the SPPAP of which in particular women have been benefited, could engender a risk of exclusion of the poor and women from Project activities and benefits by men. The fact that the Project works primarily with women raises concerns since a majority of the Community Organizations only had women members. In effect 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 allowing 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 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.

14. Rain-fed and desert areas within the ten selected districts are prone to drought and riverine areas are prone to flooding in the monsoons. The soils are generally sandy, silty, alluvial soils and their fertility is declining. The 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. The sub soil water is mostly brackish with sweet water zones predominantly near irrigation canals and water channels. The shortage of irrigation water in canals systems has been a cause of great concern. The current practices for intensive agriculture, with in particular the use of chemical fertilizers, deforestation for more agricultural area, pollution of water, are prone to inappropriate natural resources management and then could mitigate the project ambition in terms of more empowerment, suitable livelihoods and resilience necessary to increase income and reduce the vulnerability of CO members.

II. Potential programme social, environmental, and climate change impacts and risks

2.1. **Key potential impacts**

15. The poverty alleviation model with emphasis on social mobilization as promoted by SPPAP, has contributed to 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. The most significant achievements of the SPPAP have been extensive for women with organized forum in the shape of COs for collective dialogue and action, empowerment through training, knowledge and information about their status, roles and potential, and collective and strong voice for many of them to find the way to decision-making processes. More than 4000 COs have been established, with 80,000 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. **Climate change and adaptation**

16. 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 and the dominant component of the climate variations was spatial shifts in the rainfall patterns of which changes in rainfall pattern directly affect water, agriculture and disaster management sectors. Climate change not only represents a risk for the country as a whole but also specifically for the project districts in Southern Punjab. As a result of the increase in temperatures the water and agriculture sectors face the greatest risk. The increased variability of monsoons, the increased risks of floods and droughts and the severe water-stressed conditions in arid and semi-arid region of the Southern Punjab become even worse. It is estimated that drop in crop yield due to rising temperatures is likely to cause shortfall in wheat production and rice. The land resources are 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. Cotton is one of the key cash crops in the region and heavy use of pesticides (cotton accounts for 58% of all ha sprayed)³⁷ is a major source of pollution. Unsafe practices in pesticide application pose a major environmental and health risk both at the time of spraying and cotton picking.

III. **Environmental and social category**

17. The nature of the project, concentrated primarily on financing social initiatives, community development initiatives and supporting assets and skills creation, suggests that it is likely to be **categorized as B** in line with IFAD's SECAP. In effect proposed project intervention impacts and particularly those derived from CPI implementation are site-specific and can be readily remedied by appropriate actions and/or mitigation measures (regular maintenance of infrastructures, limited cut of wood, use of animal dejections, instead chemical fertilizers, awareness on necessity to limit the meager natural resources of the project area, etc.). Furthermore, livelihoods enhancement and interventions essentially focused on institutional strengthening of COs for community-driven development and establishment of Food Banks a do not constitute in any case a threat for environment and natural resource. In contrary, those interventions more increase their self-determination to be more responsive to the protection of environment and natural resource, being understood that all activities are at very small scale community based project.

³⁷ 57% of all ha sprayed in Punjab is accounted for by cotton

IV. Climate risk category

18. Climate change does represent a risk for the proposed districts in Punjab. However, 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 are serious challenges to be taken into account during project implementation. For example, it could be interesting to develop appropriate 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, etc. Furthermore, project activities are oriented to make use of climate sensitive resources (small scale irrigation system), physical infrastructures that have potential to contribute to improve vulnerability and resilience of project beneficiaries, institutional development and capacity building for rural institutions. Overall, taking into consideration the relative 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 could be assessed as **Medium**.

19. The Preliminary Climate Risk Screening of the potential programme target area is recorded in Table 1 below.

Table 1: 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 plots, migratory fishstocks)?		X	Types of activities essentially non-farm under the project mitigate climate change hazards
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	X		

complementary investment actions to manage climate risks?			
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V. Recommended features of programme design and implementation

5.1. Mitigation measures

20. SPPAP AF should introduce best practices and technologies in support of climate resilience where appropriate. Through the vehicle of local organizations (COs/ VOs), communities should be supported to be better cognizant of climate risks, environment and natural resources management and able to (self)-identify adaptation/mitigation measures.

21. For example, in partnership with the relevant research centres and particularly with NRSP, the identification and introduction of climate-adapted varieties of crops and horticulture and other high value crops for various agro-ecological zones, climate adapted crop-rotation and crop cycles, contribute to improve resilience and mitigate vulnerability at community level with regard to agricultural area. In that regard the following could be recommended: practical trainings for preparation of small compositing sites at Village and Community levels, climate Change Adaptation Trainings on Natural Resource Management, Infrastructure, Livelihoods, awareness raising seminars and sessions on climate change and environmental issues and their solutions at district and community levels.

22. Regarding the CPIs, mitigation measures could engender the following actions: for rural access roads mitigation measures particularly in flood and slide prone areas should focus on proper design specifications and protection structures to ensure climate change resilience and reduce any negative impacts on slopes or water run-offs. To prevent any excessive erosion and silt runoff, careful routing and design specifications should be adopted and enforced. However, the Forest Department shall be consulted so as to avoid road construction across any forest area to prevent any possible environmental impact. The Irrigation facilities (tube wells, lift irrigation, water channels) interventions proposed in this programme shall not cause any significant adverse environmental impact because of very small scale of interventions at household, village and community levels.

23. However in mountainous terrain, water carriage and diversion structures will be properly tailored, sited and strengthened to prevent any water run-off on slopes and possibility of inducing slides or soil run-off. Water efficient usage will be encouraged and introduced at farm level as well as the introduction of efficient irrigation technologies like drop, trickle and sprinkler irrigation system will be linked to production of high value crops while avoiding flood irrigation practices. Concerning the drinking water supply, source protection and water testing will be introduced in every scheme to ensure provision of safe and potable water. Where feasible, gravel and sand filtration beds will be provided in distribution tanks to minimise mixing of sediments. Specific provisions will be made in off-take/source structures to prevent contamination. Concerning the drainage, proper standards should be respected in terms of design et construction so that to avoid amplifying the existing main environmental problems clogging of drains, or improper disposal. Health and sanitation issues may also arise as a result of water stagnation. Through training and awareness, communities would be enabled to build minimum required drainage to avoid any major sanitation issues linked with water supply. For all these CPIs communities should be trained to ensure the regular maintenance after construction are fundamental to ensure their efficient functionalities.

24. Therefore, the programme should also include capacity building initiatives on climate risks to reinforce the community awareness at field level on the threat of climate change hazards on agriculture, livestock and vocational training. In overall and finally the design and implementation process will be taking into consideration any possible cumulative environmental impacts and propose adaptation/mitigation measures for any possible negative impact to be monitored through regular direct supervision by IFAD and the Government. Similarly renewable, environment and climate

friendly technologies such as solar photovoltaics to power micro irrigation and houses, biogas coupled with livestock should be incentivized through subsidies, in order to facilitate uptake.

25. 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 especially in Punjab known as forest deficient province. Therefore, anticipatory adaptation measures 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. In the case of Punjab considered as forest deficient province, some adaptation strategies/actions are to be considered: (1) for planting, use suitable tree species, preferably native/indigenous species or from similar soil conditions that should be selected for being fast growing and providing needed products but also able to adapt to a wide range of future temperature and moisture regimes without being competitive and/or invasive with native species in terms of consumption and soil occupation; (2) currently, wood is used in a highly wasteful manner both as fuel and construction material. Heating efficiency of country-made open stoves is hardly more than 10 to 15%, and smoke generated as a result of the burning of fuel wood within household premises is injurious to the residents, especially to women who carry out the cooking of food. It is suggested to make preference of biogas and solar energy so as to save fuel wood, reduce health hazards, and facilitate a clean living. The graziers will have to adapt to a lower number of livestock to match the carrying capacity of the pastures or make provision through fodder production for stall feeding. All these adaptation and mitigation measures should be clarified, detailed and discussed within the communities for their endorsement during the CDPs design and implementation.

26. **Safeguards.** In summary, it should be noted that safeguard processes have already been built into the programme, and current procedures of the ongoing SPPAP will be maintained. Today, SPPAP has adopted World Bank safeguard procedures; as contained in the existing SPPAP Project Implementation Manual (PIM), the PIM stipulates a compliance with an Environment and Social Management Framework (ESMF) that embodies World Bank Operational Policies (OPs) and is also compliant with the National Environmental Laws (Pakistan Environmental Protection Act, 1997). The ESMF addresses the World Bank OPs for social and environmental safeguards (specifically regarding Environmental Assessment, Natural Habitats, Pest Management, Physical and Cultural Resources, Involuntary resettlement, Gender and Development, and Forests). The ESMF was prepared to set out the environmental assessment procedures required by the programme social mobilisation partners and other stakeholders, to assess the environmental consequences of interventions, with a view to preventing execution of interventions with significant negative environmental and social impacts. It also attempts at minimizing potential negative impacts by incorporating mitigations at the design stage and implementing mitigations at the implementation stage of the interventions.

27. Contained within the ESMF, are guidelines and procedures on: environmental / social screening and assessments; dissemination and enforcement strategies and enforcement action plan (including the training of stakeholders, etc.), and institutional arrangements.

28. For CPIs and low cost housing especially, the feasibility reports which are a condition for review of the proposals, include the environmental assessment of the proposal and its impact on the environment (if any); this environmental assessment is undertaken and led by the social mobilisation partner (NRSP), in line with the ESMF; subsequently, anticipated negative impacts if identified, and the mitigation measures required, are documented and integrated into the revised proposal.

29. Whilst existing arrangements will continue to be valid, they will be reviewed with the expansion of SPPAP; elements within the guidelines to be reviewed include: (i) review of environment aspects so as to highlight relevant physical, biological, and socio-economic subsite conditions, including, in particular, population, fauna, flora, soil, water, air, climatic factors, material assets to be taken into account during CPI construction as well as other infrastructure related to agriculture, livestock and roads; (ii) approaches/ measures to inform and discuss during project implementation the likely

significant effects of project development on the environment due to the use of natural resources, the occurrence of nuisances and of waste disposal, community health and safety, vulnerable groups and gender issues; in particular, topics to be discussed with COs/VOs/LSOs should include avoiding overgrazing, deforestation and monoculture; (iii) how to engage stakeholders to be aware of information disclosure and as well as consultation with project-affected groups and other stakeholders; (iv) the inclusion of identified environmental management measures in view to prevent, reduce and, where possible, offset any significant adverse effects on the environment within the CDPs to be elaborated; (v) establishment of monitoring measures, parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits and definition of thresholds that shall signal the need for corrective actions to be reported. In order to improve the effectiveness of the guidelines, short-term environmental specialist TA will be contracted for the purpose of the review and provide additional training/ capacity building to the new engineers to be recruited.

