Project Completion Report

Pakistan Poverty Alleviation Fund - III

Pakistan Poverty Alleviation Fund

Final Report
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List of Abbreviations

ACRs	Annual Confidential Reports
AGP	Auditor General of Pakistan
BHU	Basic Health Unit
BoD	Board of Directors
CD	Community Dispensaries
CDD	Community Driven Development
CI	Community Institution
CIG	Common Interest Group
CLF	Community Livelihood Fund
CMT	Certified Master Trainer
CO	Community Organizations
CPI	Community Physical Infrastructure
CQA	Compliance and Quality Assurance
CRP	Community Resource Persons
DECRG	Development Economics Research Group (The World Bank)
DMPP	Drought Mitigation and Preparedness Projects
DWSS	Drinking Water Supply Scheme
E&S	Environment & Social
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
EOI	Expression of Interest
EQPR	Electronic Quarterly Progress Report
ESM	Environment and Social Management
ESMF	Environmental and Social Management Framework
ESMU	Environment and Social Management Unit
ESR	Environmental and Social Review
FA	Financing Agreements
FATA	Federally Administered Tribal Area
FESF	Family Educational Services Foundation
FIRR	Financial Internal Rate of Return
FM	Financial Management
FMIS	Financial Management Information System
FP	Family Planning
GoP	Government of Pakistan

IAUP	Integrated area up gradation Program
IEE	Initial Environmental Examination
IESR	Integrated Environmental and Social Review
IMR	Infant Mortality Rate
IP	Implementation Plan
IPPF	Indigenous Peoples Planning Framework
IRC	Indus Resource Centre
IRR	Internal Rate of Return
IWEI	Integrated Water Efficient Irrigation
IWMP	Integrated Water Management Program
KPK	Khyber Pakhtunkhwa
LEED	Livelihood Employment and Enterprise Development
LEP	Livelihood Enhancement and Protection
LHV	Lady Health Visitor
LSO	Local Support Organization
M&E	Monitoring and Evaluation
MER	Monitoring, Evaluation and Research
MDG	Millennium Development Goals
MFB	Microfinance Bank
MFI	Microfinance Institution
MIS	Management Information System
MMR	Maternal Mortality Rate
MNCH	Maternal, Neo-natal and Child Health
NA	National Accounts
NBFIs	Non-Banking Financial Institutions
NGO	Non-Government Organization
NPV	Net Present Value
NRSP	National Rural Support Program
NyK	Naukari Ya Karobar (Enterprise or Employment) Centre
O&M	Operation and Maintenance
OPD	Outpatient Department
PAR	Portfolio At Risk
PDMS	PPAF Disaster Management Strategy
PDO	Project Development Objective
PFFB	Pakistan Foundation for the Blind
PHC	Primary Health Care
PMIC	Pakistan Microfinance Investment Company

PO	Partner Organization
PPAF	Pakistan Poverty Alleviation Fund
PRISM	Programme For Increasing Sustainable Microfinance
PTC	Primary Teaching Certification
QPR	Quarterly Progress Report
RHC	Rural Health Centres
RSP	Rural Support Programs
SBA	Skilled Birth Attendant
SCAD	Sind Coastal Areas Development
SDG	Sustainable Development Goals
SECP	Securities & Exchange Commission of Pakistan
SMC	School Management Committee
SOE	Statement of Expenditure
SOPM	Standard Operating Procedures Manual
TBA	Traditional Birth Attendant
TPV	Third Party Validation
UC	Union Council
UC DMC	Union Council Disaster Management Committees
UCDP	Union Council Development Plan
UC ERT	Union Council Emergency Response Teams
VDP	Village Development Plan
VFM	Value for Money
VO	Village Organization

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Foreword

This Project Completion Report for the Pakistan Poverty Alleviation Fund III project has been prepared jointly by PPAF and a team of technical specialists who were given the responsibility of examining PPAF's implementation of the project and its achievements, outcomes, best practices and lessons learnt. The report follows the broad contours of the format of a World Bank Implementation Completion Report as it is designed primarily to assist the World Bank in its assessment of PPAF's performance. However, in the preparation of the report the team has capitalised upon the opportunity to take a critical review at some of the most difficult challenges in implementing a complex and geographically dispersed project with many new and innovative aspects. The report thus serves the purpose of enabling PPAF a deeper reflection on the challenge of poverty alleviation and social inclusion in Pakistan.

The exercise was undertaken in very close interaction with PPAF and its senior management and field staff. The preparation of the report included an extensive review of documentation and intense interaction with all Partner Organizations involved with the implementation of PPAF III through stakeholder workshops in the provincial capitals. The team also met with members of the community institutions and the beneficiaries. The report was prepared over a 12 week period between December 2015 and March 2016.

The team consisted of Ms. Maliha Hamid Hussein (Team Leader), Ms. Shazreh Hussain (Livelihoods & Social Inclusion), Mr. Ijaz Rizvi (Community Infrastructure), Ms. Abida Aziz (Health and Education), Mr. Sajidin Hussain (Environmental and Social Safeguards), Mr. Zulfiqar Ahmed (Financial Management), Mr. Sohail Anjum (Technical Support), Mr. Babur Ghani (Research Assistant) and Taimur Khan (Management Support).

Executive Summary

Project Context:

The Pakistan Poverty Alleviation Fund III (PPAF III) Project is a project financed by a USD 250 million IDA credit initiated on August 1, 2009 and completed in March 2016. Its objective was to empower the targeted poor with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods. The project comprised of five components: (i) Social mobilization and institution building; (ii) Livelihoods enhancement and protection; (iii) Micro-credit access; (iv) Basic services and infrastructure; and v) Project implementation support. The project built on eight years of previous experience with PPAF and aimed to improve poverty outcomes through a deepening and saturation approach in targeted areas and having an even stronger focus on poor households and women.

The project adopted strong targeting mechanisms which could more effectively identify the target groups including minimum targets for the inclusion of women and poor in the results framework. The project was designed to adopt a saturation approach to improve the impact on poverty reduction. The project was also designed to enhance more inclusive access of the poor to markets and local government through building organizations at the community, village and union council level. To better support these goals, there were some important changes in the project design during implementation with respect to a few of the components.

The Livelihoods component was reoriented to expand the range of opportunities and to review the target group as agents of change, rather than passive recipients. There was an emphasis on strengthening local level institutions for enhancing livelihood opportunities and a number of innovations were introduced such as *Naukri ya karobar* (Employment or Enterprise) Centres, Youth Centres, Loan Centres and Production Centres and significant efforts were made to restructure, standardize and modernize the training programme, develop market linkages, engage with the private sector, and create synergies to ensure long-term sustainability of investments.

Under the Basic Services and Community Physical Infrastructure (CPI) component there was a change in the Sind Coastal Area Development (SCAD) sub-component to expand the scope of activities to include investments in rural connectivity, protecting and strengthening livelihoods and increasing household income and resilience in disaster prone communities and implementation of an integrated programme with active participation of all relevant PPAF Units. There was a restructuring of the health and education programmes and revised strategies were formulated which shifted the focus on mobilizing communities to monitor and support existing government facilities instead of investing in direct service provision and strengthening of public sector facilities.

Under the microcredit component there was an expansion of the geographic coverage to districts which were previously not included for capacity building support and withdrawal from areas where the low level of demand did not justify continued presence.

Overall, the initial large number of districts and Union Councils within the scope of the project were gradually reduced (from 1610 to 1020 UCs) in order to deliver better on the project’s objective of increasing impact through saturation and deepening.

Relevance and Sustainability

Poverty is deep rooted in Pakistan with related problems of malnutrition, ill health, illiteracy, powerlessness, exclusion, violence, unemployment and underemployment and livelihood risks and vulnerabilities. The key Government policy documents that outline the national poverty reduction strategy in Pakistan are *Vision 2025*, the Medium-Term Development Framework (2005-2010), Poverty Reduction Strategy Paper II (2008-2012) and the New Growth Framework (2010). *Vision 2025* outlines ambitious plans for poverty reduction and aims to have "eliminated extreme poverty in all its manifestations much before 2025." As part of these plans, Government strongly committed to supporting PPAF, seeing it as a key instrument of its support to alleviating poverty at the national level. The Government has turned to PPAF to implement some of its most important initiatives including several of the Prime Minister's special initiatives such as the Prime Minister's Interest Free Loan Scheme. In its annual Pakistan Economic Survey, the Ministry of Finance cites the contribution of PPAF to achieving overall growth and poverty alleviation objectives and in the delivery of priority social safety net programmes.

The Government's Financial Inclusion Strategy includes the role of PPAF in the provision of micro-finance services. In particular, the Government's own strategy to increase commercial finance to the microfinance sector is dependent on the transformation of PPAF's microfinance operations into a separate entity under the Pakistan Micro-Finance Investment Company.

In terms of disaster response and recovery, Government has continued to turn to PPAF for assistance. Between 2010 and 2014 PPAF used its own funds to support communities affected by the massive floods, providing relief to 171,000 households in over 180 Union Councils across the country. Similarly, in 2015, PPAF in collaboration with its partner in Tharparkar initiated a drought recovery programme amounting to PKR 40 million which addressed the food, health and nutrition needs of affected communities. Over 4,500 households benefited from food baskets, mobile health services, animal fodder, vaccinations and management of acute malnutrition.

Not only did PPAF play a central role in helping to channel Government funds, but PPAF's own organizational structure and poverty graduation approach attracted a variety of multilateral and bilateral donors beyond the World Bank including the Asian Development Bank, DFID, IFAD, KfW, the Government of Italy and including several corporates, like Mari Gas, Shell etc.

Major Accomplishments:

Despite the very difficult and challenging circumstances under which the project was implemented, it fully reached its development objective of ***ensuring that the targeted poor have increased their incomes, improved their productive capacity and access to services under PPAF III*** . PPAF fully disbursed its project financing and exceeded most of the physical targets specified under the project. The success of the project is also evidenced by a host of positive external performance assessments of PPAF and its Partner Organizations (POs)**.**

There are a number of outcomes which are particularly noteworthy including: (i) supporting the growth of a nationwide microfinance sector into one which is now rated as one of the best in the world (The Economist Intelligence Unit); (ii) organizing over 120,000 community institutions (cumulatively from the start of PPAF I to now) with a core focus of inclusion of women and the poorest; (iii) developing the capacity of 130 civil society organizations; and

(iv) taking to scale its poverty graduation approach that has shown to significantly and positively impact income, consumption and wealth of the poorest households.

Specifically, PPAF and its POs organized 65,448 Community Organizations with a cumulative membership of over a million households. At project close, around 67% of the organizations met the criteria of viability. An assessment of the number of beneficiaries from the different components who could have potentially realized an increase in income indicates that there are estimated to be 1.219 million households who have received training, assets, micro-credit services and benefitted from infrastructure schemes. Third Party assessments from a range of different sources report increases of income upwards of 20%. Some 127,112 students benefited from the support to community and public sector schools and more than 12 million visits were made to community health centers and the basic health units established under PPAF III.

Preliminary analysis shows high rates of return of social mobilization, livelihood, physical infrastructure and the institution based models adopted for the education and health activities under the project. The Internal Rate of Return shows that each individual component generated significant value ranging from 21% to 138%. The Net Present Value for each component was positive in both economic and social terms. PPAF supports the Government's social protection programme by providing a poverty graduation approach for the poorest households.

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

A hallmark of this last phase of PPAF projects was the ability to realize some significant successes in introducing innovation and new development approaches to tackle some of the challenges in identifying and reaching the ultra-poor in a more effective and efficient manner with higher impact than other programmes. Similarly, the Union Council Development Plan has been a powerful new tool for building local capacities through the training of young people as community resource persons. Over 1,000 Community Resource Persons were trained and facilitated and a database of these CRPs can now be utilized by private, public and non-profit organizations to be on-hand resource persons for a range of technical skills for local communities.

PPAF has also assisted its POs in introducing some innovative financing products which are targeted at meeting some of the critical education and energy needs of the communities. These products include a low cost school financing product in collaboration with Kashf Foundation (KF) and TRDP. The project has reached out to 160 LCPS in Districts Bahawalpur, Multan, Gujarat, Sialkot, Lahore, Bahawalnagar, Khushab, Layyah and Tharparkar; benefiting 29,618 students (51% girl students) and 1,383 teachers who are working in these schools. The product by Kashf is being implemented in 100 schools and the introduction of this product has resulted in increasing the total enrolment to 16,824 students, of which 51% are girls. Trainings have been delivered to 697 teachers and 281 entrepreneurs. PPAF has also introduced a product designed to finance a renewable energy product which finances solar and biogas solutions. Over 2,407 clients have benefitted from these microfinance based solutions, with loan amount exceeding Rs. 45.28 million. The technical specifications of the solar panels are determined after an analysis of the electricity requirement of each household and repayments are based on household cash-flows.

PPAF has initiated the process of spinning off its micro-finance operations to create a separate Pakistan Microfinance Investment Company (PMIC) to enable it to expand its sources of funds and become Pakistan's leading microfinance investment vehicle. In April 2014, the Board of PPAF approved the setting up of the new national microfinance investment fund with investments by the United Kingdom's Department for International Development (DFID) and KfW the German Development Bank. External consultants were hired to facilitate the process of negotiations amongst the shareholders, design business plans, devise investment strategy and organizational structure of the new entity along with provision of legal advice on the formation and other regulatory compliance issues. In September 2015, the Finance Minister gave his approval in principle for the establishment of PMIC.

Innovative approaches were also used to promote women's inclusion. One example was the use of a Gender Committee (GenCom) to facilitate a culture of inclusion within PPAF, POs and communities and to mainstream inclusion in the implementation of PPAF III. This led, for example, to a successful pilot in South Punjab on overcoming Gender-Based Violence. Innovative approaches were also introduced to support better implementation of ESMF. For example, an Indigenous Peoples Planning Framework (IPPF) was introduced under PPAF-III to protect the indigenous heritage and practices of the people in the Kalash Valley in Chitral.

Overall, PPAF's willingness to continue to be open to new ideas and its willingness to take on new and difficult tasks has proven to be extremely important for its own sustainability and relevance.

Project Partnerships:

PPAF has had long standing relationships with most of the Partner Organizations that were used to implement the project and has helped to build their capacity to comply with the financial management, environmental and social safeguards required under the project.

PPAF also fostered a number of partnerships with academia, corporates, and government entities that supported the work being carried out under the project. For example, PPAF developed research partnerships with Centre for Economic Research in Pakistan (CERP), Lahore School of Economics (LSE), Oxford University, and others so as to strengthen the role of research and evidence-based planning/design for its components. Both the asset transfer / livelihoods component and the community social mobilization component have benefited from this research. Similarly, MoUs signed with a variety of corporates and provincial government agencies such as the Women Development Department (Punjab Government) helped strengthen the outcomes under PPAF III. This included the ability to help its borrowers manage the risk in the agriculture sector and forge commercial links between its clients, insurance companies and value chain actors in the agriculture and enterprise sectors.

Institutional Efficiency:

The unit cost of establishing a community organization and sustaining it under PPAF III for six years was USD 515 per CO. This investment enabled PPAF and its POs to implement the livelihood, community infrastructure and social sector components valued at USD 165 million. The community capacity to manage funds under PPAF was worth almost five times the funds invested in its own development. Community participation through active participation in financial and labour contribution, financial management and the procurement of building materials not only improved the efficiency of expenditures, but ensured stronger community ownership of community infrastructure projects and empowered participating communities.

PPAF also helped to improve the fiduciary systems within the partner organizations (especially small ones) and to strengthen financial management capacity at the community level. Within PPAF itself, a corporate governance framework compatible with best national and international practices was introduced alongside compliance with the statutory requirements and covenants stipulated in the agreements with the World Bank, other development partners and GOP.

Continued improvements in monitoring and evaluation capabilities can be seen throughout the project implementation period. A Compliance and Quality Assurance Group was set up in 2012 to look after all monitoring, evaluation, research and environment and social management compliance. A three-tier monitoring system was established to monitor outputs, outcomes and process. A number of third party assessments were also carried out to measure outcomes/impacts including The World Bank Development Economics Research Group (DECRG) which managed the impact assessment of PPAF III. The World Bank's own reviews of fiduciary arrangements of PPAF-III demonstrated the adequacy of the control and reporting systems including at all three tiers of World Bank-financed activities (PPAF, PO and COs). The financial management arrangements in place were rated as "Satisfactory" throughout the PPAF III implementation period.

Role of the World Bank:

PPAF, the Government of Pakistan and the World Bank have been in partnership since the year 2000. The investment of IDA financing and implementation support for 15 years witnessed the full delivery of project objectives, a number of important innovations in poverty reduction approaches with potential global reach and a strengthening of GoP's poverty reduction mandate. The completion of PPAF III marks the graduation of PPAF as a mature institution that can implement complex multi-sectoral projects, absorb substantial resources and work simultaneously with multiple development partners.

Whilst overall the role of the World Bank has been a very positive one, and the considerable success of PPAF would not have been possible without the support from the World Bank, there were some instances where the quality of implementation support veered off course into what could be seen as attempts to interfere in the management of PPAF and some missed opportunities to support PPAF to better implement its evolving strategy (particularly in the health and education sectors) with some negative impact on the implementation of the social sector program in particular.