5.2. **Multi-benefit approaches**

30. SPPAP AF design and implementation should encourage and promote more rigorous planning, practices of forestry at household level despite smallness of the plot, agriculture, horticulture, and grazing so as to avoid widespread erosion, mitigate desertification, deforestation, loss of biodiversity, resource depletion. Foster communities to protect environment by reducing the level of fire wood consumption and then stopping tree cutting and land use change on steep slopes. In that regard, people should be allowed to continue to practice all suitable land use forms and should be encouraged to do so in a scientific manner and policies and practices should be developed that reduce social pressures on natural resources and benefit of environment services.

5.3. **Incentives for good practices**

31. Most of the project challenges related to environment protection can be met by developing some appropriate adaptive measures such as alteration in sowing dates, use of new crop varieties, introduction and adoption of irrigation methods/technologies as for example, drip irrigation, changes in planting techniques for rice if any, tillage practices, precision land leveling techniques, and use of technologies such as planters, training for and better use of chemical and insecticide treatment, use of animal dejection to replace chemical fertilizers, etc. The current project should introduce these technologies where appropriate in the project area through an intensified awareness programme. The project funding should take in consideration some of these actions which go beyond the initial activities proposed to be financed by the SPPAP additional financing.

5.4. **Participatory processes**

32. In conformity with IFAD's emphasis on participation in programme/ project design and implementation, greater consultation and involvement of communities (especially the marginalized poor) and stakeholders have been effective during the SPPAP design and implementation. Consultation has permitted to receive feedback as well as broad community support to the project and see that affected people in the project area endorse the proposed mitigation/ risk reduction and management measures. Strategies on targeting, gender equality and women's empowerment, improving of livelihood and modalities of access to project benefices have been applied. Particularly, the poverty alleviation model with emphasis on social mobilization as promoted by SPPAP has contributed to the strengthening of the local institutions (community organizations, village organizations) established and therefore ensure their sustainability and their 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 household circumstances and capacities and linking the members to public and financial service providers. More than 4000 COs have been established, with 80,000 households reached and receiving services. Participation of beneficiaries and community members ensured the successful execution of project and endorsed to achieve desired outcomes of the project.

33. SPPAP's successful model of Small Housing Units for homeless ultra-poor against has been particularly instrumental than ever and very encouraging for, free participatory processes in most activities that were been needed to succeed. It is important to continue strengthening and deepening SPPAP initiated gender equality and women's empowerment agenda as well as providing further investments in promotion and strengthening of local community and village organizations as legitimate development partners for rural areas.

VI. Analysis of alternatives

34. It is generally admitted that climate change adaptation is consistent with good development practice and therefore the research of alternatives could be oriented towards these five categories of adaptation activities: Climate risk reduction, Policy and administrative management for climate change, Education, training, and awareness on climate change, Climate scenarios and impact research, Coordination on climate change measures and activities across relevant actors.

VII. Institutional analysis

7.1. Institutional framework

35. As a signatory to the UNFCCC and a country that has ratified the Kyoto Protocol on climate change, Pakistan is under obligation to contribute to efforts to mitigate climate change throughout all the country.

36. As a country particularly vulnerable to the adverse impacts of climate change, Pakistan economy and socio-political stability could be seriously threatened by these adverse impacts of climate change. Therefore, integrating climate change concerns in national economic strategies has necessitated elaboration and adoption of both a national climate change policy and institutional arrangements. The institutional arrangement aims at addressing three important functions: policymaking, implementation and financing.

37. Pakistan has also enacted legislation and established institutional mechanisms aimed at translating its commitments under the MEAs as well as for protecting and developing its environment and natural resources. The environmental laws include the comprehensive Pakistan Environmental Protection Act (PEPA) enacted in 1997. PEPA provided the legal basis for the establishment of an epic high level policy forum- the Pakistan Environmental Protection Council, the strengthening of the Federal Ministry of Environment, the establishment of the National Environmental Protection Agency (NEPA) at the Federal level. It also provided for the establishment and/or strengthening of Ministries of Environment, Sustainable Development Boards, environmental laboratories and environmental tribunals at the Provincial levels. Pakistan has also formulated several national policy frameworks such as the National Environment Policy (2005), National Forest Policy (Draft), National Energy SDPI Conservation Policy (2006), National Renewable Energy Policy (2006) and Policy for Development of Renewable Energy for Power Generation (2006) and many other policy papers.

38. The expanded SPPAP will build on the existing institutional and implementation arrangements in-place as confirmed by the mid-term review. Following on the basis of the strong partnership and institutional arrangements of SPPAP, the Planning and Development Department (PDD) of GoPB will continue to be the lead programme agency, with overall oversight and responsibility for programme implementation through a Programme Steering Committee (PSC) headed by the Chairman P&D. Day-to-day implementation is delegated to be managed by the Programme Management Unit, established under the supervision of the Planning and Development Department of GoPB, and based in Bahawalpur District.

39. **Programme Steering Committee (PSC).** The PSC will be chaired by the Chairman PDD, with a membership that comprises: Secretaries of relevant departments (Agriculture, Livestock, Local Government and Social Welfare Department); the head of the Provincial Social Protection Authority; the CEO of the SMP(s); and the CEO of the Punjab Skills Development Fund. The Project Director of SPPAP will be the Secretary to PSC. The PSC will meet at least twice a year to review progress, approve AWP/Bs, approve any changes required for improved progress and impact and resolve any

emerging implementation issues. Overall, the PSC is responsible for strategic direction and approval of strategies, and in having oversight and ensuring policy-level coordination between SPPAP and regular government pro-poor initiatives.

7.2. Capacity building

40. SPPAP 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, clean and safe livestock production is an area to be prioritised for capacity building.

7.3. Additional funding

Proposed measures do not need additional funding at this stage of the development.

VIII. Monitoring and Evaluation

41. 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 are described in the PIM.

42. 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 review note are addressed.

IX. Further information required to complete screening, if any

No further information is required.

X. Budgetary resources and schedule

43. 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.

XI. Record of consultations with beneficiaries, civil society, general public etc.

44. The SECAP review note was compiled drawing on literature and discussions with institutional stakeholders and community members and their organisations regrouping mainly women and youth during these design missions in the field. The mission met with seven potential beneficiary communities during field missions as well as at the SPPAP design report in 2010 as the additional finance PDR at end 2016 and early 2017. In addition, the Design Team had detailed consultation with all key stakeholders in a Stakeholder Workshop in Lahore. The relevant staff from Environment Protection Department of the Government of Punjab was invited to this workshop.

Appendix 3: Economic and Financial Analysis

I. INTRODUCTION

1. This annex (financial and economic analysis) was prepared at the project formulation stage of the Southern Punjab Poverty Alleviation Programme – Additional Financing (SPPAP AF) to be co-financed by the Government of the Punjab and the International Fund for Agriculture Development (IFAD). The SPPAP AF is based on the same design as that of the SPPAP. The original as well as the additional financing aims to assist the Government of Punjab to achieve its economic growth and poverty alleviation objectives within ten districts experiencing high-poverty incidence (including expansion to the new districts). The development objective of the original SPPAP remains valid for SPPAP AF, which is to increase incomes of poor households by enhancing the employment potential of the people and increasing agriculture productivity and production.

2. The financial analysis of SPPAP and SPPAP AF is combined and has been undertaken primarily in relation to two project components; (i) livelihoods enhancement; and (ii) agriculture and livestock development. The sub-components under the livelihoods enhancement include (i) housing units; (ii) livestock (2-goats package); and (iii) physical infrastructure scheme. Under the agriculture and livestock development component, the sub-component includes: (i) a revolving fund; and (ii) institutional services and capacity building. The incremental financial returns for all the sub-components are worked out keeping in view the current situation vis a vis assumed benefits. The financial modelling covers a period of 20 years for the intervention though some interventions such as infrastructure may have a longer useful life.

3. The economic analysis looked at the viability of the investments and recurrent costs of the proposed project in comparison to the incremental economic benefits pertaining to each sub-component over a period of 20 years. The economic values of project cost and corresponding benefits have been used in the economic analysis.

4. The analysis takes into account the indicators at the sub-component level resulting into either increased households' income or decreased expenditures. A reduction in expenditures will have more disposable income thus contributing to better livelihoods as well as asset building capacity of poor households. The data regarding derivation of benefits for the analysis was mainly taken from the secondary sources updated with current prices and output levels. Standard conversion factor (SCF)³⁸, conversion factors for outputs and inputs and labour were worked out for the 2015/6 for the conversion of financial data into economic values.

5. Different financial and economic models were prepared in the context of the project sub-components. The income and expenditure models are at the household level while the in case of the farming model a cropping pattern (2 crops) is assumed to be relevant on a per acre basis.

II. THE PROJECT, ITS BENEFITS AND BENEFICIARIES

6. The overall goal of the SPPAP and SPPAP-AF are the same – i.e. “to assist the Government of Punjab to achieve its economic growth and poverty alleviation objectives. The SPPAP covered 4 districts while SPPAP-AF will be covering ten districts including the ones covered by SPPAP. The target districts have been experiencing high-poverty incidence. The development objective has been increased incomes of poor households by enhancing the employment potential of the people and increasing agriculture productivity and production. The project intervention will enable poor household especially women to improve livelihoods and graduate to a higher poverty band. The Project will be implemented in 10 districts, in Southern Punjab, having selected based on the incidence of poverty.

³⁸ The calculation of the Standard Conversion Factor (SCF) and conversion factors for output and inputs are given in Annex I, II and III.

A. Project Beneficiaries

7. The Project beneficiaries includes households in the selected union councils of the targeted districts which falls under two broad targeting categories using the poverty score card. Under component – 1 (livelihood enhancement) the targeted households will specifically fall under the category of ultra-poor (PSC 0 – 11). This category of beneficiary household will also benefit from physical infrastructure schemes. The revolving fund will cater to the food and cash borrowing needs of households thus contributing to improved food security and improved agriculture and livestock production. As part of the additional financing, the revolving fund has been enhanced and will cover credit for on-farm, off-farm and non-farm enterprises including start-up credit for the graduates of the vocational and entrepreneurial skills trainees as well as short term consumption loans for food deficit/hunger period.

8. The beneficiaries of the SPPAP include those targeted under the livelihoods enhancement and agriculture/ livestock development components. A summary of the target beneficiaries of SPPAP and SPPAP (AF) is provided below in Table 1:

Table 1: Household Beneficiaries of the SPPAP-AF

Project Interventions	Beneficiaries Per Intervention	Year-1	Year-2	Year-3	Year-4	Year-5	Total HHs
SPPAP (Additional Financing)							
Livelihoods Enhancement							
Assets Creation - Housing Units	1	1 500	1 500	1 500	1 500	400	6 400
Assets Transfer - Livestock	1	12 000	12 000	12 000	2 400	-	38 400
Physical Infrastructure							
Drinking Water Supply	20	5 200	5 000	5 000	5 000	-	20 200
Sanitation Schemes	15	4 500	3 750	3 750	3 750	3 750	19 500
Access/Linkage Road	80	24 000	20 000	20 000	20 000	-	84 000
Innovative Water Schemes for Arid/Desert Areas	20	5 000	4 000	4 000	2 400	-	15 400
Miscellaneous (including livestock solutions etc.)	15	600	600	600	600	-	2 400
Innovative Schemes		600	600	600	600	-	2 400
Revolving Fund (Input)	1	41 666	33 333	33 333	33 333	33 333	174 998
Total		182 741	157 745	157 745	132 545	65 695	400 198
SPPAP (Original)							
		PY1	PY2	PY3	PY4	PY5	Total
Assets Transfer - Housing Units		-	-	973	-	481	1 454
Assets Transfer - Livestock		-	4 346	16 035	9 695	5 386	35 462
Vocational and Entrepreneurial Training		-	-	6 645	8 029	3 496	18 170
Physical Infrastructure [1]							
CPIs		-	-	4 685	12 213	6 137	23 034
Food Banks		-	-	-	1 600	-	1 600
Revolving Fund (Input)		-	-	-	1 600	-	1 600
Total		-	7 606	49 540	58 617	27 641	81 320

B. Project Benefits

9. The project assistance will include (i) housing units for the ultra-poor will provide a house that they would otherwise pay rent – thus saving expenditures on account of rent and will provide opportunity for at least one member of household to work elsewhere which otherwise was working free on the landlord's home and fields. In addition, the household plots have provided the opportunity to grow vegetables and have fruit trees in home yards, (ii) increased annual income resulting from livestock (2 goat package) – worked out through livestock budgets; (iii) employment and self-employment in different trades resulting from vocational/entrepreneurship training; (iv) various physical infrastructure will generate incremental benefit in term of time saving (opportunity cost for the time otherwise spent on fetching water), less sick days (time available for labour), reduced losses to produce, reduced O&M cost of transportation; decreased cost of travel/transportation resulting from

better access roads; and; (vi) the other infrastructure such as livestock related solutions (community livestock sheds) are expected to result into increased productivity.

10. **Livelihoods Enhancement:** The project interventions related to livelihoods enhancement will result in increased asset base thus graduating into the next poverty band. Assets will enhance household income while physical infrastructure at the community level will result into time and cost saving thus households will have higher disposable income. The benefits of the livestock is estimated on the financial model for a goat package while for the physical infrastructure benefits were worked out based on the household expenditures on related expenditures.

11. **Agriculture and Livestock Development:** The project component will foster institutional services and capacities as well as will have access to finance for start-up and working capital for investment in on-farm, off-farm and non-farm enterprises. The benefits are enshrined in decreased mark-up for the loan compared to the commercial rates for loans. This will include short-term consumption loans during food deficit period thus facilitating household access to food.

III. FINANCIAL ANALYSIS

A. Methodology and Approach

12. In view of the diversity of the nature of different interventions, the incremental financial benefits of each sub-component were worked out separately and aggregated at the project level. The phasing of the benefits and distribution of different categories of the beneficiaries is given in Table 1. In order to calculate the incremental benefits, the “Without Project (WOP)” scenario (which is income stream during the base year) is compared with the “With Project (WP)” scenario (the income streams during the project year-1 and afterwards).

B. The Financial Benefits

13. The project financial benefits are entailed in two major sub-components. Within each component there are a number of sub-components. These benefits are briefly summarized below.

14. **Housing Units:** The SPPAP and SPPAP-AF2 aim to provide housing units to ultra-poor thus providing significantly enhancing their asset base. This will directly increase the poverty score but at the same time will result in decreased household expenditures on rent. It is assumed that the value of the housing unit is expected to appreciate by at least 20% per annum. The housing also offers an opportunity to engage in kitchen gardening.

15. **Livestock:** Out of the different packages offered in the earlier phase, the two-package option has the greatest potential which provide additional income through sale of the offspring and realization of milk (mainly consumed at home). For the analysis, the financial models for a goat package was undertaken under “the with project” and “without project” scenarios.

16. **Vocational and Entrepreneurial Training:** The project intends to provide soft skills as an asset to youth to enter the job market or pursue self-employment. The total target for this intervention is to be mainly trained in the first three years of the project. The financial model for this is worked out as engaged in non-farm business activity.

17. **Physical Infrastructure:** The project has planned investment in drinking water supply, improved sanitation, road access, water solutions for livestock, afforestation/combating desertification etc. The access to clean water and sanitation facilities will result into time saving and reduced sick days which has been worked out at the rate of the wage for an unskilled person, increased income from water solutions and savings etc.

18. **Revolving Fund:** This initiative will result in decreased cost of capital (start-up and working capital) and reduced expenses on consumption loans by households during hunger season.

C. The Financial Cost

19. The total project costs are (i) USD49.120 million for SPPAP and, (ii) USD150.016 million for SPPAP-AF. The base cost is estimated at USD159.90 million.

D. Key Assumptions for Financial Analysis

20. The following are the key assumptions used in the financial analysis of the Project:

- **Financial Income:** The financial income are based on the average budgets prepared taking into account the market prices and the current productivity/revenue levels. The income for the trained human resources is worked out on the model of a self-employed skilled worker and an employed skilled person. In the context of the without project, situation the current daily wage for an unskilled person is taken as the average rate prevailing in the project area.
- **Effective Rates:** The average effective rate vary among different activities as given below:

Components	Housing Units	Livestock	Vocational Training	Community Physical Infrastructure	Food Banks	Revolving Fund
Success Rates	100%	75%	60%	75%	75%	75%

- **Opportunity Cost of Capital:** The opportunity cost of capital used in the financial analysis is 11.55%³⁹.

E. Financial Analysis

21. The financial analysis of SPPAP-AF shows viability of the proposed project as evident from its overall Financial Internal Rate of Return (FIRR) of 23.16%. The Net Present Value (NPV) of the proposed project over 20 years' period has been noted to be USD 356.57 million. The FIRR and the NPV based on financial prices of the project is given in Table 2.

³⁹ Interest Rate in Pakistan averaged 11.55 percent from 1992 until 2016 (Source: www.tradingeconomies.com/ State Bank of Pakistan)

Table 2: Financial Analysis of the SPPAP and SPPAP-AF

F I N A N C I A L A N A L Y S I S	Project Years	Livelihoods Enhancement			Agriculture & Livestock Development		Total Project Benefit (in million USD)
		Enhanced Capacity for Sustainable Livelihoods		Enhanced capacity for Employment and Productive Self-employment	Enhanced Access to Basic Services	Increased Productivity and Production of Crop and Livestock	
		Housing Unit	Livestock	Vocational/Entrepreneurship Training	CPI	Community Revolving Fund	
PY1	0.00	0.0	0.0	0.0	0.0	0.0	0.00
PY2	0.00	(4.9)	0.0	0.0	0.0	0.0	(4.90)
PY3	(4.59)	(0.2)	(0.9)	(4.3)	(0.0)	(0.0)	(10.04)
PY4	1.47	0.0	(1.1)	1.1	(0.4)	(0.4)	1.10
PY5	(5.31)	0.6	(2.1)	(3.8)	0.0	0.0	(10.60)
PY6	(7.75)	1.1	(1.0)	(11.1)	(10.7)	(10.7)	(29.37)
PY7	(6.07)	2.0	(0.5)	(6.6)	1.5	1.5	(9.64)
PY8	(4.41)	2.9	0.1	(4.4)	2.1	2.1	(3.72)
PY9	(2.56)	6.6	1.6	(0.6)	2.7	2.7	7.70
PY10	7.34	7.3	3.7	9.9	3.3	3.3	31.58
PY11	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY12	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY13	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY14	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY15	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY16	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY17	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY18	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY19	10.94	7.3	3.7	13.2	3.3	3.3	38.48
PY20	10.94	7.3	3.7	13.2	3.3	3.3	38.48
NPV (USD)	8.5	88.9	36.2	112.3	32.00	32.00	356.97
FIRR (@11.55%)	17.88%	34.06%	25.33%	20.57%	22.56%	22.56%	23.16%

IV. ECONOMIC ANALYSIS

A. Methodology and Approach

22. The economic analysis of the proposed project was worked out taking into account the economic cost of the proposed project and the resultant economic benefits to the target beneficiary households. The economic cost were worked out by converting the financial value 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.

23. The economic analyses carried out for the SPPAP and SPPAP-AF takes into account the total economic investment and economic recurrent cost of the project during the project period i.e. between 2015 and 2022. Price contingencies and taxes are excluded from the economic analysis. For the capital items, no residual values have been considered in the economic analysis.