Lessons Learned:

Given the positive learning for development approaches globally, the World Bank requested that the PPAF Project Completion and Results Report (PCRR) be a more detailed learning PCRR. Therefore, the lessons learned are an important element of this PCRR. Amongst some of the most important lessons are the following:

a) The use of the Poverty Score Card to target the beneficiaries for transfer of asset and training programs and the use of Community Organizations to verify the poverty status of households to rectify any exclusion or inclusion errors from the scorecards was an essential element in the improved poverty targeting and deepening that was at the center of the project objectives Similarly, setting a high standard in collecting and utilizing sex-disaggregated data in of the ability to judge both satisfaction and impact.

b) Under the project, PPAF did not dictate the political processes that community institutions were to use. Rather PPAF focused on providing guidelines to ensure that the community institutions were not hijacked to meet the political interests of one party but reflected the broader interests of the membership. This was an important evolution in the role of community organization facilitation which continues to provide solid evidence to global experience that community driven approaches have the capacity to implement a large number of community physical infrastructure schemes efficiently and cost-effectively.

c) This project provides many interconnected lessons on how to deliver on a deeper and more sustainable micro-finance sector and particularly on the ability to reach the ultra-poor. This includes methods for better use of third party oversight in Community Livelihood Funds. The lessons also relate to striking a better balance between growth objectives and promotion of diversity amongst MFIs to get better outcomes. PPAF's role as an advocate for the smaller MFIs was instrumental in enhancing the sustainability of the microfinance sector

d) A saturation approach to poverty reduction requires continued innovation in methods of delivery. Building the capacity of hard-to-reach localities through the training of young people as community resource persons is a successful strategy to engage youth who may otherwise have been marginalized and to create a new and energetic network of development actors at the community level who also act as agents of change. Differentiated strategies are required for girls and boys.

e) The feedback received from the field by PPAF and its POs indicates that there is strong demand for quality education and thus a need to invest greater resources in service delivery models which can provide quality education. Investing in demand creation without the provision of a supply of quality education is neither efficient nor effective and may be counter-productive. PPAF has learnt that educating girls is the single most important intervention for women's empowerment. Although financing community schools entailed higher costs, it is likely that such schools would have been the most effective over the longer term. PPAF should have committed to the community schools for a longer period of time, at least 10 -15 years, as this is what is required to create and graduate local human resource to sustain those schools.

Moving forward:

Government remains firmly committed to the task of development and poverty alleviation. The Government has taken over the responsibility for achieving the Sustainable Development Goals (SDGs) which outline a 15-year agenda to address the 17 issues of the developing world which include poverty, hunger, quality education, clean water, sanitation and affordable energy etc. With its wealth of experience and innovation, PPAF is in a strong position to assist the Government of Pakistan and its current and future development partners in the achievement of the SDGs in partnership with its Partner Organizations and the community institutions on the ground.

Report Content:

Chapter 1 (Introduction and Overview) provides an overview and assessment of the various components and the overall project achievements against the PDOs, with a focus on relevance to government priorities, effectiveness, efficiency, innovations, sustainability, unintended outcomes and impacts, and value for money. It assesses Bank performance and lessons learned. Chapters 2 – 6 offer a detailed review of each component of the project which are summarized in Chapter 1. Chapters 7 – 9 review the institutional arrangements for implementation, including compliance on environmental and social management safeguard protocols, monitoring and evaluation and financial management and oversight.

1 Introduction and Overview

1.1 Project Context, Development Objectives and Design

1. The development objective of the Pakistan Poverty Alleviation III (PPAF III) Project was to empower the targeted poor with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods. This was to be achieved by increased organization and inclusion of the poor – including women, youth, disabled and ultra-poor households – in community institutions and their enhanced participation in economic activities, skill enhancement for taking-up higher value employment, and increased income through an increased asset base, improved infrastructure and market linkages. Gender was mainstreamed into the project objectives and design. The key outcome indicators to assess achievement of the PDO included (i) community institutions that were inclusive, viable and sustainable and (ii) increase in household assets and/or incomes and (iii) improved access to municipal and local services.
2. The project comprised of five components: (i) Social mobilization and institution building (ii) Livelihoods enhancement and protection; (iii) Micro-credit access; (iv) Basic services and infrastructure; and v) Project implementation support. The approach to credit was to facilitate outreach, improve capacity and build access of community institutions to micro-credit with the micro-credit facility focused on less developed and least penetrated areas. The project was expected to adopt a stronger integrated approach with enhanced investments in sustainable livelihood opportunities. These investments were to range from skill enhancement, access to micro-credit, improved access and linkages to markets, government departments and local government, community managed grants for social and productive infrastructure. It was also assessed that in many areas, grant based livelihood approaches were needed first to build the assets, livelihood opportunities and credit worthiness of poor households.
3. The project was a USD 250 million World Bank financed project initiated on August 1, 2009 and expected to end after five years on July 31, 2014. The project was extended twice and its current closing date is March 2016. The project built on eight years of previous experience with PPAF and aimed to improve poverty outcomes through a deepening and saturation approach in targeted areas, a stronger focus on the marginalized groups of the most vulnerable and poorest households including women. The project was designed to administer strong targeting mechanisms that helped in effectively identifying the target group and specifying minimum targets for the inclusion of women and poor in its results framework. The project was designed to adopt a saturation approach in targeted Union Councils to improve the impact on poverty reduction. The project was also expected to strengthen its approach to building inclusive institutions of the poor and improve their access to markets and local government through a clustering of small groups into entities as community, village and union council level organizations.
4. There were a few significant changes in the project design during implementation with respect to some of the components. The Livelihood component was reoriented to expand livelihood opportunities and to review the target group as agents of change, rather than passive recipients. There was an emphasis on strengthening local level institutions for enhancing livelihood opportunities and a number of innovations were introduced such as *Naukri ya karobar* (Employment or Enterprise) Centres, Youth Centres, Loan Centres

and Production Centres and significant efforts were made to restructure, standardize and modernize the training programme, develop market linkages, engage with the private sector, and create synergies to ensure long-term sustainability of investments. Under the Basic Services and Community Physical Infrastructure (CPI) component there was a change in the Sind Coastal Area Development (SCAD) sub-component to expand the scope of activities to include investments in rural connectivity, protecting and strengthening livelihoods and increasing household income and resilience in disaster prone communities and implementation of an integrated programmes with active participation of all relevant PPAF Units. There was a restructuring of the health and education programmes and revised strategies were formulated which shifted the focus on mobilizing communities to monitor and support existing government facilities instead of investing in direct service provision and strengthening of public sector facilities. Under the microcredit component there was an expansion of the geographic coverage to districts which were previously not included for capacity building support and withdrawal from areas where the low level of demand did not justify continued presence.

1.2 Achievement of Project Development Objectives

5. The Project Development Objectives was to ensure that the targeted poor were empowered with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods. The PPAF III Results Framework identified three outcome indicators to measure the achievement of the Project Development Objective. These indicators specified that (i) at least 60% of community institutions were viable and sustainable; (ii) at least 60% of the community members report a minimum of 20% increase in household incomes and/or assets and (iii) at least 33% of targeted community groups/institutions report improved access to municipal local services.

6. An assessment of the performance of PPAF and its partners based on a host of external evaluations and reports by the Partner Organizations (POs) shows that ***PPAF has been able to achieve the development objective of ensuring that the targeted poor have increased their incomes, improved their productive capacity and access to services under PPAF III.*** PPAF and its POs organized 65,448 Community Organizations with a membership of 1.28 million households. The reports of POs and third party assessments indicate that based on the performance rating criterion established to assess the viability and sustainability of the COs, 67% of the organizations were meeting this criteria at the end of December 2015. From among these members, 60% or roughly 730,000 households were expected to report a minimum of 20% increase in household income. An assessment of the number of beneficiaries from the different components who could have potentially realized an increase in income indicates that there are estimated to be 1.219 households who have received training, assets, micro-credit services and benefitted from infrastructure schemes. Third Party assessments from a range of different sources report increase of income which is upwards of 20%. There are 127,112 students who benefited from the support to community and public sector schools and more than 12 million visits are reported to avail of the services of the community health centers and the basic health units established under PPAF III. The Results Framework provides a summary of key achievements under each component (Annex 1.1).

1.3 Key Factors Affecting Implementation and Outcomes

1.3.1 Overview

7. PPAF strives to achieve the core values of social inclusion, democratic governance, transparency, accountability and sustainability. PPAF has tried to embed these in its selection criteria and the financing decisions of its Partner Organizations and community institutions to ensure that its partners also subscribe to the same values. In implementing PPAF III, many of the earlier lessons from its experience were incorporated in how it implemented the project. While the overall approach adopted in most of the components was well developed and sound, there were some completely new elements in the design such as the initiation of a new livelihood and enterprise development component for which neither PPAF nor its partners initially had the orientation or the institutional structures in place. However, PPAF is a dynamic institution which has risen to the challenge of reinventing itself to respond to the needs of the communities it serves.

8. The social mobilization and institutional development approach was based on more than 30 years of experience with establishing a similar model of community organization that has proven its utility in offering an efficient and effective mechanism for participatory development that enables direct engagement with communities. While these community institutions have been very effective as a mechanism for identifying and delivering basic needs to their members, experience also shows that these institutions atrophy rapidly in the absence of meaningful activities to engage its members. Furthermore, these organizations cannot be masked as cooperatives or credit unions and given responsibilities that even well managed cooperatives often struggle with. The elements in the design that emphasized the measurement of the performance of these institutions based on sustainability criteria and gave them responsibility for managing community savings, internal lending and collective assets were ambitious undertakings which did not always draw lessons from past experience. PPAF's approach has been to encourage collaborative learning and sharing the strengths and weaknesses of the different approaches adopted by its partners but not be too directive in specifying any single approach.

9. The Livelihood and Enterprise Development Component was built on the strong evidence base backed by the lessons learnt through PPAF's Targeting the Ultra-Poor Project (TUP) which demonstrated that ultra-poor families could be graduated out of poverty through training, assets, food stipends and health services. As livelihood interventions were not PPAF's core business, PPAF had to put in place an appropriate organizational structure, recruit and build capacity of staff. The project design had to be detailed and appropriate systems and tools developed for implementation and monitoring the LEP component. The poverty scorecard survey had to be completed before disbursement could take place as the component had to use poverty scores for the targeting of its interventions.

10. The design of the microcredit component was based on PPAF's successful experience of lending through a range of Partners which had gradually transformed themselves into strong MFIs. This component was well designed apart from the restriction of the initial design to implement this component only in the most remote, economically underdeveloped districts with low existing levels of financial penetration. This proved to be an unrealistic expectation. The grant support to Partner Organizations was also based on PPAF's considerable experience of the requirements of the sector and the specific needs of MFIs to raise funds for operational support for expansion to new areas and

strengthening their MIS systems to make them compatible with modern financial eco-systems. The terms of the loan funds and the tenure of the financing agreements were structured based on PPAF's well-established policies of providing market based rates to POs for a period which ensured financial discipline and proper risk assessment while promoting rural economic growth. PPAF also introduced mechanisms to ensure that the POs were adopting efficient systems of disbursement and that the efficiency gains were passed on to clients in terms of lower interest rates and more efficient systems of delivery.

11. The infrastructure component of the project was well designed and also based on the well-developed methodology of selection of schemes in a participatory manner, community contribution, implementation and operation and maintenance of the schemes. Some key underlying principles that have been responsible for the success of this component include the very discrete diagnostic process in which a scheme is assessed from both the technical and social perspective and community members are closely involved in its design and supervision and funds are disbursed to the community in a phased manner after the completion of each stage of scheme implementation.

12. PPAF's implementation of its social sector programmes suffered as a result of the considerable vacillation by the World Bank regarding the strategy that PPAF should adopt in its health and education investments. There was a clear plan articulated in the appraisal document that the education programme would be envisaged as a long-term programme with a clear vision for implementation and continuity. The support to be provided to the education and health facilities was clearly identified and it was envisaged that overtime each of the supported facilities would be managed and supported by the community and the costs would be met through student or patient fees, community support and community institutions' productive linkages with government departments, other development partners and the corporate sector. However, this plan was changed mid-stream on the insistence of the Bank as facilities were hurriedly transferred to the communities and Government. From an approach which was based on improving the supply of social sector services, it was changed to one in which much greater emphasis was given to generating demand without proper analysis of the underlying demand and supply context in different project locations. This did not allow sufficient time for the investments in the education and health sectors to grow and undermined their overall impact.

13. The Bank's safeguard policies on social and environmental factors were taken into consideration under the project and a framework was developed to help address specific requirements during implementation. PPAF developed its institutional capacity to deal with environmental and social safeguards and developed a separate unit to deal with these key issues and established a New group for compliance and quality assurance. PPAF enhanced its own capacity and its partners to become more sensitive to environmental issues and carefully drafted negative lists which highlighted areas of investment which could not be considered under each component to ensure that there was no infringement of social or environmental safeguards of the Government of Pakistan or the World Bank. Each quarterly report produced by PPAF minutely documented and reported on compliance with the stated requirements. PPAF also made progress update on these aspects mandatory for all Back to Office reports.

14. The project appraisal document had also identified some specific risks associated with the implementation of the project which included the risks of technical design, elite capture, lack of cooperation, PO capacity, growing insecurity and governance. However,

some of the implementation risks were overlooked such as the low level of motivation to continue community institutions in the absence of specific activities, risk of internal lending, the risks associated with providing collective assets without clear specification of ownership rights and responsibilities, the low level of demand for credit and high ratio of Non-Performing Loans in remote districts with scattered populations. PPAF established a Board Committee in February 2011 to provide oversight in case of any significant risks.

15. Government has been strongly committed to supporting PPAF and has viewed it as a key instrument of its support to alleviating poverty. The Government turns to PPAF for implementing some of its most important and emerging initiatives and expects it to be a key player in implementing its programmes on the ground such as several of the Prime Ministers special initiatives. A key indicator of Government support to PPAF and the project specifically was illustrated by the fact that the Government borrowed funds from the World Bank and provided these to PPAF. Similarly, Government has also borrowed funds from other multilateral agencies and passes on the funds to PPAF to achieve stated poverty alleviation objectives.

16. The Ministry of Finance acknowledges the contribution of PPAF to achieving overall growth and poverty alleviation objectives in Pakistan’s Economic Survey on an annual basis. The specific coverage and outreach of PPAF is highlighted as an integral part of the Government’s social safety net programmes. The Government’s Financial Inclusion Strategy envisages a key role for PPAF in the provision of micro-finance services. The transformation of PPAF’s microfinance operations into a separate entity under the Pakistan Micro-Finance Investment Company is seen as a special government strategy to increase commercial finance to the microfinance sector. PPAF is also seen as an important partner in the strategy to help the Government develop new products and business models that rely on digital platforms, provision of agriculture finance and ensuring the adoption of principles of consumer protection. The Ministry of Finance’s approval to PPAF to initiate the process for establishing the Pakistan Microfinance Investment Company shows that the Government is in accord with PPAF’s long-term vision about its role in enhancing financial services to the poor. PPAF has also been invited to help shape the policy and regulatory environment for the sector as a member of the State Banks of Pakistan’s Consultative Council.

1.3.2 Monitoring and Evaluation

17. While most of the indicators were adequate to monitor progress towards the achievement of the specific Project Development Goal, there were some indicators which appeared to be too focused on outputs such as the indicator which specified that a measure of the achievement of the overall goal was that at least 60% community institutions were viable and sustainable. Secondly the intermediate outcome indicator which required that a certain percentage of COs were clustered into VOs which in turn were clustered into LSOs was not appropriate for a design document which claimed to be model neutral. While PPAF had established a good system for tracking the poverty profile of its beneficiaries and is collecting this data for the livelihood programme, it has not been possible for it to establish an MIS system that maintains the records of individual beneficiaries. PPAF was expecting that Third Party assessments would provide it the needed data on the impact of asset transfers and training, the quality of the reports produced by the external consultants has generally been of variable quality. PPAF is in the process of refining its system of data collection for health and education investments and to devise a system to collect data on the number of students who complete primary,

middle and high school levels as well as record improved retention rates and incremental enrolments and report on the quality of education. Similarly, PPAF is in the process of assessing how best to record the impact of its health sector investments which are much more difficult to estimate.

1.4 Project Achievements

1.4.1 Overview

18. PPAF was successful in disbursing all of the resources of PPAF III and exceeded most of the physical targets specified under the project. One of the main reasons for the success of the organization in delivering the PPAF III targets was its well-established procedures for implementation of its activities through its Partner Organizations. In addition, PPAF has had long standing relationships with most of the Partner Organizations that were used to implement the project and has helped to build its own and its partners capacity to comply with the financial management, environmental and social safeguards required under the project. The process of undertaking social mobilization, initiating and implementing community infrastructure schemes and micro-credit were very well defined. PPAF also initiated a wide range of new activities under the project. The most significant of these were the activities associated with the livelihood and micro-finance components and the host of new innovations which were developed as part of PPAF's attempts to help its borrowers manage the risk in the agriculture sector and forge commercial links between its clients, insurance companies and value chain actors in the agriculture and enterprise sectors.

1.4.2 Geographic Coverage, Saturation and Deepening

19. PPAF III was initiated in 1610 Union Councils (UCs) located in 101 districts in the country which included 64 priority and 37 non-priority districts. The priority districts were selected based on previous investments in social mobilization as part of the World Bank-assisted social mobilization project, their status with reference to the Human Development Index, and the extent to which floods and food insecurity affected them. Since HDI values were not available for the 24 districts and agencies in AJK, FATA and GB, food security rankings were used as the primary basis for inclusion among the Priority Districts. However, after the decision in July 2011 to further focus the efforts of the project, its activities were concentrated in 1,020 Priority UCs for further saturation and deepening. The provincial and special area coverage of the project shows that the provinces and special areas that were disadvantaged got a much larger share of the resources of the project. Balochistan and Khyber Pakhtunkhwa both got much larger shares of the PPAF-III allocation compared with the other provinces.