B. The Economic Benefits

24. The economic benefits are the same categories as that of the financial benefit but at a different rate. The economic benefit are worked out over the period of 18 years as against the 15 years period considered for financial analysis. The aggregation is carried out for all the project components taking into account the incremental economic benefits. The recurring cost is assumed to be 90% of the total project management cost because of the intensive support required for management of the revolving fund and operation and maintenance of the CPIs by the community as well as repair and maintenance of small housing units. The recurring costs are assumed to be on account of public sector assistance which is likely to continue to support the beneficiaries as well as the services provided by different government agencies. These are essential for the continuation of the benefits of the programme. It is further assumed that the benefits stream will be at 50% of the actual benefits realized during the project period owing to a number of factors including wear and tear and reduced efficiency.

C. The Economic Cost

25. The total economic cost of the project is estimated at USD163.227 million.

D. Key Assumptions for Economic Analysis

26. The following are the key assumption used in the economic analysis:

- **Economic benefits:** The economic value have been worked out by converting the financial value using a conversion factor of 1.1 for the housing unit, livestock package, drinking water and sanitation schemes, renewable energy, and food banks. For all the other activities the conversion factor of 0.95 has been used.
- **Economic discount rate:** The shadow discount rate used for the economic analysis is 11.1%.

E. Economic Analysis

27. The overall economic internal rate of return (EIRR) of the project is estimated at 27.76%. The economic net present value (NPV) of the project net benefit stream, discounted at 11.1%, was noted to be USD49.68 million. The summary EIRR and NPV is given in table 3 below.

Table 3: Economic Analysis of the SPPAP and SPPAP-AF

Detail	Project Years	TOTAL NET INCREMENTAL BENEFITS			NET INCREMENTAL COSTS			Cash Flow (million USD)
		Livelihoods Improvement	Agriculture and Livestock Development	Total Incremental Benefits	Economic Investment Costs (million USD)	Economic recurrent Costs (million USD)	Total Incremental Costs	
E C O N O M I C A N A L Y S I S	PY1	-	-	0.0	0.000	7.588	7.588	(7.6)
	PY2	0.28	-	0.3	0.000	7.588	7.588	(7.3)
	PY3	2.73	-	2.7	0.000	7.588	7.588	(4.9)
	PY4	4.37	-	4.4	0.000	7.588	7.588	(3.2)
	PY5	6.28	0.04	6.3	0.000	7.588	7.588	(1.3)
	PY6	10.57	1.40	12.0	0.000	7.588	7.588	4.4
	PY7	14.63	2.49	17.1	0.000	7.588	7.588	9.5
	PY8	18.69	3.58	22.3	0.000	7.588	7.588	14.7
	PY9	21.55	4.67	26.2	0.000	7.588	7.588	18.6
	PY10	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY11	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY12	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY13	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY14	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY15	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY16	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY17	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY18	22.03	5.76	27.8	0.000	7.588	7.588	20.2
	PY19	22.03	5.76	27.8	1.000	7.588	7.588	20.2
	PY20	22.03	5.76	27.8	2.000	7.588	7.588	20.2

NPV @11.10%	49.68
EIRR @11.10%	27.76%

V. SENSITIVITY ANALYSIS

28. The project appraisal identifies three major risks (i) security; (ii) financial management capacity, and (iii) climate-risks. These risks may cause underperformance with regards to achievement of full scale benefits, delay in realization of benefits and reduced effectiveness. The assumed scenario returns acceptable values of both NPV and EIRR and thus the proposed investment is feasible under the adverse scenarios. Summary of the Sensitivity Analysis is given in the following table.

Table 4: Sensitivity Analysis of SPPAP AF

Scenarios	Δ%	Link with the risk matrix	IRR	NPV (USD M)
Normal Scenario	Normal	No Adverse Risks	27.76%	49.68
Project benefits	-10%	Poor Security Situation affecting project benefits adversely	24.76%	38.71
Project benefits	-20%		21.49%	27.73
Project costs	10%	Weak financial capacity result in cost overrun and delayed implementation	25.04%	43.67
Project costs	20%		22.62%	37.67
Time lag in benefits (Year)	1		21.84%	35.67
Time lag in benefits (Year)	2		17.62%	23.06
Success Rates	-10%	Climate risk affecting success rate of the activities	24.75%	41.00
Success Rates	-20%		23.08%	39.50

The PDR identifies 3 major risks (i) security; (ii) financial management capacity, and (iii) climate-risks. These risks may cause underperformance with regards to achievement of full scale benefits, delay in realization of benefits and reduced effectiveness.

VI. CONCLUSION

29. Summary of the financial and economic analysis is reproduced in the following table:

Table 5: Financial and Economic Analysis of the SPPAP-AF

Detail	Internal Rate of Return (IRR)	Net Present Value in Million USD
Financial	23.16%	49.84
Economic	27.76%	49.68

30. The project investment is feasible on account of financial and economic benefits envisaged and remains viable under different risks anticipated (as evident from the sensitivity analysis). Based on the financial and economic analysis, the proposed project is recommended for consideration.

Appendix I: Standard Conversion Factor

Year	2011/12	2012/13	2013/14	2014/15	2015/16	Average
Total Imports (CIF) (I)	4 009 093	4 489 112	4 630 521	4 644 152	4 658 749	4 486 325
Total Exports (FOB) (E)	2 110 606	2 484 099	2 583 463	2 397 513	2 166 846	2 348 505
Taxes on Imports (Itax)	216 898	239 459	240 998	306 220	406 180	281 951
Sales tax on Imports (Ist)	430 403	429 831	495 330	553 028	683 518	518 422
Subsidies on Imports (Isub)	97 450	97 450				97 450
Taxes on Exports (Etax)	5 291	3 966	6 200	5 754	5 200	5 282
Subsidies on Exports (Esub)						
SCF	0.918	0.925	0.908	0.892	0.863	0.907
FED	122 460	120 964	138 084	162 248	190 580	0.901

NOTES:

- 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 II: Standard Conversion Factor for Outputs

Parity Price Basis (1)	Wheat (I)	Milk (E)	Vegetables (E)
Projected Price in Current Dollars \$/mt (2)	247	417	429
Factor	1	1	1
Quality Adjustment Factor	1	1	1
World Market Equivalent \$/mt	247	417	429
Transport and Insurance cif, Karachi	20	45	10
Exchange Rate Rs/US\$ cif, Karachi (Rs/t)	267	462	439
Clearance & Port charges	105	105	105
Storage and handling	28 053	48 502	46 050
Value at Karachi market	1 200	1 200	1 500
Transport to/from Project Area	3 000	2 000	1 500
Processed Value	32 253	45 302	43 050
Processing Ratio %	9 000	12 000	12 000
Processing/Packaging Cost	41 253	57 302	55 050
Wholesale Value	1	0	1
Local agents' commission/margins	1 031	1 000	3 000
Value at farmgate (Ton)	43 126	56 302	51 500
Economic Value at farmgate (Rs/1000 Litres/Kg)	4 000	1 000	3 000
Local farmgate price (Rs/1000Liters/Kg)	47 126	55 302	48 500
Financial Price per Kg/Litere	47 126	331 812	48 500
Economic Price per Kg	40 000	60 000	40 000
Ratio of border to local farmgate price	40	60	40
	47	55	48
	1.2	0.9	1.21
(1) Parity : [I] Import, [E] Export			
(2) World Bank Commodity Prices (for 2016)			1.10

Appendix III: Standard Conversion Factors

Parity Price Basis ⁽¹⁾	Urea	DAP/Notrophos	SSP
	(I)	(I)	(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	1 000
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 farmgate	33 637	50 289	44 039
Economic Value at farmgate (Rs/50kg Bag)	1 682	2 514	2 202
Local farmgate price (Rs/50kg Bag)	1 700	2 000	3 600
Ratio of border to local farmgate price	0.99	1.26	0.61
Financial Price per Kg	34	40	72
Economic Price per Kg	34	50	44
(1) Parity : [I] Import [E] Export		SCF - Fertilizer	0.95
(2) World Bank Commodity Prices for 2016			
Notes:			
2. DAP price is f.o.b US, Gulf, Potash - muriate of Potash standard grate f.o.b Vancouver; Urea, (Black Sea), bulk, spot, f.o.b. Black Sea; TSP (triple superphosphate), bulk, spot, Tunisian origin			

Appendix 4: Financial management and disbursement arrangements

1. **Country fiduciary risk assessment**⁴⁰. 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.

2. 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 Baluchistan 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.

3. 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.

4. **Project fiduciary risk assessment.** Following the project fiduciary risk assessment, the overall fiduciary risk is rated as *Medium*, due to potential delays in availability of funds from the Government (particularly during the 1st quarter of each year), a sub-optimal accounting software and the lack of internal audit function at the executing agency level. It is considered, however, that SPPAP financial management arrangements and internal control systems will satisfy IFAD's minimum requirements to provide accurate and timely information on the progress of project implementation and appropriate accountability for funds. The residual financial management risk may be reduced to *Low*, provided that the project implements the following appropriate risk mitigation measures:

- Early approval of the AWPB & PP by the PSC (by 31 March each year), so as to ensure release of counterpart funds in the first month of each fiscal year
- Purchase and installation of an accounting software that is designed (or customizable) for project accounting and meets all IFAD requirements
- Revision of the procedures manual to incorporate more detailed procedures on the financial, accounting, procurement and administrative management of the project
- Recruitment of an Internal Auditor who will have direct access and will submit his/her reports to the Chairman of the Project Coordination Committee.

5. The risk assessment summary table and proposed mitigation measures are attached as Attachment 1 to this appendix.

⁴⁰ The country risk assessment was prepared by Aziz Al-Athwari, IFAD Finance Officer in charge of Pakistan

6. **Staffing and organization.** The SPPAP financial management, administration and procurement team is currently composed of 5 staff: a Finance and Accounts Manager, a Procurement Officer, an Admin and Accounts Officer and 2 Accounts Assistants, all based in the PMU. Due to lack of resources, most HR and administrative functions were transferred to the Gender and Poverty Specialist. In order to optimize the allocation of duties within the PMU, and to cope with the anticipated increase in the volume of work (with 6 additional districts to cover), the finance & admin team will be reinforced with 2 Finance & Accounts Officers and 2 additional Accounts Assistants. An HR Officer will also be recruited to manage all personnel and administrative matters. All new staff will be competitively recruited. Financial and administrative management functions will be centralized at the PMU, and each office (RCU and DCUs) will have a petty cash fund under the custody of an Office Assistant and the supervision of the Regional or District Coordinator, to allow for sundry expenditures.

7. **Internal controls and procedures manual.** Following the reorganization of the finance & admin management team, the allocation of duties will be modified and the internal controls procedures will be revised accordingly. All internal control mechanisms will be detailed in the revised version of the financial and administrative procedures manual, which will be submitted to IFAD for approval. The revised manual will also provide more detailed workflows and procedures, so that it can be used as an effective guide for the financial and administrative management of the project.

8. **Budgeting.** All project activities for each component and subcomponent will be included in an Annual Work Plan and Budget (AWPB). The AWPB will detail the activities, quantities, unit costs, implementing entity, target date, and will allocate the budget for each activity by funding source (IFAD loan, counterpart funds and beneficiaries contributions). The AWPB will also include (i) full documentation of all unit costs assumptions and hypotheses and (ii) summary tables showing forecasted disbursement rates against allocations (by category and by component).

9. The AWPB process will start in February each year so that the AWPB and PP may be approved by the PSC and submitted to the GoPb by the end of March each year. It will then be submitted to IFAD for no objection by the end of April each year. Through its computerized financial management system, the project will monitor the financial execution of the AWPB and produce budget vs. actual statements on a monthly basis. This will serve as a basis for discussion during the monthly budget review meeting to be organized by the Project Director for the review of physical and financial performance and the adoption of corrective actions.

10. **Accounting and financial reporting.** The QuickBooks system currently in use by SPPAP does not fully meet IFAD requirements, as it does not provide the required financial statements and reports, (which have to be prepared on Excel), or produce withdrawal applications. Under Phase 2, the PMU will therefore acquire and install an accounting software designed (or customizable) for project accounting, that will allow for (i) recording and reporting of transactions by component, category, source of fund, AWPB activity and district, (ii) budget monitoring, (iii) automated production of SOE and withdrawal applications, (iv) automated bank reconciliations, (v) contract management and monitoring of financial commitments, and (vi) production of the required financial reports and statements.

11. The PMU will record eligible expenditures following international accounting standards (cash basis), and all accounting policies and procedures related to the project will be clearly documented in the financial and administrative procedures manual. Interim unaudited financial reports (IFR) will be submitted to IFAD within 45 days of the end of each quarter. The IFR will summarize the project's financial situation for each funding source and will include analytical comments on budget variances, and any constraints faced in the fiduciary area. In addition, the PMU will be required to produce monthly financial reports that will include analyses of disbursement rates by category, AWPB execution, cash position and forecast, implementing partners' financial situation, procurement plan execution and any salient administrative issues.

12. **Flow of funds.** A chart of the flow of funds arrangements is shown in Appendix 4 (Attachment 2). Due to the delays necessary for the closing and opening of designated accounts, the designated

account currently used for IFAD funding will be kept and continue to be used under this additional financing. The authorized allocation will be equivalent to approximately 6 months of project expenditure so as to ensure a smooth flow of funds and avoid delays in project implementation.

13. **Counterpart funding.** The GoPb contribution will amount to 80% of total project costs, essentially in the form of cash to cover most project activities. Payment of expenditure on counterpart funds will be made from the GoPb assignment account managed by the PMU. In order to avoid any disruption in the implementation of field activities due to government disbursement procedures, the PMU will be required to complete the AWPB & PP and obtain PSC approval by the end of March each year, so that the counterpart funds may be released as early as July each year.

14. **Implementing partners.** An agreement will be signed with NRSP (as social mobilization partner) for the duration of project implementation. NRSP maintains a separate bank account, a separate ledger for SPPAP operations, as well as a separate fixed assets register. NRSP will be required to submit an AWPB to SPPAP before 15 March each year, to allow for timely integration into the SPPAP AWPB. In order to facilitate cash flows, NRSP will submit to the PMU monthly invoices with relevant supporting documentation, which will be verified by the SPPAP Internal Auditor. In addition, NRSP will provide the PMU with a monthly financial report including current month and cumulative expenditure statements, budget vs. actual statement and variance analysis. Lastly, NRSP will request its external auditor to provide a specific certification (as part of their annual audit report) that all expenditure, assets and staff financed from SPPAP funds have been utilized exclusively for the project activities.

15. **Audit.** The annual external audit of the project will be carried out by the Auditor General of Pakistan as agreed by IFAD, and in accordance with the International Standards of Supreme Audit Institutions. Audit TOR will be prepared by the PMU each year as per IFAD Guidelines for Project Audits and will be submitted to IFAD for prior no objection. The final audit report and management letter are required to be submitted to IFAD by the Borrower at the latest six months after the end of each fiscal year. Since the executing agency does not currently have an internal audit function, the project will recruit an Internal Auditor to evaluate/review the effectiveness of internal controls, risk management and governance, the economical and efficient use of project resources, the reliability and integrity of financial information, the achievement of operational/physical targets, and the project's compliance with the financing agreement and applicable rules and regulations. The Internal Auditor will also assist in the preparation of the annual external audit and the implementation of auditor's recommendations. S/he will report administratively to the Project Director but will have direct access (and will submit audit reports directly) to the Chairman of the Project Coordination Committee (Secretary P&DD).

16. **Taxation.** IFAD loan proceeds cannot be utilized for the payment of taxes. Consequently, the payment of taxes and duties will be made from GoPb counterpart funds.

17. **Anticorruption and governance framework.** The primary responsibility for enforcing good governance (including the detection of fraud and corruption) lies with the Government. Nevertheless, all SPPAP stakeholders should be aware that IFAD applies a zero tolerance policy towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants. "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. IFAD shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its project or grant activities and individuals or entities subject to unfair or malicious allegations. Given IFAD's zero tolerance policy described above, it is important that the staff and all stakeholders of the project are familiar with IFAD's as well as national anticorruption policies and whistleblowing procedures. The IFAD anticorruption policy is available on the IFAD website at www.ifad.org/governance/anticorruption/index.htm. The IFAD website also provides instructions on how to report any alleged wrongdoing to the Office of Audit and Oversight (<http://www.ifad.org/governance/anticorruption/how.htm>).

18. Additionally, in accordance with IFAD guidelines, procurement for goods, works and services financed from resources funded or administered by IFAD will require bidding documents and contracts to include a provision requiring suppliers, contractors and consultants to (i) ensure compliance with IFAD's anticorruption policy and (ii) allow IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited, if deemed necessary. Lastly, the project will promote good governance through the involvement of communities and beneficiaries in (i) the preparation of the annual work plans and budgets; (ii) the procurement process (at community level); and (iii) the monitoring and evaluation of project activities.

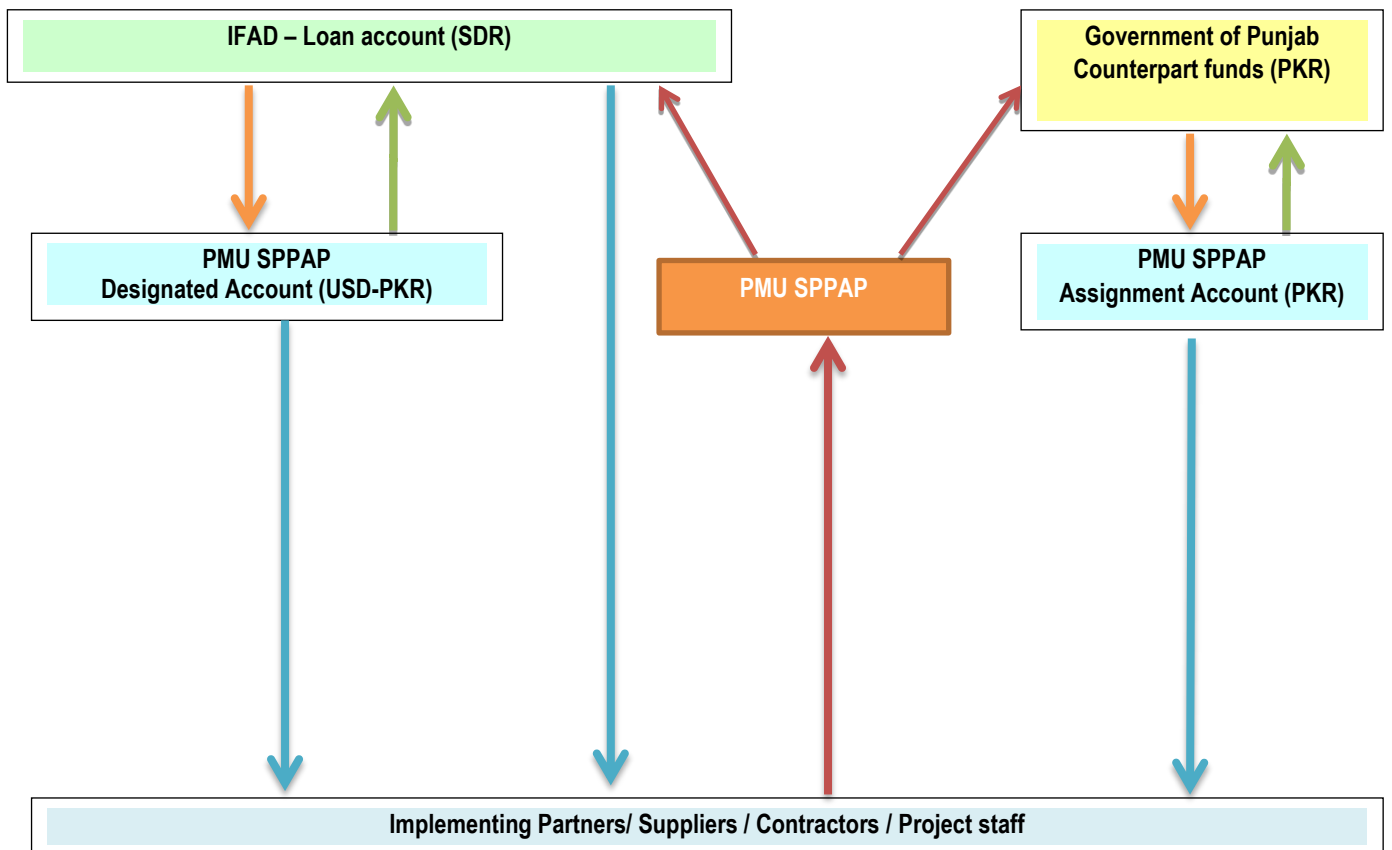
19. **Supervision and implementation support (fiduciary aspects).** Based on the risk assessment, the supervision and implementation support plan for SPPAP will include:

- One full fiduciary review (as part of a supervision mission)
- At least one follow-up/implementation support mission each year
- Detailed review of the FM and procurement arrangements in the procedures manual, including relevant policies, guidelines and procedures with regard to all activities.
- Desk reviews of periodic progress and financial reports and annual financial statements
- Follow-up on work performed and reports issued by the Internal Auditor and the external auditors.