Table 1.1: Coverage of PPAF III

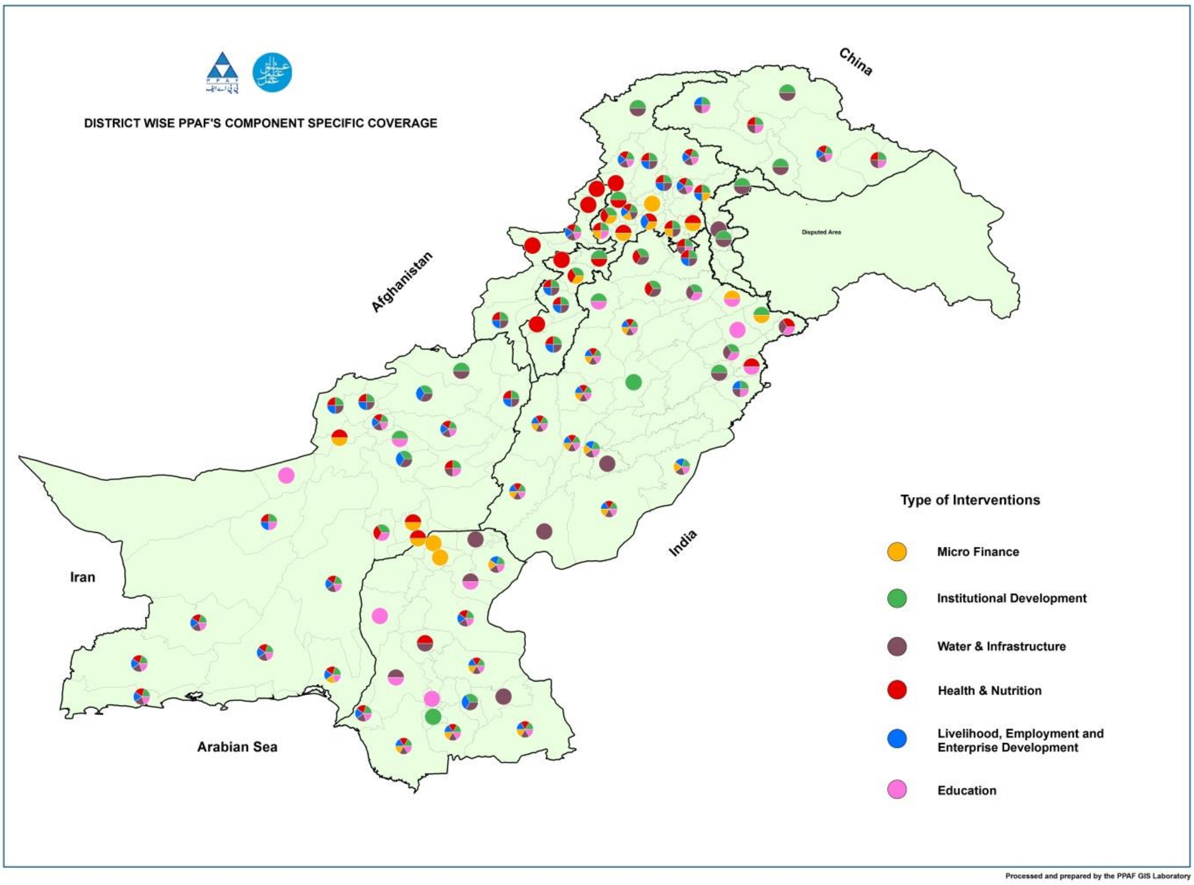
Province /Area	Overall Union Council Coverage	Priority Union Councils	UC Coverage under PPAF III	Share of PPAF III Resources	Mcro-Credit Funds
AJK	27	0	2%		
Balochistan	236	164	15%	27%	1%
FATA	40[a]	32 [a]	2%		
GB	94	42	6%	4%	
ICT	15[a]	0	1%	2%[a]	
KPK	338	164	21%	19%	3%
Punjab	587	454	36%	14%	56%
Sindh	273	164	17%	34%	40%
Total	**1,610**	**1,020**	**100%**	**100%**	**100%**

a: villages/sectors

20. Despite PPAF's best attempts to integrate the different component activities, it was not always possible to integrate them because PPAF was spread over a large number of districts across the country at the time of the initiation of PPAF III with the promise to deliver concrete services in each area. It was not immediately possible for PPAF and its Partner Organizations to extricate themselves from these existing areas of work due to commitments and expectations of existing communities with which it was working. Moreover, the coverage of the different components at the Union Council level was based on partner presence and capacity, available resources and the extent to which the areas met the selection criteria. Over time PPAF has refined its geographic coverage strategy and under its latest investments in the Livelihood and Community Infrastructure Programme (LACIP) and the Italian Funded Programme for Poverty Reduction (PPR) it has adopted an approach which focuses on a particular geographic area and addresses its multi-sector needs for enhanced impact.

21. There were 91 Partner Organizations involved in PPAF III over the six years of the project. Many of them were involved in more than one component. However, those involved in microcredit were specialist Micro-Finance Institutions (MFIs) and were generally involved with only the credit component. Under PPAF III, the Social Mobilization and Institutional Development Component was implemented in 1,006 UCs, CPI interventions were implemented in 518 UCs, Livelihood and Enterprise Development was implemented in 390 UCs. The education investments were implemented in 51 districts while the health investments were implemented in 67 districts. The micro-credit operations were attempted in 37 districts but subsequently restricted to 18 districts in which there was demand for loan funds and an additional 10 districts were included for capacity building grants. Despite the focus on a limited number of Union Councils these were spread across the country and represented 17% of the 6000 or so Union Councils in the country. The map below shows the coverage of the different components under PPAF-III. Some areas such as the widely dispersed population in Balochistan, the mountainous Northern and the desert areas across the country presented specific challenges.

Figure 1.1: Coverage of PPAF III



1.4.3 Targeting Strategy

22. PPAF is one of the few organizations that has encouraged the sharpening of the targeting strategy of Partner Organizations over time. Initially a wealth ranking exercise was being undertaken to identify the target beneficiaries. PPAF had planned that under the project it would obtain data on the poverty profile of each of its members through access to the poverty score card data which PPAF had helped to design and implement in partnership with the World Bank and its POs for the Benazir Income Support Programme (BISP). However, PPAF could not access this data and subsequently decided to administer the Poverty Score Card through its partners planning to implement the Livelihood component. Every grant under this component was disbursed on the basis of a poverty score. In addition, PPAF had established targets for the inclusion of girls and women in all its components. People with disabilities and youth were also targeted for the first time in a development programme of this type. These strategies were extremely successful in the inclusion of the poor, women, youth and the disabled in project activities.

Component 1: Social Mobilization and Institution Building (US$ 38.5million)

23. By the end of December, 2015 the Project had achieved all of it targets by forming or revitalizing 65,448 COs/WOs, 5,616 VOs and 380 LSOs. The institutional development component was implemented in 1006 Union Councils. The Community Organizations have a total membership of 1,287,617 households or 31 percent of the 3.89 million households in the target area. All numerical targets under the Project were exceeded by a significant margin. These institutions were the main channel for disbursement of PPAF

III resources which they have undertaken effectively. The Community Institutions have implemented the infrastructure schemes and played an important role in other components of the Project. These institutions are also beginning to enhance their scope of work to include activities in the social sectors and livelihoods. The preparation of Village Development Plans and Union Council Development Plans served to identify the needs at the local level and help in sharpening the vision of the communities about their future. There has been considerable training of community members in organizational and financial management and leadership. The area of peace and tolerance and rights is gradually being introduced to their terms of reference.

24. In 2012, PPAF also undertook additional efforts with dedicated financing for promoting women's inclusion. A Gender Committee (GenCom), comprising women and men from different units and tiers in the organization, was formed within PPAF to spearhead this effort. The objective of this committee was to facilitate a culture of inclusion within PPAF, POs and communities and to mainstream inclusion in the implementation of PPAF III. Activities included organizing conferences of rural women, instituting an award to recognize rural women leaders, initiating a national retreat for social mobilizers to dialogue on promoting Sustainable Development Goal (SDG) 5 – Gender Equality and running a pilot on reducing Gender-Based Violence.

Component 2: Livelihood Employment and Enterprise Development (US$ 85.3 million)

25. The livelihood component has successfully achieved and exceeded most of its targets with distribution of assets to 88,357 beneficiaries and training delivered to 388,750 women and men. The arrangements for implementing the livelihood component were complex. It was initially delivered through 40 partner organizations (POs) in 390 UCs (including 49 CERP research UCs) dispersed in 48 districts across Pakistan and then focused in on 143 UCs in 26 districts in the last two years. A key achievement of PPAF III has been the inclusion of the ultra-poor, women, youth and persons of disability through this component. This was achieved through proactive policies, use of quotas, and utilization of a monitoring system that collected data disaggregated by gender, age and poverty scores for active course correction. The institutional innovations introduced under the component such as NyK centres, Digital Hubs, Production Centres and Youth Centres required careful planning with POs which had little or no previous experience in these areas and were supported by PPAF through the development of detailed and high-quality training manuals. A key factor responsible for the success in achieving the training targets was the strategy of creating Community Resource Persons and providing training to communities through them.

Component 3: Micro-credit access (US$ 40million)

26. The funds available for on-lending have been fully utilized. By the end of December 2015, PPAF had disbursed the entire Rs. 2,975 million of the loan funds and revolved it around three times from reflows and exchange rate gains amounting to a total of Rs. 8,387 million. This disbursement translates into achieving 278% of the original component allocation. As far as the grant is concerned, PPAF disbursed Rs. 712.4 million which includes Rs. 500.4 million (USD 5.56 m) of the original allocation and Rs. 212 million which accrued as a result of exchange rate gains. The micro-credit component was implemented by 22 Partner Organizations across the country. However, support for institutional development from the grant sources was provided to 31 organizations. Funds for on-lending to organizations not working in the selected districts was made available through PPAF reflows and other sources. From an analysis of the

funds under the component, it appears that 40% of the POs received 83% of the credit funds. These same organizations received 58% of the grant funds. The PPAF approach to extending outreach through its partner MFIs succeeded in providing 582,990 loans with new loans comprising 376,532 as on December 2015. The gender distribution of the loans shows that women received 72% of the loans.

Component 4: Basic Services and Infrastructure (US$ 80 million)

27. The targets specified under this component were categorised into several categories of schemes. Under the project a total of 7,169 sub-projects were implemented at a total cost of Rs. 4.806 billion. These projects were implemented in 641 union councils, in 66 districts, ICT and 2 Agencies in some of the most remote and poor areas of Pakistan. These schemes were undertaken with the help of 9,139 COs and benefited 479,737 households. A categorization of these sub-projects shows that 29% were for drinking water supply, 28% were irrigation related schemes 18% were roads and bridges, and 10% were for the improvement or new drainage and sanitation infrastructure, while the remaining 15 % included other infrastructure which suited the local requirements and community needs. The provincial spread shows that the 30% of the schemes were in Sindh, 25% in Punjab, 24% in Balochistan, 14% in KPK, whereas the remaining 7% were in AJK, GB and FATA.

Education, Health and Nutrition

28. The education component exceeded its targets in terms of the number of schools it supported, the teachers hired and trained and the number of students supported. PPAF supported 896 schools of which 690 were government schools and 206 were community schools. Two thousand teachers were trained and placed in public schools and 1500 teachers were provided to the community schools. Under PPAF III, support was provided to schools in which a total of 127,112 students were enrolled. Of these 98,384 students or 77 percent were enrolled in the public schools and 28,728 students or 23 percent were enrolled in community schools. The health programme provided support to 504 health facilities: 361 were government health facilities and 143 Community Health Centres. The health programme’s key achievement was providing Primary Health Care (PHC) and Maternal, Neo-natal and Child Health (MNCH) services through facilities where more than 12 million women and men are reported to have visited the public and private health facilities during the project duration. About 83% of the patients (10 million) accessed public health facilities and 17% (2 million) used Community Health Centres.

29. After the modification of the education and health strategy and the withdrawal of PPAF III support from these facilities, these were handed over to the Government, community, taken over by the PO or continued with PPAF’s own support. All the community schools and health facilities are still functioning and are being supported through one of these mechanisms. The modification of the health and education strategy entailed the direct financing of students through education vouchers, the training of 68 Community Resource Persons (CRPs) on the rights to education, 21 on education as social enterprise, 112 on school development plan, including 22% women. Due to these initiatives, 117 school development plans have been developed, 483 awareness raising sessions have been organized, and 68 awareness raising and confidence building events have been organized for children. Similarly, under the health component, the activities such as capacity building of CRP, health day advocacy, knowledge management and innovative health and nutrition models have been implemented. About 56 health CRPs have trained

19,355 community members (32% women) in improved hygiene practices. In addition, 103 Nutrition/MNCH CRPs have trained 82,557 community members. As a result of these efforts, 280 malnourished children and 147 pregnant lactating women were referred. Under the sub-component, 44 community health workers were also trained as social entrepreneurs and 144 awareness raising campaigns were launched by youth centers on polio, EPI vaccination and WASH were which were attended by round 6,000 persons (14% women).

Component 5: Project Implementation Support (US$6.2 million)

This component was designed to facilitate various governance, implementation, coordination, monitoring & evaluation, learning and quality enhancement efforts for successful project implementation. It consisted of four sub-components: (i) Governance Management; (ii) Project Management; (iii) Monitoring and Evaluation; and (iv) Capacity Building for Institutional Development. The expected outcome of this component was an effective and transparent project management established for coordination, learning and impact evaluation, and quality enhancement. PPAF made significant changes to integrate the functioning of its units, instituted an MIS system, strengthened its monitoring and evaluation functions, instituted a system for grievance redress and aligned its salary and benefit structure and made some key changes to enhance its capacity for implementation of the wide range of activities under PPAF III.

1.5 Assessment of Outcomes

1.5.1 Relevance

31. The key policy documents that outline the national poverty reduction strategy in Pakistan are the Vision 2030, the Medium-Term Development Framework (2005-2010), Poverty Reduction Strategy Paper II (2008-2012) and the New Growth Framework (2010). The Vision 2030 outlines ambitious plans for poverty reduction and aims to have “eliminated extreme poverty in all its manifestations much before 2030.”[1] The MTDF provided a framework for translating the Vision 2030 into action during the 2005-2010 period with an emphasis on “sustained long-term growth.” The PRSP-II presents the strategy to ensure that the growth is broad based and leads to effective poverty reduction. PRSP sees the agriculture and rural non-farm sector as important for employment generation. Within the agriculture sector it sees a potential for increasing yields, diversification of cropping patterns, production of high value crops and investments in livestock and dairy development. The government’s rural development objectives include improving the quality of life of the rural people by strengthening the rural economy by increasing agriculture productivity, water resources availability, improving rural infrastructure, providing social amenities and undertaking projects to meet local community needs.

32. The Government is fully committed to following a sustained poverty reduction strategy and allocates a minimum of 4.5% of GDP to social and poverty related expenditures. The resource allocation to PPAF is considered an integral part of this strategy. Government faces a severe resource constraint and a significant share of the public budget is diverted to debt servicing and defense. Access to education remains low and completion rate for primary education is among the lowest in the world. Overall literacy

[1] Vision 2030.Planning Commission.

rate in Pakistan is reported to be 58% for the country as whole[2] with even lower rates for women in rural areas. Public spending on education has been around 2% of GDP and this low level of allocation reflects the quality, poor teaching and learning outcomes and inadequate educational infrastructure. Government allocation on health has been even lower at 1% of GDP, making Pakistan one of the lowest spenders worldwide. Health outcomes have improved but at a slow pace while nutritional outcomes have not improved over the last two decades, and have even deteriorated for some indicators. The 2011 National Nutrition Survey estimated that the rates of child stunting have not changed since 1965 with 44% of children being stunted and 15% of Pakistani children under 5 suffering from acute malnutrition.

33. Poverty alleviation remains firmly on the Government's agenda, as benefits of economic growth have not automatically trickled down to the poorest and the most vulnerable sections of the population. There have been recent developments which have further exacerbated vulnerability and poverty in the country. Poverty remains a persistent problem with its multiple facets that interact and mutually reinforce each other such as malnutrition, ill health, illiteracy, powerlessness, exclusion, violence; unemployment and underemployment and livelihood risks and vulnerabilities. The exact estimates of poverty in Pakistan are sensitive to the choice of poverty line and methods employed to estimate it. These estimates range from 60% if the poverty line is fixed at $ 2 per day to 45.6% if a multi-dimensional index of poverty is used to 35.6% based on primary data from the Pakistan Integrated Household Survey[3] to 33% using the Proxy Means Test used in the Poverty Score Card and 17% based on the use by Planning Commission of Pakistan's national poverty line using Household Income and Expenditure Survey data. Regardless of the poverty estimates, PPAF continues to play a central role in helping to channel Government and donor funds to priority areas.

34. PPAF III's focus on women was extremely apt in trying to redress the gender imbalance in the country. There are substantial differences between men and women in terms of their decision-making, access to basic services, participation in the labour force and ownership of assets. Pakistan's labour market is highly gender-segmented. Women's entry in the labour market is mediated by their family or by social networks. Over 74% of women who are considered employed work in the agriculture and livestock sector.[4] Rural women do most of the agricultural work in Pakistan but only 2.8% own land.[5] Another defining characteristic of women's employment is the gender-based differential in remuneration: male wages are higher both in rural and urban areas. The ratio in Pakistan of estimated female income is only 18% of the income earned by men.[6] Women are deprived of adequate remuneration, skills training, legal protection, social security benefits such as health, maternity leave, etc.[7] Access to finance remains one of the biggest challenges for Pakistani women who want to start and grow a business. Nearly 68% of women borrowers required a male relative's permission in order to qualify for any kind of loan.[8]

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[2] Pakistan Economic Survey 2014-15 quoting the latest figures of Pakistan Social and Living Standards Measurement 2013-14.

[3] Pakistan Institute of Development Economics (PIDE)

[4] Pakistan Labour Force Survey 2013-2014

[5] Aurat Foundation, Pakistan NGO Alternative Report on CEDAW, 2012.

[6] UNDP, Human Development Report (2009), Overcoming barriers: Human mobility and development, Palgrave MacMillan, New York.

[7] Government of Pakistan – CEDAW 4th Report

[8] The World Bank. Re Pakistan's Women Entrepreneurs Being Served by the Micro-Finance Sector. October, 2012.