Attachment 1. Financial management risk assessment summary

	Initial Risk rating	Proposed Mitigation	Residual Risk rating
Control Risks			
1. Organization and Staffing	Low	Finance & admin team will be reinforced with 5 additional staff at PMU	Low
2. Budgeting	Low	AWPB cost assumptions to be fully documented. Procurement plan format and content to be improved.	Low
3. Funds flow and Disbursement Arrangements	Medium	AWPB approved by PSC to be submitted to GoPb by 31 st March to allow early release of counterpart funds	Low
4. Internal Controls	Medium	Improvement of procedures manual with detailed workflows and procedures	Low
5. Accounting Systems, Policies & Procedures	Medium	Installation of adequate accounting software meeting all IFAD requirements	Low
6. Reporting and Monitoring	Medium	Installation of adequate accounting software and preparation of fully informative monthly financial reports (including budget vs. actual variance analysis)	Low
7. Internal Audit	High	Recruitment of Internal Auditor	Medium
8. External Audit	Medium	Agreement with AGP on audit TOR and submission to IFAD for no objection	Medium
Project Fiduciary Risk at Design	Medium		Low

Attachment 2. Flow of funds



→ IFAD: Initial advance and replenishments / GoPb: Counterpart funding

→ IFAD: Withdrawal applications / GoPb: Funds release request (based on Annual Development Plan)

→ Invoices / Supporting documents / Statements of Expenditure

→ Payments

Appendix 5: Sample assessment of (ongoing) programme interventions

1. A rapid assessment of a sample selection of SPPAP interventions or investment 'areas' is provided below.

Small Ruminants	
Description Households are provided with a package of two goats costing up to Rs. 26,000 (USD 250)	
Eligibility Criteria <ol style="list-style-type: none"> Only women from households with a score of 0 to 18 on the National Poverty Score Card will be eligible. Only women whose names have been identified by the COs in a resolution and validated by the Social Mobilisation Partner (SMP). Only women who can demonstrate that they have some access to adequate fodder or feed for the animals. 	
Outcome	Enhanced capacity of sustainable livelihoods
Relevance	Reproduction cycle of goats in the long run adopted as sustainable source of income. A great proportion of women headed households belong to this component. Although majority of them are illiterate and belong to most vulnerable segment but experience shows (NRSP and PPAF project Livelihood Enhancement and Enterprise Development) that women can be very powerful actor and contribute to uplift their livelihoods so they realistically don't consider it as burden but assimilate and care it as an reproductive asset which eventually leads towards a secured source of income.
Effectiveness	The success of component is based on true need identification that ensures the effectiveness of the project. The women appear as interested to get goats have potential to better manage their livestock. Provision of two goats is indeed a powerful tool in assistance to alleviate poverty and to utilize scarce vegetation in the areas not suitable for other forms of agriculture production. Keeping small size livestock i.e. goats are by many poor people considered as very useful animal that can certainly create food security, cash income, and many more services to the owners of goats. Usually for the poor rural community food insecurity is one of the dimensions of poverty and it encompasses food production, stability of supply and access to quality food. Hence goats can assist in such perspectives as landless people who cannot grow crops or possess large cattle can easily keep goats. Goats' production is less influenced by weather compared to crop production; in addition to this the milk and meat produced by the goats are of high quality and most demanding segment of meal. Women can fulfill the need of milk for their children through goats' high quality milk.
Efficiency	Provision of goats to targeted beneficiaries is ensured well in time. After approval of case the procurement done within 15 days from the available nearest cattle market. This is also cost saving as procurement is made in full competitive environment with no compromise on quality. Goats efficiently met the needs of targeted beneficiary women. Women beneficiaries of goats package entitled this component as more prolific i.e. have lower requirements in terms even small piece of capital land maintenance costs and are less risky to keep. They are more comfortable with the goats as adopting it as permanent source of income. In their views the goats are easier to sell when cash is need to meet the emergency medical expenses, construction and repair of roof, or wedding arrangements, or to pay school fees and other expenses. This nature of asset is an efficient source of income generation. Usually after six months their asset gets increase through reproduction of goats. In each year they have multiple number of off springs and have increased value of their asset.
Sustainability	In rural areas women are responsible for the livestock management. They have keen interest in re-production of their goats for income generation motives therefore the willingness and passion of having own livestock itself ensured the sustainability of the component. Moreover, it can sustain even in harsh and dry environment that is another benefit for the poor people in managing their small ruminants.
Innovation and scaling up	The successful results of the component provide strong indication for scaling up the component. The implementation criteria is very innovative as the beneficiary have open option for choosing their own goats, procurement procedure is also very open and transparent there are no. of vendors who come there with different quality of species. Beneficiaries have no compulsion or pressure to choose and buy any specific set of goats. Moreover, availability of quality check of goats and veterinary guidance through veterinary specialist on cattle market is very unique feature of the project implementation phase. In addition to this, project has strong focus on follow up and monitoring of beneficiary households through community participative approach and project team as well.

Impact	<p>Beneficiaries have better livestock and encouraging growth rate of goats. The reproduction rate will be 25-35% over the project completion period (this forecasting is based on assessment study conducted in the year 2015-16 covered 10% sample of total beneficiaries of the same year, the reproduction rate was 25%). The survival or existence rate of goats will be almost 90% as in one-year sample assessment it was 81% with good health status of 47%, so the results were very encouraging. In this context, beneficiaries have enhanced their access to improved livelihoods through sale of their off springs (adult goats) and spend this amount to fulfill their various needs e.g. dowry arrangement for their daughter wedding, small construction work at home, and other domestic expenses.</p> <p>Economic rate of return of small ruminants</p> <p>The estimated economic rate of return (ERR) of small ruminants in SPPAP is also remarkable i.e. 78.08% (from the below formula of rate of return or investment).</p> <p><i>ERR = (Average current value of small ruminants (with 2 to 3 off springs) – Project cost of small ruminants) / Project cost of small ruminants x 100</i></p> <p><i>If</i></p> <p><i>ERR = (45,000 – 26,000) / 26,000 x 100</i></p> <p><i>ERR = 78.08 %</i></p> <p>In a nutshell, compared to large cattle, small ruminants generally perform and grow better under conditions where food availability is scarce hence larger and sustainable impact of the livelihoods of beneficiaries.</p>
Lesson Learned	Beneficiaries having previous experience of livestock management (serving to local landlords and farmers) better managed their small ruminants. Sense of ownership of own livestock assets resulted better care and reproduction of goats. Freedom for selection of goats by beneficiaries and on the spot check of health quality from veterinary officer ensured successful results.
Challenges	<ul style="list-style-type: none"> • Availability of veterinary services at doorstep is limited in some rural areas. • Better management of small ruminants in severe weather conditions (winter and summer).
Constraints	External factor i.e. any pandemic disease may affect health of goats or casualties. Due to sever attack of disease beneficiaries prefer to promptly sale of their goats.
Exit Strategy	Project also trained local youth under the para-vet training component this will ensure the doorstep services of veterinary care services. Moreover, during the project execution period community has well aware and sensitized for goats' health and hygiene quality indicators for adoption of livestock as successful and profitable profession.
Small Land Plot/Small Housing Units (SHU)	
<p>Description</p> <p>Ultra-poor landless women provided with low cost housing.</p> <p>Eligibility Criteria</p> <ol style="list-style-type: none"> Only women from households with a score of 0 to 11 on the National Poverty Score Card will receive land plots. Only women from households who do not currently own any land. Only women whose names have been identified by the COs in a resolution and validated by the SMP. The ownership of land plots will be in the name of the woman beneficiary. 	
Outcome	Women empowerment through access of legal ownership of house and sustainable better life standard.
Relevance	The execution of small housing units at ground fosters the belief that women deserve higher status in the society for the brighter future of Pakistan. Allocation and legal ownership of land to landless women is a powerful symbol for the women empowerment that not only secured their future but also improved their living.
Effectiveness	<ul style="list-style-type: none"> • Scarcity of adequate resources and irreversible circumstances of poor landless women could not empowered them to acquire land for their own house but indulge them to meet basic needs such as food and livelihoods. • Small Housing Unit fulfilled the most daring needs of permanent shelter and strengthened their identity and dignity, social security and belongingness, empowerment and emotional wellbeing. • In addition to this, they will have multiple options for income generation activities that were not possible before living as tenants at the place provided by their landlords.
Efficiency	<ul style="list-style-type: none"> • Small housing unit composed of cost efficient mechanism of execution. The construction work is done by community participation through beneficiaries themselves and local available labour instead hiring of a contractor's service. This community participatory approach not only saved the cost but also ensured the quality of work. The quality of work and transparency could not