35. PPAF has always been well poised to assist the Government with its regular and emergency programmes. The large network of Partner Organizations with its outreach to community institutions on the ground has offered a base for use during natural emergencies which have been growing due to the frequent recurrence of floods, droughts, earthquakes and those caused by the internal displacement of people due to security reasons. PPAF has been asked by the Government to implement some of its newest initiatives such as the Prime Minister's Interest Free schemes which it has undertaken in a manner which segments the market to ensure that it does not undermine the interest based credit programme being implemented by its partners. The Government has over the last few years announced several schemes focused on the youth and other vulnerable segments of the population. PPAF mirrors the Government's concern for these groups and has proactively pursued these priorities. PPAF has put the youth on its agenda and has been encouraging their participation in its programmes by providing them training in vocational and technical skills, tools of their trade and provision of assets.

1.5.2 Efficiency

36. The efficiency of the underlying social mobilization and institutional development approach can be gauged by the fact that the project was able to utilize all its available resources and achieve its specified targets. Under PPAF III an investment of USD 33.72 million was made in the social mobilization component. In case this entire cost is ascribed to the formation of the COs, than the unit cost of establishing a community organization and sustaining it under PPAF III for six years was USD 515 per CO. This investment enabled PPAF and its POs to implement the livelihood, community infrastructure and social sector programmes valued at USD 165 million. The community capacity to manage funds under PPAF was worth almost five times the funds invested in its own development. Communities have contributed 20% of the initial capital cost of a scheme and the operations and maintenance costs over the lifetime of the infrastructure scheme. Together the value of this contribution is assessed to be between 50% and 70% of the value of the scheme depending upon the nature of the infrastructure schemes. An assessment of fund generation by the LSOs shows that they are able to generate almost the same amount of resources annually which have been invested in them by Partner Organizations.[9]

37. The PPAF model of disbursing funds has proved to be an efficient method for providing funds to rural areas and districts with limited access to financial services. Under PPAF III, on lent funds were distributed very rapidly and have been revolved around three times the allocated budget. The efficiency of the micro-credit operations can also be gauged by the fact that for every rupee provided as a grant for building the capacity of the 31 POs, the MFIs were able to provide loans worth Rs. 13 billion to the borrowers. In addition, support was provided to 266 branches in 32 districts which has created permanent capacity for distribution of loans to clients in these targeted areas. The lending rates charged by MFIs covers the cost of operations, cost of funds and cost of delinquencies. Despite the high interest rates the microcredit sector is reported to be efficient in enhancing access and lowering the cost of lending. The processes established for disbursement and recovery of loans by the POs has also been growing in efficiency. Some of the POs are also beginning to make use of the branchless banking eco-system

[9] Base Line Survey Third Tier Organizations. Lahore School of Economics. 2014

and using agents in rural areas for collection of loan repayments. This has helped to reduce the transaction costs for clients. PPAF has examined the cost of delivering financial services and estimates that POs cost of delivery has reduced from 24% to 19% over time. PPAF has tried to ensure that these efficiency gains are transferred to the clients through reduction in the interest cost of the loans.

1.5.3 Value for Money Analysis

38. The Project Appraisal Document (PAD) for PPAF III did not calculate the rate of return for the project. It simply identified the main sources of benefits which were expected to be derived from (i) increased productivity; (ii) diversification and increase of income sources of households engaged in livelihoods activities; (iii) improved market integration; (iv) sustainable business institutions owned by the poor; (v) improved physical infrastructure; (vi) increased financial assets; and (vii) improved availability of health and education facilities. The PAD stated that due to the demand driven character of the project it does not lend itself easily to detailed ex-ante cost-benefit analysis and rate of return calculations by component. The PAD asserted that demand driven projects, involving beneficiary contributions, are usually economically viable and cost efficient. It referred to the economic and financial analysis undertaken for CPI schemes for the ICR of PPAF II and the results of Gallup survey regarding the increase in incomes of micro-credit clients to justify the investment in PPAF III.

39. PPAF has initiated a process of estimating the Value for Money (VFM) of its main areas of investment on its own. Over time it plans to refine the analysis and structure its system of data collection and analysis to enable it to undertake this analysis on an on-going basis. A preliminary analysis of some of the PPAF III components for which this analysis had previously not been undertaken shows high rates of return for the social mobilization component, the livelihood component and the institution based models adopted for the education and health activities. The returns to investment in community institutions was calculated based on data that was generated from a host of different sources such as Partner Organizations, Third Party Assessments and PPAF's own records. The analysis shows that an investment in community institutions leads to an Internal Rate of Return of 58% and a Net Present Value of USD 30.85 million at a discount rate of 10%.

40. A Value for Money (VFM) analysis of the livelihood component was undertaken based on the number of people who were provided different types of assets and vocational and technical training under PPAF III. The increase in income for the recipients of the different types of assets and training was based on data collected through a Third Party survey of 2000 beneficiaries and supplemented by focused data collected from the field. This showed that on average those who had received assets of different types earned incremental incomes of between USD 500 to 1300 annually.[10] Only those trainings were used in the analysis which were expected to lead to an increase in income such as technical and vocational trainings. An analysis of the data collected in a Third Party Survey showed that those who had received technical and vocational training reported an incremental income of around USD 800. [11]The entire cost of the livelihood component was used to assess the benefits over the six-year project period. The analysis shows that an investment in livelihoods and enterprise development leads to an Internal Rate of

[10] User Beneficiary Assessment Survey Phase II. Apex Consulting. June, 2015.
[11] Ibid.

Return of 138% and a Net Present Value of USD 180 million at a discount rate of 10%. A comparative assessment of the BISP safety net programme and PPAF's livelihood strategy shows that ***using the PPAF strategy, BISP could effectively graduate 2.5 million women out of poverty every year.*** Besides, the PPAF model is more efficient and cost-effective as transaction costs for both the implementer and the beneficiary are limited to a one-time transaction. PPAF has a methodology to address exclusion errors through its community organizations. Due to the significant advantage of PPAF, agencies like the Asian Development Bank are having preliminary negotiations with PPAF to consider this approach.

41. A third party assessment[12] has calculated the economic and financial rate of returns for some of the water and infrastructure schemes. The calculations were based on data collected from 87 schemes from all the four provinces. Out of the 87 schemes; 28 were irrigation, 21 Drinking Water Supply (DWSS), 23 Roads and Bridges, 13 Drainage and Sanitation and 2 Renewable Energy schemes. The highest rate of returns was reported to be from Irrigation (51.2% FIRR and 57.2% EIRR) whereas for drinking water it was 15% FIRR and 15.2% EIRR. The aggregate financial rate of return was 33.8% and its overall economic rate of return was 36.1%.

42. PPAF has also initiated a process to maintain its health and education sector data in a manner that can assist it to review the outcomes of its investments in the health and education sector. The data that PPAF would like to maintain in the future would enable it to assess school retention rates, completion rates and quality of learning outcomes. PPAF has realised that in order to report on these aspects, there is a need for much greater investment in the maintenance of records at the school level and strengthening school and Partner Organization capacity in record keeping and data analysis. To assess the value of investments in the social sectors, some of the available data was analysed. This analysis was only undertaken for community schools and community health centres as there was no systematic record available of the increments in school enrolments and patient visits to BHUs as a result of PPAF investments in public health facilities.

43. To calculate the Value for Money in the education sector, the number of children who had completed primary, middle and matric was used. These numbers were obtained from the Partner Organizations involved in the community schools. It was estimated that PPAF III had contributed to the completion of 10,336 students at the primary level, 6,261 at the middle level and 3447 at the matric level in community schools. From this 55% are recorded to be girls. While educating these children has an intrinsic value of its own, for the purposes of this analysis, the main quantifiable benefit used in the analysis was the increase in incomes during the adult working life of the children who have received primary school education and beyond. The working life estimates have been assumed to be 20 years. However, not all of those who receive education will go on to receive benefits in the labour market. The analysis has used labour force participation rates for men and women separately due to the large gender differentials in the rates. The labour force participation rate is estimated to be an average of 80% for men and 27% for women based on the labour force participation surveys in the country.[13] While the labour force participation rate for new male entrants to the labour force begins at 70% it gradually increases to 97%. For the purposes of this analysis an average of 80% has been

[12] "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.

[13] Pakistan Labour Force Survey. 2010-2011.

used for men. It is assumed that for women the labour force participation rate remains more or less constant throughout their life.

44. Extrapolation of the wage premiums between those never attending school and those completing primary school from the 2005/06 Pakistan Social and Living Standards Measurement Survey, a wage premium of USD 155 a year is estimated as the differential wage increase for men. An incremental increase of USD 119 has been used to estimate the increase in women's income for those who complete primary education. The 2005/06 data has been adjusted to include a modest annual real growth rate of 0.7%.[14] It is estimated that for each additional year of schooling after primary, there is approximately an 8[15] to 10 per cent[16] return on the base salary for wage earners. For the purposes of this analysis, these increments have been added to the wage of children graduating beyond the primary level. While it is recognised that there is a quality premium based on the likelihood that children who receive a better education than average, will be able to attain increased wages in the labour market. This has been kept at a minimum of $38 per annum for each entrant into the labour force irrespective of educational outcome.

45. Available evidence suggests a sizeable gender asymmetry in economic returns to education, with returns to women's education being substantially and statistically significantly *higher* than men's.[17] This return is not in terms of the increase in income but other benefits that accrue to women and their families due to changes in fertility patterns, reduction in infant mortality rates and other health benefits. An attempt was made to quantify the additional benefits of education for girls and include that in the economic analysis. A comparison of household health expenditure from different sources, such as the Household Integrated Economic Survey, the Family Budget Survey and National Accounts (NA) shows that health expenditure figures for Pakistan shows out of pocket spending to be twice as high as previously thought and are estimated to show that per capita total health expenditure to be $US33, based on National Accounts data.[18] Based on the assumption that the health benefits for a poor household in which women are educated up to the middle and high school level will be able to reduce the health expenditures by 50%. Thus for a family of four this reduction would entail a saving of USD 66 or per annum. This has been added in the analysis.

46. The overall analysis for this component shows an Internal Rate of Return of 22%. At a discount rate of 10%, the Net Present Value of investments in the education sector is estimated to be USD 4.2 million. The increased benefits for women in terms of reduction in fertility rates and reduced child mortality and maternal mortality rates are not captured in the quantitative analysis. Incorporating this into the analysis will generate much higher rates of return.

47. An assessment was made of the VFM metrics of the investments in the health sector under PPAF III. This analysis was undertaken for only Community Health Centers as

[14] Irfan. 2008. Pakistan's Wage Structure from 1990/91 – 2006/07).

[15] Chaudhry, I.S et al. 2009. The Impact of Gender Inequality in Education on Rural Poverty in Pakistan: An Empirical Analysis. ISSN 1450-2275 Issue 15 (2009). © Euro Journals, Inc. European Journal of Economics, Finance and Administrative Sciences

[16] Comtroller and Auditor General. HC 69SesSIon 2010–2011 June 2010. DFID Bilateral Support to Primary Education. National Audit Office.

[17] Monazza Aslam, (March, 2007) RECOUP Working Paper No 1. Rates of Return to Education by Gender in Pakistan. University of Oxford.

[18] Lorenz, Christian. Applied Health Economics & Health Policy: 1 January 2012 - Volume 10 - Issue 1 - pp 1-13. doi: 10.2165/11595230-000000000-00000. Triangulating Health Expenditure Estimates from Different Data Sources in Developing Countries: The Case of Pakistan's Private Health Expenditure.

there was limited information on the increase in patient numbers accessing public sector health facilities. A comparative assessment of the BHUs in which PPAF was supporting health services alongside the People's Primary Health Initiative (PPHI) shows a significant increase in the number of patients accessing General OPD, antenatal care, immunization and child treatments. It was estimated that around 2.1 million men and women have availed of the health services in the community facilities. Given the lack of data on the impact of these facilities on the burden of disease and the Disability Adjusted Life Years, the benefits computed as a result of improved access to health care at the local level was simply taken to be derived from (i) a one-time reduction in transportation cost of USD 15 and (ii) one day of savings in the opportunity cost of labour valued at USD 2 for 40% of the people who are availing these services. The cost of establishing the CHCs is determined to be USD 15000 per health centre. The overall VFM analysis for this component shows an Internal Rate of Return of 73%. At a discount rate of 10%, the Net Present Value of investments in the health sector is estimated to be USD 2.196 million.

1.5.4 Effectiveness

48. The social mobilization model was key for the implementation of project activities over a widely dispersed geographic area in the broad range of sectors which PPAF III was implementing. The community institutions have been an effective means for encouraging the participation of the target group, inclusion of women and the poor, implementation of project activities and lobbying with Government for improved services and establishing links with the private sector. In particular, these institutions have proved their capacity in successfully implementing infrastructure schemes and those implemented by them are reported to be significantly better constructed and better maintained than government projects.[19] However, community institutions have had a mixed experience in undertaking livelihood activities and in providing savings and credit services to their members. The role of LSOs in managing private sector profit oriented activities is new and innovative but an untested area of operation. The Livelihood and Enterprise Development Component was effective in providing assets and vocation and technical training to people who were able to enhance their incomes as a result. While the microcredit strategy was effective in providing access to women, it was not effective in reaching some of the most difficult areas of Balochistan and the Khyber Pakhtunkhwa.

49. The Community Physical Infrastructure Component was able to provide a large range of schemes which were identified through community participation. The investment in the education and health facilities had the immediate effect of improving people's access to these services and a large number of children enrolled in community schools and 2 million people accessed public health services. While the impact of the investment in social sectors on learning outcomes, student retention and completion rates was not carefully assessed, it appears that there was a much lower dropout rate in community schools and that the quality of education as adjudged by the high proportion of students that were being promoted from one grade to the next. These facilities have been handed over to the Government and the community. A review of the community facilities which have been handed over shows that all the Community schools are still functioning.

[19] Ghazala Mansuri. (Undated) Evaluation conducted by conducted by the World Bank in collaboration with the Pakistan Poverty Alleviation Fund (PPAF) and the National Rural Support Program (NRSP)

1.5.5 Poverty Impacts, Gender Aspects, and Social Development:

50. In a country in which there is significant exclusion based on gender, income, religion, ethnicity, disability, etc., PPAF has been in the forefront of addressing some of these challenges and has been strongly committed to targeting women, the poor and the disadvantaged. Under PPAF III, PPAF focused on these vulnerable groups and has been able to meet all of its targets. The records of PPAF's POs and a range of third party assessments show the success that PPAF III has had in the inclusion of the poor, women, and people with disabilities in project activities. PPAF has also been raising awareness of gender issues and advocating on the issues related to early child marriages, women's exclusion in decision-making, domestic violence, girls' education and property rights.

51. All PPAF programme areas have specific targets for women. CPIs have been very effective in targeting the poor and their inclusion in scheme selection and receiving scheme benefits. These assessments also report on the increase in women's decision-making and access to services and assets as a result. The participation of women in community organizations, improved access to financial services and basic services was reported to have a significant impact on women's self-confidence, decision-making, food consumption, access to education and health and had a significant impact in changing perceptions regarding their role. Third party assessments have consistently shown the unambiguous increase in household incomes, consumption and expenditures after the interventions although causal linkages are not very explicitly explored. Two surveys by Gallup, one in 2009 and the other in 2013, consistently show that borrowers of PPAF microcredit did better than non-borrowers in terms of income from various sources as well as increase in consumption and increase in food consumption. The micro-credit penetration increased to 12.4% in the target districts. In addition, a minimum annual growth rate of 20% in microcredit loans was maintained in 27% of the PPAF-III served areas. About 72% women were provided access to credit under PPAF III against a target of 25%. Similarly there has been positive reports on the usefulness of the training programme and the potential to increase incomes as a result. A high degree of satisfaction has been reported with regard to PPAF's education and health investments as well.

1.5.6 Institutional Change and Strengthening

52. PPAF has grown significantly as an institution to meet its growing demands and to improve its capacity to deal with a wider scope of work. PPAF has included several new groups within its organization structure and has added a Compliance and Quality Assurance Group, a Livelihood Employment & Enterprise Development Group, a Financial Services Group and has added a Disaster Preparedness Unit and the position of a Chief Internal Auditor to strengthen its systems. PPAF has also instituted a system of grievance redress for its staff, beneficiaries and partners.

Table 1.2: Institutional Growth of PPAF

Indicators	December 2010	Progress 2011-2015	Remarks
	Dedicated unit / group:		
Safeguards	None	New Compliance & Quality Assurance Group	
Livelihood Enhancement	Unit	New LEED Group	
Microcredit	Unit	New Financial Services Group	
Emergency response	None	Disaster Preparedness unit	
Head of Internal Audit	GM	Position of Chief Internal Auditor created - profile enhanced	
Environmental Safeguards	Low/weak	High priority	Progress update Mandatory for all Back to Office Reports

53. PPAF has initiated the process of spinning off its micro-finance operations to create a separate Pakistan Microfinance Investment Company (PMIC) to enable it to enable it to expand its sources of funds and become Pakistan's leading microfinance investment vehicle. In April 2014, the Board of PPAF approved the setting up of the new national microfinance investment fund with investments by the United Kingdom's Department for International Development (DFID) and KfW the German Development Bank. External consultants were hired to facilitate the process of negotiations amongst the shareholders, design business plans, devise investment strategy and organizational structure of the new entity along with provision of legal advice on the formation and other regulatory compliance issues. In September 2015 the Finance Minister gave his approval in principle for the establishment of PMIC. In coordination with the shareholders and consultants, PPAF is currently in the process of taking necessary actions to complete all legal and procedural formalities for the formation of the new entity. To facilitate the process PPAF has prepared an ESG framework, transition plan and financial model for a smooth transformation.