	<p>be possible if the component was executed through contractual services.</p> <ul style="list-style-type: none"> Provision of technical guidance from project filed engineers allocated to each site also ensured quality of construction material, masonry work and transparency in completion of small housing unit.
Sustainability	<ul style="list-style-type: none"> Beneficiary's sense of ownership and participation in the implementation phase is itself the sound evidence of sustainability of small housing unit. The design of small housing unit in SPPAP does not include boundary wall of the house thus there was no provision of budget for the construction of boundary wall. However, it was left on the beneficiaries' end to build the boundary wall. There was no hindrance in structure of boundary wall but it was flexible and beneficiaries were free to erect boundary wall according to their financial capacity. Almost 58% beneficiaries have built the boundary wall of their houses that shows their affiliation and also ensures the sustainability of the livelihood component of the project. Small housing unit is the highest valued asset for the target beneficiaries hence their immediate shifting trend after the completion of house overwhelmed any qualm of sustainability.
Innovation and scaling up	<ul style="list-style-type: none"> Small housing unit is truly based on community participative approach in which beneficiary and her CO was involved in the whole process i.e. from identification of land plot to completion of construction work. The beneficiaries themselves were engaged in the labour work of their construction of houses. This social participative approach leads towards successful and exemplary intervention. The shifting status of families in the SHUs is benchmark for similar models implemented by other organizations. The sound experience of this intervention and prevailing incidence of poverty in the project area indeed requires scaling up this intervention. Presently SPPAP is being benefitting 1,600 poorest of the poor households under the poverty band 0-11, but the total no. of households under this poverty band is too large (31,823 households from BISP data of project intervened Tehsils of four project districts). Therefore there is immense need of scaling up this intervention to reach maximum deserving landless poor women.
Impact	<ul style="list-style-type: none"> Landless poor women empowered through legal ownership and transfer of land on their own name. This factor helped to strengthen their role in family decision-making and promoted gender equality. The ownership of land with the provision constructed small housing unit eventually added the asset value in the possession of landless women as they became the owner of asset having average total cost of PKR 638,767 small housing unit. Immediate increase in the poverty score of the beneficiaries. The households earlier living in the bottom line of poverty i.e. 0 – 11 range (extremely / ultra-poor) moved to next level of two poverty bands i.e. 12-18 and 19-23 (chronic and transitory poor). Although there are many other factors that count in change of poverty score but provision of valuable asset in form of constructed house with improved sanitation, water and electricity facility definitely contributed in uplifting the poverty score of the beneficiaries. SHU is indirectly playing a key role to break the vicious cycle of poverty as women and their spouse have more sources of income as mostly beneficiaries solely rely on tenancy. SHU made them self-reliance and gave them freedom of economic opportunities. SHU improved the living condition of poor women as they have free access of electricity for 24 hours through solar energy system that comprised of basic electrification along with modern accessories like UPS, lighting bulbs, pedestal and ceiling fans. Availability of water and latrine at home will not only improve their health and hygiene conditions but will also overcome incidence of social harms and threats. Some of women beneficiaries are doing practice of kitchen gardening at their courtyard; they have fresh vegetables in their house that not only saved their money but also leave pleasant effects on their health.
Lesson Learned	<ul style="list-style-type: none"> Participation of beneficiaries and community members ensured the successful execution of project and endorsed to achieve desired outcomes of the project. Beneficiaries' presence during construction phase works as consistent monitoring. It is observed that most of the colonial housing schemes failed due to lack of interest and participation of beneficiaries because social belongingness usually restricted families to shift at these housing schemes. In SPPAP beneficiaries themselves choose their land plots in the adjacent areas having proximity of their early living places and also participated and monitored in construction of their own houses. The freedom and flexibility for the selection of land plots for the beneficiaries itself was a guarantee of successful results.
Challenges	<p>In some cases social mobilization teams faced community conflicts due to strict criteria of beneficiary selection (restriction of beneficiaries having score 0-11 under BISP data). To meet this challenge SPPAP adopted inclusive approach to incorporate the most deserving households who don't have BISP score but fall under 0-11 poverty band through CO's validation and SMP verification.</p>
Constraints	<p>Procurement of quality material sometimes cause delay in construction but it could be ignored when the</p>

	motive is no compromise on quality and transparency.											
Exit Strategy	<ul style="list-style-type: none"> Targeted beneficiaries have close coordination with their respective COs/VO and LSOs, no troublesome situation occur due to strong networking of community. Each beneficiary has provided land transfer documents with registration of government land record as well. Social bond and pressure of NRSP's three-tier structure and written agreement individually with all beneficiaries restrain them from sale of house. 											
Food Bank												
Description												
On average, 150 kg wheat grains provided to each household (in band 0-11) to meet hunger season that usually lasts 3-4 months (December-March)												
Eligibility Criteria												
<p>a) Only households fall under 0-11 poverty band and face hunger season.</p> <p>b) Only Candidates whose names have been identified by the COs in a resolution and validated by the SMP.</p>												
Outcome	Mitigate hunger season through provision of better quality staple food.											
Relevance	Targeted community was served with timely provision of quality food.											
Effectiveness	This pilot activity proved an effective alternative source in mitigating hunger needs. This endeavour also contributed to overcome food insufficiency that eventually resulted in improved health of children and the entire family.											
Efficiency	Dire need of the target households was fulfilled timely to cope the hunger season. The activity remained cost saving as they get rid from the exploitation of local lenders.											
Sustainability	<p>The completion of pilot phase remained successful as intended in the objective and theme of the component. In its first revolving phase, after mitigation of their hunger season beneficiaries returned their actual and additional 10% quantity of grains that ensured successful continuity and sustainability of this activity. Food Banks will be based on participatory monitoring mechanism. At the ground the Food Banks will be run by NRSP's fostered village organization (VO) therefore office bearers of VO will keenly monitor the book keeper's role, documentation as well as grains provision and collection mechanism. Food Bank in the long run will become an essential community asset and through participation of different sectors of community.</p> <p>First Food Cycle Findings</p> <p>The first cycle of food bank activity has been completed with 100% recovery of actual quantity (borrowed) along with 10% additional quantity of wheat grains as depicted in table below. During its first cycle total 1,600 households received assistance of 960,000 kg, 150 kg to each household to meet the food need in hunger season. After the recovery of grains including the 10% additional quantity from all the beneficiary households it reaches to 1,056,000 kg. This revolving output add 96,000 kg in the food bank stock which will be sufficient to benefit more 640 households can with same quantity to meet their hunger season. The successful completion of first cycle is the sound evidence of sustainability if VO reduces there no. of expected additional households then they can easily manage their operational cost as well.</p> <p>First Food Cycle Completion</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Unit (kilogram)</th> </tr> </thead> <tbody> <tr> <td>Grains disbursed in first cycle</td> <td>960,000</td> </tr> <tr> <td>In kind service charges 10% of total disbursed grains</td> <td>96,000</td> </tr> <tr> <td>Stock in food bank after recovery</td> <td>1,056,000</td> </tr> <tr> <td>Stock ready for revolving the second cycle</td> <td>1,056,000</td> </tr> </tbody> </table>		Description	Unit (kilogram)	Grains disbursed in first cycle	960,000	In kind service charges 10% of total disbursed grains	96,000	Stock in food bank after recovery	1,056,000	Stock ready for revolving the second cycle	1,056,000
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Innovation and scaling up	Food bank was not only a pilot activity but also was a novel idea for mitigation the hunger season of poorest and vulnerable households. This activity not only addressed their basic need of food but also played a vital role in meeting insufficiency of food. After the successful results the activity can be replicated at union council level and in multiple villages. These can be adapted across different cultures, geographies, and economies to ensure that it makes sense in the local reality as an adequate mechanism for mitigation of hunger season.											
Impact	Food Bank worked as safety net for the poor households during hunger season. It will also fulfill the needs of food during starvation, rainy days, or any natural disaster. It will become a remarkable model of public awareness about hunger and its solutions and as well as powerful voice in driving policy decisions that impact the food security of poor communities.											

Lesson Learned	The provision of food should be designed flexible; keeping in view the household size or per capita consumption need; it should not be fixed as strict focus on quantity (up to 150 kg to each household).
Challenges	Selection of suitable place for storage of wheat grains. As this component is exclusively designed for vulnerable households who faced hunger season each year therefore most of the beneficiary households faced hurdles in return of wheat with additional 10% quantity they wanted to waive off 10% addition on their return quantity of wheat grains.
Constraints	Lack of technical skilled person for fumigation and storage (project has no cost for such services).
Exit Strategy	As NRSP has gross roots level established three tier structures (CO, VO, LSO) in the project area, this will be directly managed and supervised by concerned VO/LSO as they inspired by idea of Food Bank and they have motivation to adopt and replicate this idea of mitigating hunger season on regular basis.
Community Revolving Fund for Agriculture Inputs	
Description Each small land holding farmer provided up to PKR 25,000 with the lowest service charges as 15% per annum (7.5% for bi-annual loan or seasonal loan).	
Eligibility Criteria a) Eligibility criteria of beneficiary i.e. men and women fall under 0-23 poverty band. b) Households of poor and small land holding farmers engaged in small-scale agriculture activities. c) Only Candidates whose names have been identified by the COs in a resolution and validated by the SMP.	
Outcome	Enhanced access to better crop yield and livestock management and strengthened local capacity for agriculture and livestock services for small land holding farmers.
Relevance	An affordable source of agriculture input that ensured quality inputs for improved crops and livestock management (loan utilized to procure cattle).
Effectiveness	Small land holding farmers have better access and freedom to buy quality of seed and fertilizer for better crop yield. The component provided them opportunities for income generating activities and brought a real economic change in their lives. The small loan also raised their decisions making and wise arguments skills at the time of buying agriculture inputs from local moneylenders or traders as they buy all commodities on cash instead credit.
Efficiency	An easy and swift mechanism to provide small amount of loan to disadvantageous small land holding farmers. At doorstep service with lowest service charges i.e. 15% annual (in project area the current rate of service charge by local operating Micro Finance Institutes (MFIs) is average 20-30% while this ratio reaches to 50% in case of local money lenders). Local moneylenders exploit small-scale borrowers much more in case of mortgaging. These small farmers/borrowers through community revolving fund get rid from delay in provision of loan (cash or in kind) poor quality of commodities (in kind loan).
Sustainability	As this loan activity based on a revolving fund system thus it will bear its operational cost itself through applying adequate services charges. In its first cycle (seasonal loan of six months) total disbursement of loan to 1,600 borrowers (small land holding farmers) was PKR 40 million and revolved amount after recovery was PKR 41.76 million (in six moth loan cycle with declining method of recovery). The recovery rate remained 100%. The income earned PKR 1.76 million from the first cycle of disbursement can be utilized to increase the no. of loanees at adequate level and to meet the operational cost of the component as well which is indeed reflects sustainability of the project component.
Innovation and scaling up	With the lowest rate of service charges, without any mortgaging conditions, and less documentation procedures the community revolving fund for agriculture inputs attracted small land holding farmers as they first time get benefit from such a convenient support. Keeping in view the successful completion of one loan cycle along with 99.8% recovery ratio and deserving potential clients it can be replicated in other project union councils.
Impact	Small land holding farmers enhanced their crop yield and productivity through on time provision of quality agriculture inputs. This component generated ample amount of savings for the small farmers, which previously consumed on paying high mark-up and service charges. In the long run, community revolving fund will play a vital role in poverty alleviation, increase income and improve livings of small land holding farmers. The first cycle of CRFA influenced small land holding farmers in following productive manner: <ul style="list-style-type: none"> • Get rid from high service charge (interest rates) of local moneylenders, traders. • Prompt and smooth provision of small loans without any complicated proceedings and pledge of assets that was not possible before loaning from MFIs. • Cost and time saving; availability of agriculture inputs on desirable time resulted in better cultivation and productivity. • Freedom in acquiring desirable quality inputs (seed & fertilizers).