54. PPAF has been a catalyst in the growth of its Partner Organizations. It has over the years helped to improve their governance, institutional capacity and their financial management and monitoring and evaluation systems. PPAF has also been responsible for the exponential growth in the microfinance sector in Pakistan in the last fifteen years. It was the first organization that was able to change the orientation of NGOs as organizations which only operate with grants and enabled them to borrow funds to finance their operations. PPAF transformed the NGOs from charity driven organizations dependent upon donor financing to organizations with a clear business plan for becoming sustainable development partners. This led to a significant transformation in organizational culture, appraisal criteria, governance structure, staffing pattern, financial management and audit systems, monitoring and evaluation arrangements. Under PPAF III, many of the MFIs continued on their path of institutional development through the opportunity to invest in improved management information systems, product innovations, links with the private sector and use of the financial eco-systems offered by the branchless banking platforms to improve operational efficiency and convenience for clients. PPAF has also improved the inclusion of women in the POs by requiring that the BOD of the POs improve the representation of technically qualified women. As a result the proportion of women on the boards of MFIs has increased to 32% and the technical competence of women members has also improved.

55. All MFIs agree that without PPAF their trajectory of growth and development would have been significantly different and many would not have been able to sustain their operations. More than 80% of PPAF's total loan portfolio has been deployed with partners registered with Securities and Exchange Commission of Pakistan (SECP) under the Companies Ordinance. PPAF is also playing an instrumental role in assisting some of the POs to meet the new licensing requirements announced by the SECP) for Non-Bank Finance Companies (NBFC) which requires NBFC to have a minimum of Rs. 50 million equity/share capital. It is estimated 10-12 PPAF supported POs may not be able to meet this new requirement. PPAF is in discussions with the SECP to determine how to negotiate this effectively on behalf of its partners. PPAF has also played a critical role in developing the institutional infrastructure for strengthening the system for consumer credit information through support to the establishment of the Credit Information Bureau from its other funding sources, negotiating with PMN to make the smaller POs partners as associate members and helping them develop MIS systems under PPAF III to enable them to become members of the Credit Information Bureau for better credit risk management and enabling POs to make prudent lending decisions.

56. PPAF has also been responsible for taking the community led participatory growth model to scale in Pakistan despite the challenges on the ground. The history of community institutions in Pakistan has been a checkered one. The cooperative movement has not succeeded for a number of reasons and there is no formal institutional structure at the village level that serves the tasks of organizing local communities and undertakes any type of local development. In such a context, the community organization model has been used to organize local communities and enable them to undertake tasks of local development, lobby for government services and assist households to achieve economies of scale. While the long-term sustainability of these organizations has always proved to be tenuous, during the Project period these organizations were found to be quite active and there are several promising areas of collaboration with Government which has been increasingly using community institutions especially during emergencies. There could also be a role for these organizations in social protection programmes which the different provincial governments are designing. The new local Government regulation in some part of the country such as Khyber Pakhtunkhwa provides for neighbourhood and village councils and there could be a potential role for community institutions in these bodies. However, it is too soon to assess how the institutions at various tiers may develop to forge linkages with local government institutions.

1.5.7 Unintended Outcomes and Impacts

57. The Community organizations have proved to be an important mechanism to build the capacity of members to assume leadership roles within the community as well as

participate in the political process in the country, particularly in local government elections. While there has been considerable debate on whether the participation of members in the political process is desirable, the overall view of the community members and partner organizations is that this decision needs to be left to the community institution in question to deliberate and resolve. The men and women who are in key positions within the community institutions are the ones who are the activists and prohibiting them to participate in elections is likely to result in a considerable loss of leadership. Furthermore, the negotiating power of the community is considerably enhanced if the elected members lobby on their behalf with the Government. However, PPAF is cognizant of the negative fallout that this could potentially have and is in the process of defining rules of business to guide organizations whose members are elected to political office.

1.6 Beneficiary and Partner Feedback

58. Findings from beneficiary surveys and stakeholder workshops that relate to the social mobilization and institutional development component report overall satisfaction with the social mobilization approach followed under PPAF III. However, there were a few concerns raised with some aspects of the approach, such as the shifting of focus from the community organization to the LSO tier, the relevance of the VO tier in Balochistan, the high level of expectation from these volunteer bodies, the need for greater support by PPAF to community institutions and the need for a more rationale basis for providing operational costs, etc. Consultations with beneficiaries and stakeholders showed that interventions under the LEED component were highly valued. Beneficiaries and Partners were of the view that vocational training under PPAF III was more relevant, appropriate for the target group and marketable than it had been under other development programmes in the past. They appreciated the flexibility given to select vocations. The engagement of youth in PPAF III was new and opened up the possibility of their inclusion and gave the young men and women from remote areas a new vision about their own potential. The provision of basic services was highly appreciated as were investments in education and health.

1.7 Assessment of Bank Performance

59. The quality at entry of most of the components was generally appropriate and relevant. However, there were a few ambiguities in the design of some of the components and the indicators selected were not always the most appropriate. Under the social mobilization component, the specification of targets for the vertical integration of the community institutions was not consistent with a model-neutral approach. Furthermore, experience shows that these organizations cannot sustain themselves beyond the project life when there are no real activities for these organizations to undertake. This should have entailed a change in the indicator that 60% of the COs should continue to be viable and sustainable beyond the project life. Furthermore, the notion that individual savings could serve as a collective community asset which could be used for internal lending showed little understanding of the purpose for which people save and the savings attributes they value.

60. The World Bank missions showed an understanding of the factors that delayed the implementation of the Livelihood component. The various missions supported the project by focusing it on the need to establish guidelines, sector-specific strategies and analyze the feasibility of micro-enterprises. However, as far as the CLF and CIGs were concerned, there was need to provide much greater reflection and sharing of experiences

in this new area of work for PPAF and its POs and sufficient guidance or opportunities to exchange experiences with others was not provided in the design or during implementation. The rationale and objective of NyKs, CIGs and the other platforms proved to be a challenge for social development organizations and the World Bank's direction to include value-chain stakeholders with competing interests in the same CIG led to greater confusion

61. The World Bank reviewed the credit component on a regular basis and the technical specialist responsible for evaluating this component understood the microfinance component well and engaged very actively with PPAF. The World Bank Supervision Missions did recognize that the design of the credit component may have been overly ambitious with its expectations regarding the penetration rates in remote districts with low population densities and few economic opportunities and approved a PPAF request that all districts of KP and Balochistan be made eligible for microfinance operation and capacity building grants under the project. Modifications were also made in the allocation of the funds under this component to make provision for a business revival project and the allocation of funds for equity financing for some of the MFIs. The World Bank did well to caution PPAF on ensuring that the Prime Ministers Interest Free Loan Programme should be carefully targeted so as not to erode the credit discipline overall. The World Bank recommendation that PPAF should focus on taking innovative products to scale did not take into consideration that specific innovations depended very much on the demand for them among the clients and the willingness of the private sector to continue to offer the services and that on its own PPAF and its partners could not have influenced the uptake significantly.

62. The supervision of the Basic Services and Infrastructure component was very uneven and selective. While a number of missions talk about Open Defecation Free initiative and go into considerable detail on how to implement and monitor it, there was little attention paid on how the DMPP and IWEIP were being implemented and some of the practical difficulties of understanding the concept of Rural Growth Centres and other integrated categories of schemes. None of the missions had an expert in integrated planning, irrigation or drought management or mitigation that could have helped PPAF at the operational and technical level. The missions did focus on some key issues such as the need to improve and expand on the VDP, develop and work with a single funding agreement, or the need to develop a FMIS. The Bank had under-designed the health and education sector investments of PPAF III and appeared not to either be aware of or not in accord with PPAF's existing strategy in the health and education sector. The implementation of the social sector programme suffered as a result of the considerable vacillation in the strategy adopted for health and education investments and the delay in the approval and implementation of the revised strategies.

1.8 Lessons Learnt and Best Practices

63. Some lessons learnt and best practices are:

- There are both overarching and specific lessons and best practices associated with PPAF III. Among the best practices adopted under the project was the use of the Poverty Score Card to target the beneficiaries for transfer of asset and training programmes and the use of Community Organizations to verify the poverty status of households to rectify any exclusion or inclusion errors. There needs to be less stress on the input oriented indicators for assessing the sustainability of community institutions and more emphasis on how they are being used to change the socio-economic profile of local communities. Given the fact that a majority of the savings are not kept in bank accounts and members are not provided passbooks in many cases and the mixed experience of using individual savings for internal lending, the low level of repayment of loans from member savings and lack of oversight and monitoring mechanisms, there is need to develop guidelines for the POs to prohibit organization from undertaking any types of loaning or venture capital activities with peoples personal savings.

- The expectations of the role of community institutions needs to be tempered by the realization that these are volunteer organizations while are effective in implementation of specific activities during the life of a project but may not sustain beyond project life. The shifting of focus of the activities of Partner Organizations from the CO level to the LSO level bears the risk of transforming these organizations from participatory to representative organizations with its attendant issues of elite capture and leakages and loss of accountability and transparency. While it is important to ensure that the poor are represented in the community institutions and benefit from its activities, the leadership roles in these forums is likely to be assumed by activists and volunteers who generally belong to the non-poor category. The participation of the members of community institutions in the political process has to be left to the members to determine. PPAF's role in the process is simply to issue guidelines to ensure that the community institutions are not hijacked to meet the political interests of one party but continue to reflect the interests of the members. The future growth and development of the LSOs is unlikely to travel a linear trajectory but will be shaped by the commitment, skills and leaderships of its members and their capacity to capitalize on the opportunities for local level development.
- Under the financing it received from the project for livelihoods, PPAF has been able to realize some significant successes which include its development of an approach for the ultra-poor which has been successful in helping to increase income and expand the livelihood opportunities of the poor in a more effective and efficient manner with higher impact than the government's flag ship social safety net programme. Similarly, the Union Council Development Plan has been a powerful tool for developing a vision at the local level. In some cases, PPAF allowed collective assets to be purchased as a strategy for the ultra-poor benefiting from businesses with higher profitability. However, given the issues with inclusion and transparency in decision-making, record-keeping, distribution of profits and risk of elite capture, it has become clear that this is not a practice that should be promoted. The Community Livelihood Fund is an efficient mechanism for making affordable credit available to women and men who are otherwise unbankable. Lessons from similar interventions in Pakistan and PPAF's own experience show that if these funds are to be protected from being squandered, third party oversight on a continuing basis is critical.
- Supporting and forming enterprise groups, whether it is Common Interest Groups, Production Centres or NyKs through social development organizations that have a different ethos and orientation limits the effectiveness of the support and the development of these groups. PPAF is in the process of re-examining the institutional arrangements that could facilitate such enterprises and clarifying the role that would be suitable for a development organization and the role that is best left to the private sector.

- The building of local capacities by training young people as community resource persons has been a successful strategy to engage youth and create a network of development actors at the community level. A meaningful engagement with youth to develop leadership skills and promote them as active agents of change is best achieved through a well-resourced and structured project with a dedicated budget as has been demonstrated in successful models established in the country. Youth projects should also be energized and made sustainable by linking them to on-going programmes such as the youth parliament, girl guides etc. It will be important to have differentiated strategies and targets for the inclusion of young girls in youth activities otherwise activities will be focused on young men. It is important to set targets for the inclusion of girls and devise appropriate activities for their inclusion.
- The inclusion of women in a project is facilitated by setting targets, gathering and actively monitoring sex-disaggregated data. Setting a high target is a good strategy for focusing organizations on including women. In remote areas the inclusion of women will entail engaging with traditional trades such as embroidery and handicrafts and intensive support at the doorstep will be needed in the initial stages in terms of design, quality control and access to markets. In order to facilitate women's mobility, affirmative action is necessary. For example, the unit cost for men and women's exposure visit may have to be different, a budget for a relative to accompany a woman so she can travel for training or exposure visits needs to be made available to overcome barriers to mobility. PPAF III has set a high standard in collecting and utilizing sex-disaggregated data. It needs to ensure that not only is sex-disaggregated data collected in third-party studies but levels of satisfaction and impact are also sex-disaggregated.
- The most effective strategy for the inclusion of persons with disability is to design an intervention that addresses their social and economic rehabilitation. A rehabilitation plan for a person with disability needs multiple interventions requiring technical expertise, so mainstreaming persons with disability has to be understood to mean not just setting a quota for assets and training but allocating a budget that will ensure that technical expertise can be contracted in to do a needs assessment for the assistive device needed and develop a rehabilitation plan. Another key lesson learnt is that the process of inclusion is facilitated and sustained by creating Community Resource Persons for social inclusion and tasking them to include persons with disability in community organizations and their activities. It is also important to disaggregate the data on assistive devices
- Given that microcredit institutions charge market based interest rates and depend upon client demand and strict screening processes by MFIs it was unrealistic in the design document to stipulate that credit went to individuals or households who had a very specific poverty profile and to limit the geographic focus to remote districts with low population densities, high costs of delivery and low levels of economic activity. The role of subsidies in the promotion of innovation has to be carefully assessed as these are generally not effective in circumstances in which the underlying economic equation is such that the service is not valued in and of its own and even over time this equation is unlikely to change. Furthermore, the scaling up of an innovation depends upon the extent to which an innovation is mutually beneficial for the provider and the client.

- Investments in the institutional strengthening of MFIs of PPAF especially their financial management and MIS systems has led to significant dividends being realized in terms of the opportunities it offers for linking up with digital financial services to increase the convenience for clients and reduce the costs of delivery for MFIs. While allowing MFIs to give credit on market based rates which helps to develop access to sustainable financial services, it is also critical to oversee the cost of lending of MFIs and encourage the development of efficient and cost effective systems and ensure that some of the efficiency gains are passed on to clients. PPAF's support to a large range of MFIs and the balance it provided between its growth objectives and promotion of diversity has helped in the overall growth and development of the sector. PPAF's role as an advocate for the smaller MFIs has been instrumental in enhancing the sustainability of the microfinance sector. It is not easy for an organization to continue transform itself to meet the growing and emerging needs of its partners and target group. However, PPAF's willingness to continue to be open to new ideas and its willingness to reinvent itself is necessary to continue to meet the changing needs of the microfinance sector.
- The underlying principles regarding community participation in scheme selection, design, implementation and operation and maintenance have formed the bedrock of an approach that has demonstrated the capacity to implement a large number of community physical infrastructure schemes efficiently and cost-effectively. Community participation through active participation in financial and labour contribution, financial management and the procurement of building materials ensures strong community ownership of community infrastructure projects and empowers participating communities. However, relaxing the condition of upfront cash contribution for remote and poor communities enabled these disadvantaged groups to also benefit from infrastructure schemes.
- Consensus between a financing agency and its implementing partner is key for successful achievement of project objectives. In case of any change mid-stream in any specific strategy, it is important to have the complete ownership of all stakeholders and ensure that the process of change is efficient and does not erode the credibility of the implementing partners. In the process of change it is important to provide structured opportunities for lesson learning, consensus and ownership building jointly developing a shared vision with clear targets and outcomes. The feedback received from the field by PPAF and its POs indicates that there is generally strong demand for quality education and thus need to invest greater resources in service delivery models which can provide quality education. Investing in demand creation for without the provision of quality education would neither be efficient nor effective and could in fact be counter-productive. PPAF has learnt that educating girls is the single most important intervention for women's empowerment. It has a positive impact on women's livelihood opportunities, their health and their status in society. Education, unlike any other asset or resource, once given can never be taken away from a woman. Although financing community schools entailed higher costs, it was a worthwhile endeavor and PPAF should have committed to the community schools for a longer period of time, at least 10 -15 years as this is what is required to create and graduate local human resource to sustain those schools.

2 Social Mobilisation and Institution Building

2.1 Component Objective and Design

64. The objective of this component was to target and empower the poor by supporting their organizations to build voice and scale for an effective interface with local government, government departments, other development programmes and markets. The project design specified that PPAF-III would remain model-neutral given the contextual range across Pakistan and the type of processes Partner Organizations (POs) adopt for facilitating growth of community institutions and clustering these into higher tiers of inclusive, representative bodies. At the same time, the design also specified that the social mobilization process would include formation of the three tiers of community institutions: (i) community organizations (COS); (ii) village organizations (VOs) and (iii) Third Tier Representative Organizations.

65. Expected outcome of this component was the formation of inclusive COs of the poor and mobilization of their clusters with the capacity to manage their own development, access services through improved linkages to local government, other development programmes and markets for sustainable service delivery. The POs were specifically charged with the responsibility to identify poor and ultra-poor using the poverty score card to allow for improved inclusion in community level organizations and standardization of targeting approaches across POs; and incubate community institutions which demonstrate a potential to grow through sequential steps corresponding to the lifecycle and performance of a CO/VO and third tier Union Council (UC) level organizations.

66. Under PPAF III, POs were expected to continue to work in their existing villages and union council area till they had covered 60% of households in the village and 25% of the population in the union council. Priority was to be given to the poor districts, and within non-poor districts to poverty stricken areas, especially PPAF’s existing areas of interventions. In July 2011, a decision was taken to adopt 1,020 Priority UCs for further saturation and deepening, to achieve increased organization and inclusion of the poor, including women, youth, disabled, and ultra-poor households.

2.2 Key Factors Affecting Implementation and Outcomes

2.2.1 Project Preparation

67. The blueprint of the social mobilization approach adopted under PPAF III was borrowed from the Rural Support Programmes which had been implementing this approach for more than 30 years. PPAF III was based on a participatory demand-driven approach with a very strong inclusion agenda. Past analysis showed that benefits accrue disproportionately to those who participate in decisions about project selection and the most disadvantaged are generally excluded from these processes and from access to project benefits.[20] This required attention to the downward accountability of community based institutions. The design of PPAF III did well to specify a very clear inclusion criterion. The results from previous analysis suggested that in a context where local inequalities of power and wealth are important, it is unlikely that inclusive local

[20] Mansuri, Ghazala. Bottom up or Top Down. Participation and the Provision of Local Public Goods. Research Partnership on Participatory Development. Brief 6. PPAF and The World Bank. Undated.

institutions will emerge endogenously.[21] Instead, specific and clear mandates on the inclusion of marginalized sub-groups may be needed.