	<ul style="list-style-type: none"> Improved yield resulted increase in income and better livelihoods.
Lesson Learned	There is a big potential for small loaning in rural area but the microcredit services should design their loan products with lowest service charges so that this segment of rural area can take benefit and improve their crop yield.
Challenges	As a pilot activity there was limit to benefit only 1,600 small holding farmers while there was huge need prevailed in the same project area. This situation created little difficulty in prioritizing most deserving borrowers.
Constraints	Any natural disaster or uncontrollable pest attack may suffer the yield that can eventually affect the recovery ratio.
Exit Strategy	The activity will be continued through participatory monitoring mechanism; each CO/VO and LSO will keenly monitor the book keeper's role, documentation and loan disbursement and recovery mechanism. NRSP Microfinance Bank will also fully involve in execution and monitoring of this component and after the completion of the project will intake these small land holding farmers as their clients for microcredit programme. Moreover, NRSP fostered LSOs will take in its community investment fund (CIF) for the continuity of micro credit.
Community Physical Infrastructure Schemes (CPIs)	
Description	
The Pakistan Poverty Alleviation Fund (PPAF) model of CPIs which has two main domains or categories of CPIs in context of implementation these are	
<ol style="list-style-type: none"> 1) Conventional CPIs (Drinking water supply schemes, irrigation schemes, drainage and sanitation schemes, access roads and minor structure schemes, innovative technologies schemes) 2) Other CPIs (community schools, community building, flood protection bunds, street lights and sheds, small housing units) 	
Eligibility Criteria	
<ol style="list-style-type: none"> a) CPI schemes that benefit at least 15 households b) Cost per capita shall not exceed PKR 7,000 c) Beneficiary households agree to contribute a minimum of 10% of the project cost in cash, labour or cost of local materials. This requirement shall be waived for households in the 0-18 poverty band. d) The proposed CPI shall not have any negative effect on the environment, and all projects shall be screened for environmental impact. Any mitigation measures required shall be part of the CPI design. 	
Outcome	Enhanced access to basic services.
Relevance	Community infrastructure contributed significantly towards poverty reduction by enabling increased access to drinking water, irrigation, sanitation & drainage, transport, and markets.
Effectiveness	In SPPAP, local community and field engineers of social mobilization partner (NRSP) worked together in identification, planning, execution and monitoring of all the types of physical infrastructure schemes. This community participatory approach enhanced the abilities of rural underprivileged communities to identify and plan projects on their own and optimize utilization of resources for desired outcomes. Transparent procurement of construction material effectively ensured the overall success of the project every stakeholder was involved in this process. Women beneficiaries also participated in identification of CPIs. Drinking water supply schemes, sanitation schemes and access roads mostly based on women need so implemented with gender focused approach.
Efficiency	Access to basic infrastructure saved the cost and time of targeted beneficiaries. Specifically in irrigation schemes (e.g. lining of water course), small land holding farmers saved their cost, time and water as well. They get rid from water seepage and have optimum use of water in less time as before. (Reference impact assessment of watercourse). In addition to communal level CPIs, household level CPIs like household solar system enlightened the life of households living in remote and rural area who were deprived from electricity. There is free of cost and durable availability of electricity through solar energy systems (reference impact assessment on household solar system). In planning and execution of each CPI it was ensured that no CPI has adverse environmental impacts.
Sustainability	SPPAP's implemented CPIs benefitted a wide range of beneficiaries through social mobilization that is the key to ensuring that the schemes are community-owned. As each CO is under the fold of VO and LSO therefore this three-tier structure will itself make sure the continuance of the benefits of the CPI. Moreover, community participatory approach minimized environmental impacts and ensured sustainability of the schemes. Communities are encouraged to develop and promoted sense of ownership for the CPIs either at household or communal level eventually ensures that the implemented schemes will not be neglected and that they retained their usefulness for as long as possible.
Innovation and scaling up	Inclusion and participation of community in instigation to completion of CPIs is the heart of this project. The beneficiary and community engagement where make the project successful but also ensured the sustainability of the project. SPPAP not only addressed the basic infrastructure but also introduced and ensured access to modern technologies for improving the rural infrastructure. In electricity deprived areas a complete package of solar household system was implemented under the innovative category

	<p>of CPIs. Some beneficiaries also got benefit from renewable energy through biogas plants.</p> <p>Although the project mostly implemented irrigation and communication (soling roads) schemes but still community has immense need of these two types of CPIs. Agriculture productivity and improved livelihoods are directly depends on these infrastructures therefore scaling up of community need driven CPIs will contribute in rural development and uplift livings of deprived communities as well.</p>
Impact	<p>No matter what is the nature of CPI, these CPIs enormously added benefits to rural quality of life by enhancing productivity, improving livelihoods, and paved the way to access essential services. Irrigation schemes have large impact on small land holding farmers that helps to boost their income through quality of infrastructure, such as turbine and watercourse. Watercourse is helpful to mitigate the seepage of water, wastage of time and cost. It ensured smooth and fast irrigation of land for better agriculture productivity. Soling roads enhanced access to market and improved communication and transportation. Improved communication saved time of village residents to reach market. Access to basic infrastructure resulted improved livelihoods of deprived community.</p>
Lesson Learned	<p>Communal infrastructure schemes are more beneficial for the deprived community than household level CPIs. The 10% community (beneficiary) share indicates true need, interest and sustainability of the CPI.</p>
Challenges	<p>Project team faced difficulties in fulfilling the required demand (size in length) for soling rods (access roads) and water course because there is high need of these two types of CPIs in terms of number of CPIs and large size of length; while the project has limited number and measurement (length) for such categories of CPIs. To tackle this issue series of dialogues were conducted to satisfy community for the available provisions under SPPAP.</p>
Constraints	<p>It was observed that beneficiaries feel reluctant to bear the operational and maintenance (O&M) cost of large-scale communal schemes e.g. village level water filtration plant; therefore, project discontinued such types of CPIs that require operational cost on regular basis. Likewise household level (individual) schemes such as biogas plants are discouraged and discontinued due to propensity of losing interest of beneficiary because they could not keep them functional on regular basis when they have alternate source of combustion (e.g. cotton residues and fire woods).</p>
Exit Strategy	<p>SPPAP encouraged community level CPIs that benefits massive community like communication and irrigation schemes. These CPIs not only require less operational and maintenance (O &M) cost but also has long run and sustainable benefits to community; hence the all the members of CO adopted and care them overwhelmingly. Each CO not only have funds of O&M from SPPAP but it also has an internal mechanism of regular saving which will ensure successful continuity of the benefits to community. Moreover, COs' respective VOs and LSO will also play key role in persistence and continuance of the benefits to the community.</p>

Annex 1: Snapshot of the National Rural Support Programme (NRSP) and its community-driven development model

The NRSP model and methodology

NRSP envisions to organize the overwhelming majority of the rural poor into their own institutions i.e. the settlement/ mohalla level Community, village level Village and union council level Local Support Organizations (COs/VOs/LSOs). This “three tier model” ensures community participation, ownership, capacity building, access to services, accountability and transparency and links the communities with government and non-government organizations and with the local markets. It also translates into a major change in terms of including the poor and disadvantaged communities into a sustainable development process and hence impact on poverty and sustainability of various interventions.

Capital Formation, Savings and Resource Mobilization

Per NRSP’s 2015-2016 Annual Report, the savings generated by the COs form an essential component of the capital generation process that is critical to the sustainability of the COs. As of June 2016, PKR 1,544.42 million was cumulative savings of COs. In addition to this savings which are kept in their bank accounts, the communities were also able to generate financial resources as their contribution in the implementation of various community level interventions especially the physical infrastructure schemes. During the year, NRSP mobilized grant funds to the tune of PKR 3 billion. More than 70% of these funds were spent using the channel of COs/VOs/LSOs rather than direct disbursement by NRSP. The COs/VOs/LSOs also implemented a large number of projects and participated in government programmes on their own.

The matured LSOs and VOs were also able to run the Community Investment Fund (CIF), thereby benefiting the poorest of the poor through lending from the CIF. The COs/VOs/LSOs have been trained to carry out developmental activities using the self-help approach. A diverse range of community welfare activities such as providing social protection to the destitute, community centers etc. are some of the examples of self-help.

Engaging the Organized Communities in Poverty Reduction and Sustainable Development

Once organized each level of community institution – i.e. CO/VO/LSO – is engaged in a planning process which leads to the identification of developmental activities at household and community levels. The household level planning generally entails grants based programmes for the poorest of the poor, provision of microfinance to economically active poor and vocational and technical trainings. The community level interventions include Community Physical Infrastructure, Health, Education, Food and Nutrition, Disaster Preparedness and Management, afforestation, registration, civic rights and responsibilities, legal education, gender mainstreaming and various other subjects of public services and empowerment.

Example of NRSP capacity to mobilise institutions in just one year

During the Year 2015-16, 19,729 new COs were formed which are represented by 415,727 member households; with 55% of women representation. 335 Village and 20 LSOs were also established and strengthened during the year. NRSP’s Social Mobilization outreach expanded in 1,776 rural Union Councils of 59 districts in all Provinces of Pakistan; making it the largest Rural Support Programme in the Country. This large network of community institutions is sustained with the active involvement of community activists.

Gender mainstreaming by NRSP

NRSP has been following a gender mainstreaming policy since 2004, allowing all the programmes and projects to be designed, implemented and monitored in a gender sensitive way. The Gender and Development (GAD) unit at the head office is responsible for assessing the core programme, all projects and interventions at the design stage and monitor the performance from a gender perspective so that deviations from NRSP policy are identified and remedial actions taken on time. NRSP works closely with specialized organizations and networks such as ERAW, White Ribbons and AASHA to ensure NRSP is compliant of all standards and follows best practices.