68. The inclusion of the social mobilization component in the design of the project was critical as it provided the implementation modality of engaging with the communities in a participatory, transparent manner with low transactions costs for the implementing partners. The CO model presents a good modus operandi for community participation and is an efficient mechanism for engaging with the community. The organizations have proved to be highly responsive in undertaking activities of community development that include the identification of community needs, identifying participants for assets distribution, training and other activities, assisting in verifying the status of poor households, implementation and maintenance of community infrastructure, providing economies of scale for the small producer and enhancing their negotiating and lobbying capacity, etc. The spirit of volunteerism is very pronounced among the members especially the leaders. There is considerable anecdotal and quantifiable evidence that the model of vertical integration of a CO into a Village Organization and a Local Support Organizations at the Union Council level provides a means for effectively lobbying support for the provision of external support and engaging with Government for enhanced service provision.

2.2.2 Project Design

69. The objectives set for this component and most of the activities included in the project with reference to this component were realistic. While there were a large number of Partner Organizations called upon to implement the three-tiered model, the approach itself was relatively straightforward. However, the project design was somewhat ambiguous in that it called for a model neutral approach while at the same time specifying indicators that would entail the convergence of all to one uniform social mobilization approach. Nevertheless, the CO approach was instrumental in the implementation of the infrastructure and livelihood components. Some of the risks associated with the institutional development component such as elite capture were identified and it was felt that this would be managed through careful monitoring, participatory wealth rankings, targeting of communities and screening of projects. The social mobilization approach was never meant to be applied to the micro-finance component in the same manner and many of the POs who were providing microfinance services identified beneficiaries directly using either an individual lending or a group-based approach based on their existing lending modalities. Some of the more established POs such as the Rural Support Programmes (RSPs) did use the CO forum as the entry point for the introduction of their credit programmes.

70. Some of the lessons from the previous experience with community institutions were not fully incorporated into the background analysis in the design such as the inherent weakness in the model that leads to rapid atrophy of these organizations in the absence of a strong reason to stay organized. This is the reason that many of the organizations have to be revitalized in case there is a gap between one project and the next. The stipulation that these organizations should stay organized and its members should continue to meet in the absence of any specific activities imposes an unnecessary burden and transactions cost on the members. Sensitivity to this aspect would have led to a more

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21 Mansuri, Ghazala. Participation and Matching in Community Based Organizations. Research Partnership on Participatory Development. Brief 5. PPAF and The World Bank. Undated.

careful consideration of the indicators that were more appropriate for adjudging the performance of these community institutions.

2.2.3 Project Implementation

71. By the end of December, 2015 the Project had achieved all of it targets by forming or revitalizing 65,448 COs/WOs, 5,616 VOs and 380 LSOs. Out of 415 COs selected for a survey by a Third Party, 83.4% were found to be active 14.2% were inactive and 2.4% were dormant.[22] At the VO level, 96.8% were found active while only 3.2% were inactive. The social mobilization and institutional development component was implemented in 1006 Union Councils. The Community Organizations had a total membership of 1,287,617households or 31% of the 3.89 million households in the target area. All numerical targets under the project were exceeded by a significant margin. These institutions were the main channel for disbursement of PPAF III resources which they have undertaken effectively. The Community Institutions have implemented the infrastructure schemes and played an important role in other components of the project. These institutions are also beginning to enhance their scope of work to include activities in the social sectors and livelihoods. The preparation of Village Development Plans and Union Council Development Plans served to identify the needs at the local level and help in sharpening the vision of the communities about their future. There has been considerable training of community members in organizational and financial management and leadership. The area of peace and tolerance and rights is gradually being introduced to their terms of reference and is helping to increase the awareness of community members and lead to empowerment. PPAF also helped to build the linkages of these organizations with other programmes working in the area of voice, accountability and security and has developed awareness raising modules on these subjects which it has begun to pilot especially in sensitive areas like Balochistan and FATA.

72. In 2014, given PPAF’s commitment to social inclusion and women’s empowerment, a request was made to the World Bank for a dedicated budget for this purpose. A budget of $300,000 was provided. This fund was requested and managed by PPAF’s Gender Committee (GenCom). The Gender Committee (GenCom), comprising women and men from different units and tiers in the organization, was formed within PPAF in 2013 to spearhead the effort to make gender part of the institutional and cultural DNA. The objective of this committee was to facilitate a culture of inclusion within PPAF, POs and communities and to mainstream inclusion in the implementation of PPAF III.

73. PPAF recognized that mirroring the change within the institution would be critical to mainstreaming gender in PPAF III. The first challenge was to build ownership of the agenda for gender justice within Pakistan Poverty Alleviation Fund (PPAF). GenCom undertook a range of activities. These included developing a gender policy, running a campaign on inclusion and equity within PPAF, developing a code of conduct and holding Dignity At Work workshops for the entire staff of PPAF to sensitize participants to the dimensions of social exclusion and familiarize them with strategies for promoting dignity and inclusion within PPAF. A Gender Action Plan (GAP) was developed to guide PPAF in promoting equity across all of its programs, partnerships and operations. In the context of PPAF III, GenCom sought to increase the visibility of rural women by,

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22 Assessment of 1st & 2nd Tier Community Institutions of the Poor. World in Consulting (Pvt) Limited. August 2015.
22 Ibid.

supporting a rural women's conference, and instituting an award to recognize rural women leaders. It supported implementation by holding gender and social inclusion sessions for POs. Some key projects initiated by GenCom under this budget included a national retreat for social mobilizers to dialogue on promoting SDG 5 – Gender Equality followed by provincial retreats for the development of a national action plan on SDG 5 and a pilot on reducing Gender-Based Violence in South Punjab with the help of a media and research organization, Uks.

74. GenCom's achievement lies in it having created a space and visibility for social inclusion within PPAF and within its implementing partners. In the future it aims to build on this work by facilitating the development of a strategic vision for PPAF's role in promoting gender equality and social inclusion and a gender strategy which details PPAF's approach in each sector.

75. Some of the major shortcomings of this component were that while organizations were established in 1006 Union Councils, there were many Union Councils in which no other intervention was undertaken. This was due to limitations of budget and the concentration on priority districts that prevented further resource allocation to a wide geographic area. Another weakness was linked to the savings model that is pursued by the different POs which varies quite considerably. Some, like the Rural Support Programmes follow a pattern under which the savings are voluntary and are retained as the property of individual members and can be individually tracked through pass books and bank accounts and withdrawn on the request of members. However, other organizations treat the savings as a mandatory contribution of the members towards social welfare or common activities planned by the community institutions. Overall, there are several problems with the savings activities of POs. The first is that these savings are difficult to monitor as there is no system for providing oversight and audit of the savings over time. The second is that individual savings used as a revolving fund to provide loans to members is not a good practice as it threatens their security and the third is that requiring poor members to save as a mandatory requirement goes against the spirit of inclusion.

2.2.4 Monitoring and Evaluation

76. The design of the indicators to measure the intermediate results of the social mobilization and institutional development component were generally appropriate. The indicators linked to measuring the participation of the poor and women were appropriate for measuring inclusion. The specification of an indicator for measuring the vertical integration of the community organizations at the Village and Union Council level was inconsistent with the design which called for a model neutral approach. Nevertheless since the large measure of Partner Organizations adopted the three-tiered approach this indicator did serve the function of assessing how many were able to federate at higher levels. The specification of an indicator to measure the performance of community institutions in terms of efficacy, transparency and accountability was appropriate given that these institutions were the main modality of implementation for several of the components.

77. The monitoring and evaluation of the community organizations was undertaken at several levels. At the first level, each community organization was expected to maintain its own records of membership, meetings, savings, internal lending, etc. These were checked periodically by the Partner Organizations and reported to PPAF at the second level. At the third level, the Institutional Development staff of PPAF undertook periodic visits to the community institutions to verify the basic facts and report any specific issues

in back to office reports. At the fourth level, the M&E staff of PPAF conducted random visits to assess the status and functionality of the institutions. In addition, PPAF undertook several third party assessments to assess the level of maturity of the organizations. PPAF prepared a checklist for assessing the quality of Community Organization and a system of rating which assigned a score to different aspects of the organization such as participation, inclusion, governance, transparency and sustainability. The system has evolved over time but needs further refinement to enable better measurement of more dynamic metrics.

78. The granting of assistance at the community level was linked to the performance rating of the organizations. PPAF intends to further refine its performance rating criteria and make it much more dynamic. PPAF has also gradually strengthened its system of monitoring and evaluation and is in the process of developing an MIS system which will serve to integrate the data from the different components. However, several problems remain at the field level. The widespread coverage of COs makes it difficult to monitor the actual functioning of the community institutions on the ground and assess their sustainability over time. This is made even harder when the partnerships with the PO is completed and they do not have staff on the ground to continue to monitor the institutions. There is no other system of oversight for local level cooperatives or village level institutions in the country. Even organizations at the LSO level which are registered under the Societies Act or the Social Welfare Department do not get regularly monitored by any government agency.

2.3 Assessment of Outcomes

2.3.1 Relevance

79. The three-tiered structure of organizations starting from the hamlet or settlement level to the village and the Union Council level appears to be still highly relevant for the activities that were being implemented under the project. While this social mobilization approach was not required for all the components, it was critical for the implementation of the infrastructure and livelihoods components. The need for the three tiered structured in the widely spread out settlements in Balochistan can be questioned but the structure at the community and the Union Council level has been recognized as highly useful. The administrative tier in the country does not reach the village level which has always suffered from an institutional vacuum. The cooperative movement never succeeded in Pakistan due to a variety of reasons and the local government structures do not go beyond the Union Council in most provinces. While the Khyber Pakhtunkhwa local government regulation provides for neighbourhood councils these have not been established and are still untested. The relevance of the community institutions can also be assessed from the fact that without them any agency intending to work in a participatory manner with the communities would not have any mechanism through which to channel the support and oversee the implementation and operation and maintenance of the investments that have been made at the village level. The strong criterion under PPAF-III which stipulated a requirement for the participation of women, the poor and vulnerable helped to sharpen the focus on these groups. The approach to form women's organizations and the flexibility given to enable them to form separate or mixed organizations was very appropriate as it gave them a choice in the very conservative environment prevailing in many parts of the country, and an opportunity to be involved in development activities.

2.3.2 Efficiency

80. The efficiency of the social mobilization approach can be gauged by the fact that the Project was able to utilise all its available resources and achieve its specified targets. The smaller Partner Organizations which were not familiar with the approach were also able to implement it by simply adopting the RSP model which is fairly standardized in terms of its stipulations regarding member meetings, decision-making procedures and governance structures. Some of the POs nevertheless also continued with their own models such as SPO, Badhban, etc. The social mobilization approach has been adapted over the years to suit the small size of hamlets and the scattered population in some parts of the country. The strategy of vertical integration was also implemented successfully with 69% of the COs clustering to form VOs and 80% of the VOs forming LSOs at the Union Council level. Based on the performance rating criteria that has been developed over time, 67% of these community institutions were performing satisfactorily in terms of effectiveness, transparency and accountability.[23]

81. The efficiency of the institutional development approach can also be assessed in several other ways such as examining the unit costs, fund management ratio[24] and community contribution ratio.[25] Under PPAF III an investment of USD 33.72 million was made in the social mobilization component. In case this entire cost is ascribed to the formation of the COs, than the unit cost of establishing a community organization and sustaining it under PPAF III for six years was USD 515 per CO. This investment enabled PPAF and its POs to implement the livelihood, community infrastructure and social sector programmes valued at USD 165 million. The community capacity to manage funds under PPAF was worth five times the funds invested in the community institutions. Communities have contributed 10 to 20% of the initial capital cost of a scheme and the operations and maintenance costs over the lifetime of the infrastructure scheme. Together the value of this contribution is assessed to be between 50% and 70% of the value of the scheme depending upon the nature of the infrastructure schemes. An assessment of fund generation by the LSOs shows that they are able to generate almost the same amount of resources annually which have been invested in them by Partner Organizations.[26]

Table 2.1: Efficiency Indicators of Community Institutions

Indicator	
Unit cost of COs (USD)	515
Fund Management Ratio (ratio)	1:5
Community Contribution ratio	50% to 70%
Fund generation ratio	1:12 Annually

Source: PPAF records and Baseline Survey of Third Tier Organizations 2014.

[23] PPAF internal monitoring and reporting mechanism.
[24] The proportion of funds invested on the community institutions as a proportion of the funds channeled through the community for other components.
[25] Community contribution in the initial capital cost and the operations and maintenance costs over the lifetime of the infrastructure scheme.
[26] Base Line Survey Third Tier Organizations. Lahore School of Economics. 2014

82. The LSOs have been active in some areas in establishing links with government, markets and external donors and in generating internal lending for its members from the funds provided to them under PPAF III. The returns to investment in community organizations at the hamlet level and the LSOs at the Union Council level were also calculated based on data that was generated from a host of different sources such as Partner Organizations, Third Party Assessments and PPAF's own records. The returns to community institutions was conservatively estimated based on PO reports that 29% of them were involved in linking members with markets, 15% were involved in dealing with district governments and 23% had established contacts with other donors. The benefits of these linkages were assumed to accrue to between 3 to 10 households per organization per year. The value of these benefits was assumed to be worth between USD 50 to 120 on an annual basis for the few participating households. Data from an analysis of LSOs by the Lahore School of Economics was used to generate data on the LSO capacity to generate resources from sources other than POs. PPAF records were accessed for information on the volume of funds used by LSOs for internal lending from the Community Livelihood Fund activities and the increase in income which it generates for its members which was assessed to be around 20% based on data collected from the field and the surveys conducted by Third Party Assessments. These figures show that an investment in community institutions leads to an Internal Rate of Return of 58% and a Net Present Value of USD 30.85 million at a discount rate of 10% (Annex 2.1). This is illustrative of the high value of investments in community institutions.

2.3.3 Effectiveness

83. The community institutions have been an effective means for encouraging the participation of the target group, inclusion of women and the poor, implementation of project activities and lobbying with Government for improved services and establishing links with the private sector. These institutions have proven their capacity in infrastructure investments and schemes implemented by them are reported to be significantly better constructed and better maintained than government schemes.[27] The community institutions have been instrumental in targeting the ultra-poor and in helping people secure a CNIC and register themselves as citizens of the country. Overall more than 90% respondents of a survey to assess the efficacy of COs found that members were actively involved in community activities and social mobilization directly or indirectly.[28] Respondents (88%) also reported their participation in CO activities.[29]

84. The specification of clear targets for inclusion of women and the poor also proved to be an effective means of achieving greater representation of women and poor in community and village level institutions. In keeping with the design, PPAF mandated the administration of the poverty scorecard to assess the probability of the selected households being within the specified poverty bandwidth. This proactive approach pursued under PPAF III to carefully identify the beneficiaries for the grant elements of the different components led to a much greater focus on the poor than was previously seen in such programmes. PPAF's insistence on inclusion of the disabled was instrumental in sensitizing the POs and communities and was an area which was previously neglected.

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[27] Ghazala Mansuri. (Undated) Evaluation conducted by conducted by the World Bank in collaboration with the Pakistan Poverty Alleviation Fund (PPAF) and the National Rural Support Program (NRSP)
[28] User Beneficiary Assessment Survey Phase II. Apex Consulting. June, 2015.
[29] Ibid.

85. While the inclusion of the poor is being generally assessed with reference to the poverty scores, there are other indicators that can also be used to assist in identifying the inclusion of poor and vulnerable households. Some third party assessments have collected data on literacy and household incomes as well. A Third Party assessment[30] of the COs and VOs shows that 62% of the community members were totally illiterate and 16% could only read and write. These figures were much higher for women members as 82% of the women members were found to be illiterate and 11% could only read and write. Literacy levels can be used as a proxy indicator to establish poverty levels of a household. The administration of the poverty scorecard as part of the same assessment showed that 68% of the members had a score of below 34 and were highly likely to be below the poverty line. The fact that 37% of the members were not employed and another 35% were self-employed further confirmed the uncertain nature of their livelihood.[31] External assessments show that in the coastal areas, 68% of the targeted poor and 82% of poorest households were members of Community Organizations.[32]

86. The household incomes reported from the survey of community institutions showed that 86% of the households earned less than Rs.10,000 per month.[33] This amount is less than one-third of the Rs. 30,000 a month which would be required to maintain an average family in Pakistan which is expected to have a household size of 7.6 people.[34] The user beneficiary survey undertaken in 2011[35] further confirmed the poverty status of the CO members as it reported an average household income of Rs. 18,298 per month and an average household size of 6.25 people. At the level of USD 1.25 per capita per day which was fixed under the MDGs as the poverty threshold, the households would have required a monthly income of Rs. 24,600 per month to be above the MDG poverty line.

87. The inclusion of women in the organizations was encouraged by all POs. However, some of the larger organizations like the National Rural Support Program focused almost entirely on forming women's organizations and gave flexibility to members to decide on the gender composition of their organization. The current membership of the various tiers of the organizations shows that at the CO level 64% were women members. At the higher tier of the Village Organization, 32% were women and at the Local Support Organization level 27% were women. Despite the high numbers of membership of women their participation has to be actively encouraged and special measures undertaken to ensure their active participation in different activities.

88. The Governance and management of financial resources by these organizations illustrates the extent to which they can establish their credibility. Some of the indicators that PPAF has used to measure their governance include determining how they choose their elected representatives, the period of their tenure and management of savings. A Third Party survey found that 39.5% of the COs reported that they were electing the office bearers while the majority (60.5%) were selecting their representatives.[36] At the

30 Assessment of 1st and 2nd Tier Community Institutions of the Poor. World in Consulting (Private) Limited. August 2015.
31 Ibid.
32 SCAD Impact Assessment- Poverty Quartiles/Bands and Targeting Status in SCAD Program Areas (External Study 2014, 2,250 household sample).
33 Assessment of 1st and 2nd Tier Community Institutions of the Poor. World in Consulting (Private) Limited. August 2015.
34 Durr-e-Nayab and G. M. Arif. Pakistan Panel Household Survey Sample Size, Attrition and Socio. Pakistan Institute of Development Economics. 2012.
35 User Beneficiary Assessment Survey. Apex Consulting. July, 2011.
36 Assessment of 1st & 2nd Tier Community Institutions of the Poor. World in Consulting (Pvt) Limited. August 2015.

VO level, 48.4% respondents confirmed that they opted for election while a majority (51.6%) selected their representatives through a selection process.[37] The use of the selection process is generally followed because these are volunteer posts in which the elected representatives generally have to have a certain capacity and orientation and level of literacy to be able to undertake the tasks expected from them. At the hamlet or village level there are only a few individuals who are likely to opt for a position which can be time intensive and require significant out of pocket expenses. It is for this reason also that in a majority (53%) of the cases, the tenure of the office bearer is over one year.[38] There are not likely to be too many people within a small hamlet who would give their time on a volunteer basis.

89. The level of savings of organizations from their own sources is very low. The survey reported that a majority of the CIs have been able to save only up to Rs 6,000. This level of saving did not allow the CIs to opt for internal lending or use this amount for income generation activities. The survey also found that 46.7% of the COs kept their savings in the bank. However, due to the absence of banks in the rural areas and the increasing difficulty of opening bank accounts for the CIs, the Post Office has also emerged as an option with 12.5% of the COs using this option. The COs also kept their savings with the office bearers (23.1%) or with the CO members (16.6%.) The survey also found that 52.5% of CO members had individual pass books while 47.5% did not. At the VO level, individual pass book was confirmed by only 38.7% members while majority (61.3%) had no pass books.[39] The maintenance of savings by the community institutions is a matter of concern especially due to the absence of any mechanism of oversight or monitoring of them on a regular basis. PPAF tried to strengthen community capacity in financial management and audit but in the absence of an overall institution responsible for this task at the provincial or national level, there is limited capacity within a project to deal with these issues.

2.3.4 Poverty Impacts, Gender Aspects, and Social Development

90. The results of a User Beneficiary Survey undertaken in June 2015 showed that average household income after the interventions was reported to be Rs. 31,440 per household per month. The average monthly income required to maintain a family of 6.7 members reported by this survey would require a monthly income of Rs 26,381 per household. This was just above the poverty line and is illustrative of the increase in income in the area. However, the causal linkages between the increase in incomes and PPAF interventions is not always easy to assess.

[37] Ibid.
[38] Assessment of 1st & 2nd Tier Community Institutions of the Poor. World in Consulting (Pvt) Limited. August 2015.
[38] Ibid.
[39] Ibid.

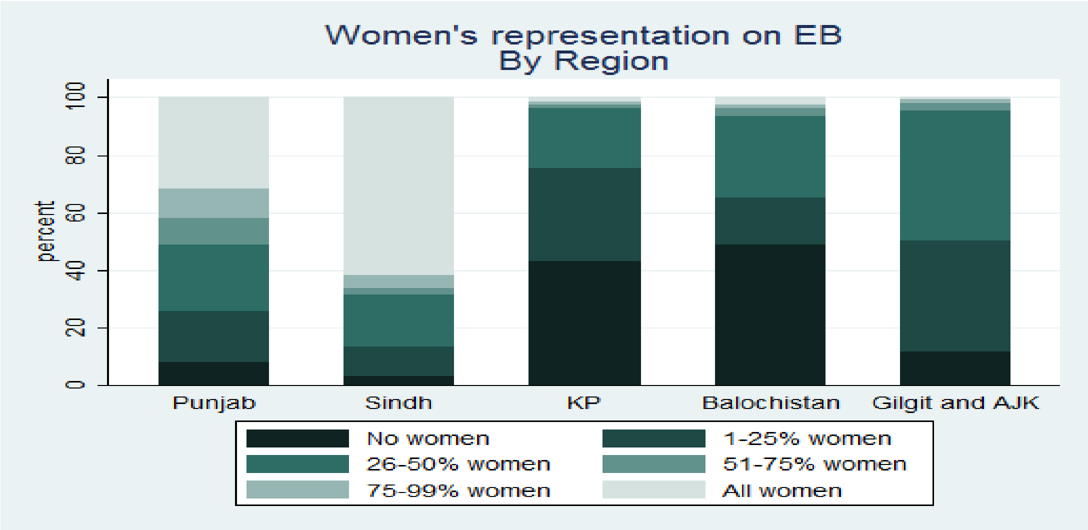
Table 2.2: Household Income of Members

Source	HH Size	Income Reported (Rs)	Average Income Required to maintain HH (Rs)	Proportion of Member HH Below Poverty Line
User Beneficiary Survey 2011	6.25	18,298	24,600	Average
User Beneficiary Survey 2015	6.7	31,440	26,381	Average
Third Party (World In Consulting (WiC) 2015	7.6	10,000	30,000	86%

91. In terms of the impact on women, the findings of an assessment of the first and second tier organizations found that 89.4% of CO members confirmed that women are more actively participating in the decision making process with similar frequency reported by male COs and female COs.[40] At the level of the LSO, the women's representation in the Executive Board varies considerably by province. Sindh and Punjab have a much better record in this regard compared with Balochistan and KP which show the lowest level of participation. Despite this low level of participation in the higher tier institutions, there appears to be an enhancement of women's role regarding key household decisions like enrolment in schools, marriage of children and family planning, with a high percentage of CO members reporting that making a decision on child education was being made jointly by both parents (79.2%) as well as decisions regarding the marriage of children (81.1%) and family planning (73%) with much greater control of household income (58.6%) with women.

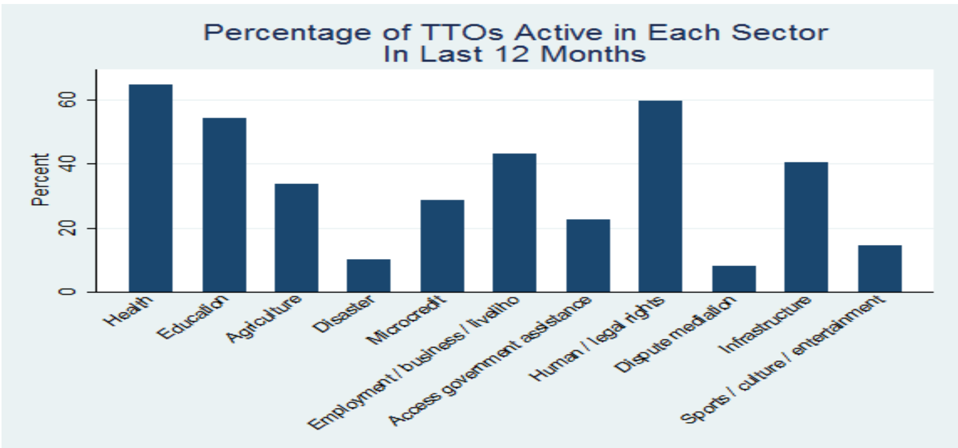
[40] Assessment of 1st & 2nd Tier Community Institutions of the Poor. World in Consulting (Pvt) Limited. August 2015.
[40] Ibid.

Figure 2.1[41]: Women's Participation in LSOs by Region



92. A survey of 851 third tier Local Support Organizations illustrates some of the key characteristics, aspects of inclusion and activities of these organizations.[42] An assessment of the types of activities undertaken by the LSOs in the last twelve months (2013) shows that the most frequent activities undertaken by them were in the area of health, human and legal rights, education, employment and livelihoods. The involvement of LSOs in the area of human and legal rights is not a direct area of focus of PPAF-III but under which awareness raising sessions have been held on legal rights shows the dividends that can be derived from creating institutions as they can then be used for a broad range of activities.

Figure 2.2[43]: Sector Wise Engagement of LSOs

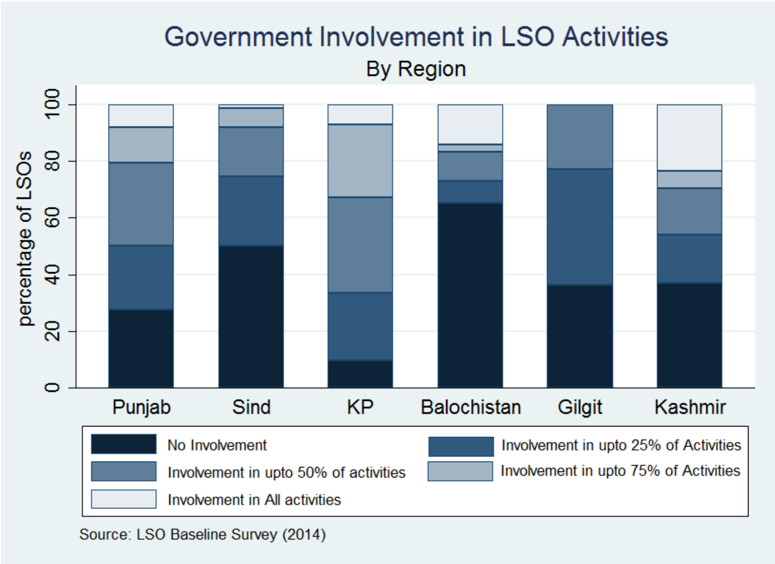


93. There is significant interaction of LSOs with Government agencies. It is estimated that 66% of the LSOs had some engagement with the Government ranging from close interaction in half the activities (50%) to engagement in all activities (9%) in the year

[41] Third Tier Baseline Survey, 2014.
[42] Baseline Study on Third Tier Organizations. Lahore School of Economics and Duke University. January, 2016.
[43] Third Tier Baseline Survey, 2014.

before the survey.[44] The level of interaction with Government varies considerably across the provinces with more than 60% of the LSOs having no interaction in Balochistan, 50% in Sindh with no interaction followed by Gigit-Baltistan and Kashmir at just above 35%. The level of engagement with Government in KP is the highest with 90% of the LSOs having some involvement with Government followed by Punjab where around 75% are closely involved with Government. The major source of financing for the LSOs was through the Partner Organization and very few had any significant amount of support from other external sources. The LSOs in Gilgit had the highest source of external support and reported that around 30% of the support was from other donors.

Figure 2.3: LSO and Government Engagement



2.3.5 Institutional Change and Strengthening

94. The history of community institutions in Pakistan has been a checkered one. The cooperative movement has not succeeded for a number of reasons and there is no formal institutional structure at the village level that serves the tasks of organizing local communities and undertakes any type of local development. In such a context, the community organization model has been used to organize local communities and enable them to undertake tasks of local development, lobby for government services and assist households to achieve economies of scale. While the long-term sustainability of these organizations has always proved to be tenuous, during the Project period these organizations were found to be quite active. There are several promising areas of collaboration between the Government and these institutions. The Government has been increasingly using community institutions for a range of activities for outreach to communities especially during emergencies such as disease epidemics, natural and other emergencies, etc.

95. There could also be a role for these organizations in social protection programmes which the different provincial governments are designing. While the Poverty Score Card is likely to be increasingly used to identify the beneficiaries of various social safety nets programme such as the Benazir Income Support Programme, the Government needs a

[44] Baseline LSO Survey 2014.

local level institution to verify inclusion and exclusion errors. This is likely to become even more important as the Government is considering developing a National Social Registry of the poor and use this for directing all social protection programmes. The new local Government regulation in some part of the country such as Khyber Pakhtunkhwa provides for neighbourhood and village councils and there could be a potential role for community institutions in these bodies. However, it is too soon to assess how the institutions at various tiers may develop to forge linkages with local government institutions.

2.3.6 Other Unintended Outcomes and Impacts

96. The community organizations at various tiers have proved to be an important mechanism to build the capacity of members to assume leadership roles within the community as well as participate in the political process in the country, particularly in local government elections. An analysis of the participation of members of community institutions in the process has resulted in the participation of 1347 members with 62% of candidates winning the election for the seats where results have been declared. Of these candidates, 67 were women of whom 52 were elected. While there has been considerable debate on whether the participation of members in the political process is desirable, the overall view of the community members and partner organizations is that this decision needs to be left to the community institution in question to deliberate and resolve. The men and women who are in key positions within the community institutions are the ones who are the activists and prohibiting them to participate in elections is likely to result in a considerable loss of leadership. Furthermore, the negotiating power of the community is considerably enhanced if the elected members lobby on their behalf with the Government. In one case it was seen that the LSO had members who belonged to different political parties and worked together for resolving local conflicts. The POs felt that the development of the LSOs was an important part of the political process. However, PPAF is cognizant of the negative fallout that this could potentially have and is in the process of defining rules of business to guide organizations whose members are elected to political office.

Table 2.3: Participation of CO members in Local Government Elections

Province	Total Participants	Elected	Not Elected	Total	Elected	Not Elected	Re-Poll	Total
		Women			Men			
Balochistan	850	34	12	46	506	298		804
KPK	277	16	2	18	180	79		259
Punjab	91		1	1	37	53		90
Sindh	129	2		2	62	51	14	127
Total	1,347	52	15	67	785	481	14	1,280

Source: Data compiled and analyzed based on PO reports.

2.3.7 Innovations

97. There were several innovative elements in the manner in which the roles and responsibilities of community institutions were shaped under PPAF III. The first of these was the role of the community in the verification of the poverty status of the recipients of the grants under the livelihood programme. The effective discharge of this responsibility by the community members could provide the Government of Pakistan with important lessons on how to develop local mechanisms for the verification of its social safety nets programmes with which it has been struggling for some years. The second innovation was the assumption of the role of procurement of assets by the Local Support Organization under the livelihood programme. The opportunity to LSOs to undertake the procurement of the assets served to strengthen them and further empowered these community institutions.45 The sphere of decision-making of LSOs and their role and responsibility is gradually being enhanced. One of the Partner Organizations has eliminated its Field Support Units and given the responsibility of implementing activities at the Union Council level to LSOs. These organizations have been particularly effective in remote areas that are difficult to reach.

2.3.8 Sustainability

98. The sustainability of community organizations at various levels has been examined for the last 30 years or so since the approach became popular using different yardsticks. PPAF has developed a checklist for assessing the quality of community organizations and a rating scale to assess their performance. Several third party assessments have reported on the active nature of a majority of these institutions. A 3rd party assessment commissioned by PPAF shows that 67% of community institutions are viable and sustainable on the basis of the established indicators. However, PPAF recognises that the indicators need to be further refined to capture dynamic aspects of their performance. There is also a strong view among the beneficiaries that these organizations should not be judged by the number of meetings they hold but by their capacity to execute projects and other tasks which they are assigned. It is now generally accepted that most of these organizations will become dormant as there is little incentive for them to continue to function when there are no specific tasks or activities for them to undertake at the conclusion of any project. This is why they need to be revitalised at the start of a new intervention.

99. At the level of the LSO, there now appears much greater prospect for some of these organizations to sustain beyond the Project period as some have registered under a formal Government law and have attempted to generate resources from other sources as well. An analysis of the registration of the LSOs shows that 39% are registered under different laws in the country. The most preferred registration law under which LSOs are registered is the Social Welfare Act (1961), followed by the Societies Registration Act (1860) and some are even registered under the Companies Act (1984).

[45] Beneficiary Feedback Workshop. Balochistan. January, 2015.

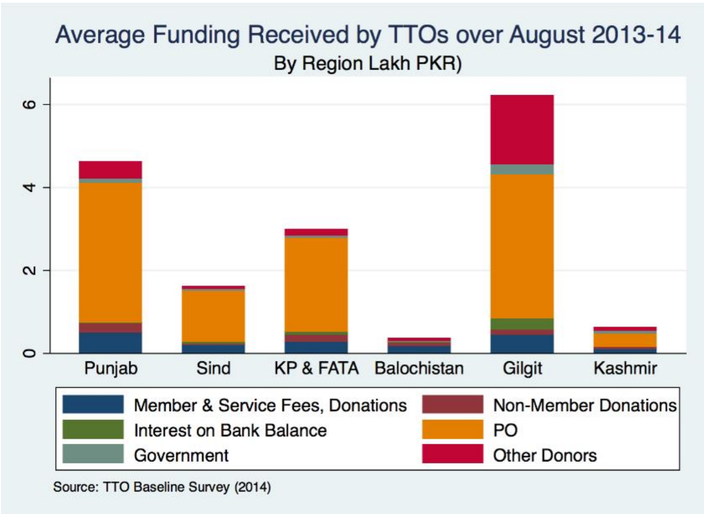
Table 2.4: Registration of LSOs

Ordinance	Frequency	Percent
Not Registered	518	60.87
Social Welfare Act 1961	188	22.09
Society Registration Act 1860	94	11.05
Companies Act 1984	51	5.99
Total	**851**	**100**

Source: TTO Baseline Survey 2014

100. An examination of the funding sources of LSOs shows that while these organizations are still largely dependent upon the Partner Organizations for their funds, they have also generated other sources of funds. A review of the financing sources of community institutions at the Third Tier shows that in 2013/2014 LSOs had generated mean revenue of Rs 580,000. From this the largest share (47%) was from the Partner Organizations, followed by other donors (29%), Government (10%), donations from other individuals (8%), donations from members, fee, etc (4%) and interest on balance (2%). There is considerable variation in the sources of funds by region. The community institutions in Gilgit appear to be the most active in generating resources, followed by Punjab and KP. However, the Partner Organizations are the main source of financing for the LSOs in all provinces.

Figure 2.4: Financing Sources of LSOs



2.4 Beneficiary and Partner Feedback

101. Findings from beneficiary surveys and stakeholder workshops that relate to the social mobilization and institutional development component report overall satisfaction with the social mobilization approach followed under PPAF III. In Balochistan, the LSOs questioned the utility of the VO tier and felt this was redundant in the case of Union Councils which were spread over a large geographic area. The Empowerment of LSOs to carry out interventions under PPAF III resulted in capacity building and increased exposure of local community members. Those LSOs which had developed strong capacity, wanted to be directly connected with PPAF. The exposure visits by the LSOs

to other parts of the country were highly appreciated and approved to be an opportunity for learning and experience sharing. The institutional development of LSOs increased the democratic orientation of these organizations. It reduced the ability of influential community members taking unfair advantage of their influence. There was a view that LSOs should be provided with greater support such as a small low cost office to sustain its functioning beyond the Project.

102. The Partner Organizations felt that the shift of focus from COs and VOs to LSOs weakened the former, which is the actual base of the community development approach. Exclusive interaction with LSOs diverts attention from the lower tier organizations. They recommended that the project should try to keep the COs and VOs included in the process. After forming community organizations, PPAF abandoned them by discontinuing support when these required strengthening and further development. It was remarked that the LSOs are being expected to carry out significantly complex tasks after only 6 to 18 months of formation, which is not very realistic. This needs to be a long-term activity. A possible opportunity for collaboration between LSO and local Government institutions was to build the capacity of elected body members.

103. The administration of the Poverty Score Card was fraught with difficulties. While the PSC was able to identify groups of beneficiaries, making it easier for POs to target their interventions, there was not sufficient capacity or resourcing to administer these properly. The scorecard was superficial in some respects, e.g. it gave the same marks for certain assets, regardless of the quality or value of the asset. Respondents also start tailoring their response and gaming the system to their advantage as they quickly begin to understand the purpose of the questions. The POs were restricted to work in a few selected priority districts. However, it is their view that most neighboring UCs have similar poverty levels. Leaving them out of the project can lead to sentiments of deprivation and suspicion of favouritism. The POs suggested greater coverage of similar UCs in the districts covered.

104. The POs felt there was not much flexibility in changing the targets. The management of the different components was not well integrated and it would be appropriate to have a one-window operation through which the various components could be better integrated. There were delays in the initiation of some of the activities and disruption in the middle as strategies were reformulated.

2.5 Assessment of Bank Performance

2.5.1 Bank Performance

105. The quality at entry of the Social Mobilization and Institutional Development Component was generally appropriate and relevant. However, there were a few ambiguities in the indicators. For example, the specification of targets for the vertical integration of the community institutions was not consistent with a model-neutral approach. Furthermore, experience shows that these organizations cannot sustain themselves beyond the project life when there are no real activities for these organizations to undertake. The World Bank had also made a similar point in one of its supervision missions when it noted that in most cases the sustainability of the community institutions was contingent upon continued provision of small infrastructure and similar interventions. It had noted that there was enough evidence to suggest that in most cases, this model was not sustainable and had therefore recommended that the focus of the social mobilization framework should be organized around strengthening

livelihoods. While COs were involved with the livelihood component, this component was largely the responsibility of LSOs. This should have entailed a change in the indicator that 60% of the COs should continue to be viable and sustainable beyond the project life.

106. The World Bank emphasized the need for an exit strategy with a clear timeframe and milestones so that local institutions were transformed into fully empowered, functional and sustainable entities (5th Implementation Support Mission). This expectation showed high expectations of the process of transformation of local communities especially given that these were organizations with a membership consisting of the poor, vulnerable and the disadvantaged. There were some recommendations that were difficult to translate into operational terms. For example, the 6th Implementation Support Mission noted that PPAF needed to ensure that the Social Mobilization strategy leads to social and economic transformation of the targeted households and communities. For this, ID Unit and LEED Group were expected to join hands and work closely to formulate an integrated social mobilisation strategy for first, second and third tier community organizations. There is also an assumption here that the COs which essentially were designed to consist of a loose grouping of poor and vulnerable community members, mostly women, could be moulded to deliver a wide range of services with a spirit of volunteerism for social services and could also transform into a profit oriented organization when required.

107. A key area of focus of the design was with respect to savings and internal lending. The design of PPAF III was very ambitious in this regard and expected that internal lending would serve as the foundation for livelihood enhancement and improved access to markets and credit. The notion that individual savings could serve as a collective community asset which could be used for internal lending showed little understanding of the purpose for which people save and the savings attributes they value. The design did not incorporate past experience from within Pakistan and elsewhere that when there is no strong mechanism for oversight and monitoring there is a high probability that savings will be misused or squandered. World Bank Supervision Missions missed the point entirely when they observed that community groups did not save because they did not fully appreciate the significance of regular monthly savings and recommended refreshers for social mobilisers and other PO staff to sensitize and educate community members about the value of building financial assets through regular saving.

2.6 Lessons Learnt and Best Practices

108. Some lessons learnt and best practices are

- The training of PPAF partners in the administration and use of the Poverty Score Card approach and the use of Community Organizations to verify the poverty status of households has led to much better targeting of grants to the poor and vulnerable households. However, the scorecard has to be administered by organizations with strong capacity and the resources to conduct the survey at the household level. There is need to refine the instrument to ensure that it continues to be relevant and provide reliable results.PPAF recognizes that the measures of effectiveness of CIs are very input oriented and need to move beyond the use of attendance at meetings and the frequency of meetings to more output and outcome oriented measures of the contribution of these organizations to improving the socio-economic indicators of development at the village level. PPAF is revising the performance rating scale of community institutions to select indicators that are more outcome oriented.

- The shifting of focus of the activities of Partner Organizations from the CO level to the LSO level bears the risk of transforming these organizations from participatory to representative organizations. Thus it is important to re-examine the responsibilities and functions entrusted to the organization at the different tiers to ensure that their mandates are consistent with the type of form and responsibilities they have acquired.
- While it is important to ensure that the poor are represented in the community institutions and benefit from its activities, the leadership roles in these forums is likely to be assumed by activists and volunteers from those individuals who are in the non-poor category.
- Given the fact that a majority of the savings are not kept in bank accounts and members are not provided passbooks in many cases and the mixed experience of using individual savings for internal lending, the low level of repayment of loans from member savings and lack of oversight and monitoring mechanisms, there is need to develop guidelines for the POs to prohibit organization from undertaking any types of loaning or venture capital activities with peoples personal savings. PPAF is in the process of developing these guidelines in collaboration with its partners.
- The expectation that COs, VOs and LSOs will become sustainable without any activities to sustain them has to be moderated by realism as any attempts to sustain them artificially imposes high costs on all parties concerned including the members. In fact PPAF and its partners are beginning to realize that it may not even be necessary to insist on their continuation unless there are specific activities, responsibilities and resources assigned for the purpose.
- The participation of the members of community institutions in the political process has to be left to the members to determine. PPAF’s role in the process is simply to issue guidelines to ensure that the community institutions are not hijacked to meet the political interests of one party but continue to reflect the interests of the members.
- The future growth and development of the LSOs is unlikely to travel a linear trajectory but will be shaped by the commitment, skills and leaderships of its members and their capacity to capitalize on the opportunities for local level development.

3 Livelihoods Employment and Enterprise Development

3.1 Component Objective and Design

109. The objective of the Livelihood Enhancement and Protection (LEP) component was to develop the capacity, opportunities, assets and productivity of community members to reduce their vulnerability to shocks, improve their livelihood initiatives and strengthen their business operations. The target group of this component was the ultra-poor and the vulnerable poor. This component was to (i) support community members to build up their savings capacity and proficiency in fund management through internal lending, while complementing these efforts with grants and technical support to increase assets, productivity and incomes; (ii) develop and implement mechanisms to identify and support innovative micro-enterprises and value chain development that would result in improved livelihoods; and (iii) facilitate and promote linkages with private, public sector and civil society service providers. The expected outcomes from this component were enhanced assets, incomes, market linkages and sustainable livelihood opportunities for targeted households improved with reduced vulnerability to shocks.

110. After the mid-term review of PPAF III in 2013, activities under this component underwent some changes in order to improve its performance towards the achievement of the Project Development Objective (PDO). The LEP component was regrouped as Livelihoods, Employment, and Enterprise Development (LEED) and a number of innovations were introduced. Significant efforts were made to restructure, standardize and modernize the training programme, develop market linkages, engage the private sector, and create synergies to ensure long-term sustainability. Although LEED retained the activities specified under LEP such as asset transfer, vocational training, common interest groups and community livelihood fund, it under went a paradigm shift. Its focus shifted to expanding livelihood opportunities by engaging with women and men in communities as agents of change, not mere recipients of assets or training.

111. There was an emphasis on strengthening capacities of the poor and creating specialized institutions of the poor for livelihood. Under the supervision of the Local Support Organizations (LSOs), specialized economic platforms such as Naukari ya Karobar (Employment or Enterprise) centres (NyK), Production Centres and Loan Centres and Digital Hubs were created. In addition, the concept of creating Community Resource persons (CRP) was added to encourage the inclusion of youth in enterprise development and provision of a range of services to communities. The scope of the Union Council Development Plan was expanded to include an economic appraisal of the area and the inclusion of community members in its development became mandatory. A strong livelihoods component was also added to the Sind Coastal Areas Development (SCAD) programme which had been showing slow progress.

112. Based on the expanded role and focus of the LEED component, the intermediate outcomes and outputs were changed in the results framework[46] (Annex 3.1 and 3.2). At the intermediate outcome level, indicators were refined to be more focused on outcomes rather than activities and some were added to capture the investment in institutions of the poor. At the output level, targets were revised downwards for livelihood training and

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wage compensation, increased for asset transfer and new targets were added for Loan Centres, Production Centres, Youth Centres and Digital Hubs. The targets for livelihood training were revised downwards as the budget allocated was insufficient to reach the target of 460,000 beneficiaries. There were two reasons for revising wage compensation targets: (i) households with poverty scores of up to 30 could qualify for vocational training but only households with a poverty score of 11 qualified for wage compensation; it was difficult to explain the rationale for this difference at the local level to households with marginally higher scores whose poverty profile could be indistinguishable from those with a score of 11 and (ii); the resources were diverted to funding activities for Youth Centres.

3.2 Key Factors Affecting Implementation and Outcomes

3.2.1 Project Preparation

113. The background analysis identified the critical need to diversify livelihoods of the poor by focusing not only on the agricultural but also the non-farm sector and on the inclusion of the poor, the ultra-poor, women and socially excluded groups such as the differently abled and religious minorities. There was a strong evidence base backed by the lessons learnt through PPAF's Targeting the Ultra-Poor Project (TUP)[47] which demonstrated that ultra-poor families could be graduated out of poverty through training, assets, food stipends and health services. Some critical elements such as the monthly stipend and free health services targeted to ultra-poor households were not incorporated into the design. The design did attempt to address this issue by emphasizing the principle of integration: infrastructure, health and education, skills development and livelihood assets were to complement each other where possible.

114. The objectives and the activities of the component were realistic with the exception of the objective of supporting community members to build up their savings capacity and proficiency in fund management through internal lending. Internal saving and lending was promoted as a driver for economic growth opportunities despite the recognition that savings had neither been utilized for consumption or productive purposes under PPAF I and II. A fund for on-lending, the Community Livelihood Fund (CLF), was included in the project which was to be managed by community organizations. However, the lessons learnt in the country on savings and internal lending which detail the considerable risks associated with the regulation, management, governance and sustainability of these types of savings and internal lending were not sufficiently addressed in the design.[48]

3.2.2 Project Implementation

115. The livelihood component has successfully achieved and exceeded most of its targets with distribution of assets to 88,357 beneficiaries and training delivered to 388,750 women and men. The Community Livelihood Funds of Rs. 365 million has been disbursed to 120 Loan Centres and through them loans have been given to 26,392 beneficiaries. The project has facilitated the formation of 8,392 CIGs[49], established 196 Youth Centres, 71 Production Centres, 77 NyKs and 80 Digital Hubs. Assistive devices were distributed to 39,481 persons with disability and 3,014 were provided with

[47] Dean Karlan, Willaina Pariente, Impact of targeting the Ultra-Poor Program in Pakistan, CGAP.
[48] Geoff Wood, Abdul Malik and Sumaira Sagheer ed. (2006) Valleys in Transition, Twenty years of AKRSP's experience in Northern Pakistan.
[49] After an assessment of the CIGs formed, 2300 have been considered rated functional.

enterprise training and assets (Table 3.1). The project also trained 1,888 Community Resource Persons.

Table 3.1: Achievement of LEED Targets

Intervention	Target	Achievement
Assets	79,756	88,357
Training	320,000	388,750
Loan Centres	122	120
CLF (Rs. Million)	347	366
CIGs	2,300	8,392
Production Centres	71	71
Digital Hubs	80	80
NyK	66	77
Youth Centres	176	196
CRP	1,888	1,888
Assistive Devices for persons with disability	11,500	39,481
Persons with disability trained in enterprise development	2,875	3,014

116. The arrangements for implementing the livelihood component were complex. It was delivered through 40 partner organizations (POs). In the first three years, 323 UCs dispersed in 48 districts across Pakistan, including two Agencies, were targeted. In the last two years, the focus was on 143 UCs in 26 districts. The project was implemented through three kinds of organizations: partner organizations, the three–tiered community institutions and a range of service providers for capacity building and training. PPAF had to provide significant technical support and assistance as the activities undertaken under this component were new for PPAF, its partners and local community organizations. Furthermore, these activities required close interaction and engagement with the private sector with a completely different orientation and mind-set. For organizations that had been dealing essentially with social development and public goods this change was significant as it required a much deeper understanding of the dynamics of markets and private enterprise.

117. The progress and disbursement for this component was initially slow. It required capacity to be built within PPAF and within the majority of POs who did not have experience in implementing livelihood interventions. Furthermore, the capacities of LSOs had to be built to procure assets, manage Community Livelihood Funds, CIGs and the new platforms introduced under LEED. As livelihood interventions were not PPAF's core business, PPAF had to put in place an appropriate organizational structure, recruit and build capacity of staff. The project design had to be detailed and appropriate systems and tools developed for implementation and monitoring the LEP component. The poverty scorecard survey had to be completed before disbursement could take place as the component had to use poverty scores for the targeting of its interventions. The

recruitment of competent staff, especially in the leadership position proved to be a challenge. Initially, PPAF was also conservative about approving financial expenditures under this component. Another factor that delayed implementation was difficulties faced by LSOs in the opening of bank accounts as a result of very stringent Know Your Client (KYC) requirements imposed by the State Bank of Pakistan. This delayed implementation as procurement had to be done through LSOs. The project was finally able to take-off once structures and systems were in place. After the restructuring of the component there was rapid progress in meeting targets and implementing innovations.

118. An evaluation of the projects successes and shortcomings needs to be based on an understanding of the challenges presented by the context, institutional capacities and arrangements. PPAF III was targeting some of the most disadvantaged districts where factors such as scattered populations, difficult terrains, conflict and remoteness from markets and urban centres compounded the challenges of poverty. Within project districts, the focus was on the poorest Union Councils (UCs) and within the UCs on expanding the livelihood opportunities of the poorest. The strong focus on the inclusion of women in all the component interventions added another layer of challenge. In a highly patriarchal culture, women's livelihood opportunities are limited. Their access to resources for productive activities such as time, capital, networks and markets and their mobility is severely constrained due to restrictive gender norms and the considerable burden of domestic chores. Some of the areas that PPAF III was focusing on were particularly conservative and remote, intensifying the challenge of expanding women's livelihood opportunities.

119. A key achievement of PPAF III has been the inclusion of the ultra-poor, women, youth and persons of disability through this component. This was achieved through proactive policies, use of quotas, and utilization of a monitoring system that collected data disaggregated by gender, age and poverty scores for active course correction. Not only did the project ensure that assets were received by the ultra and vulnerable poor (0-18) but within the target group, 45% of the assets and 34% of the training went to the ultra-poor (0-11). The use of the poverty scorecard with community verification as a mechanism for targeting the ultra-poor beneficiaries on a large scale was an achievement in and of itself as was the involvement of local community organizations in the needs assessment, planning and procurement of assets. This promoted transparency and built critical capacity at the community level which is facilitating the access of local organizations to other donors.

Table 3.2: Distribution of Assets and Training Against Poverty Scores

Poverty Score	Assets	Training
(0-11)	40,281	130,981
(12-18)	48,076	168,994
(18-23)		88,775
Total	88,357	388,750

120. Women received 47% of assets and 46% of training and youth received 39% of assets and 56% of training. This was achieved through setting targets, specifying eligibility criteria and tracking progress through the monitoring system. The quota for women's inclusion in assets and training was 45% in the design, but was increased to 50% later as a strategy to focus efforts on achieving the target. The eligibility criteria for training was

under 35 years of age and only youth were eligible to be Community Resource Persons. The involvement of youth in the new platforms, NyKs and Digital Hubs was mandated with exceptions requiring written justifications. Youth Centres led to a direct engagement with the youth and increased their involvement in community institutions.

121. A specific sub-component for the inclusion of persons with disabilities was implemented. A carpet survey in 20 UCs in 8 districts was carried out for the first time in Pakistan. A comprehensive package in which diagnosis and needs assessment was the basis of a rehabilitation plan followed by transfer of assistive devices, assets and training, business incubation, training for attendants and teacher-training on inclusive education was another first in Pakistan on this scale. In addition to the assets and training given under the specific sub-component, in 2014 a quota for distribution of 5% assets and training was fixed for all POs. Persons with disability received 3.25% of the assets and 1% of training under the mainstream asset and training programme.

Table 3.3: Inclusion of Women, Youth and Persons of Disability

	Women	Men	Youth	Persons with Disability	Total
Assets	47%	53%	39%	3%	88,357
Training	46%	54%	56%	1%	388,750
Loan Centers - Borrowers	81%	19%	30%		26,392
CIG (category A&B) members	49%	51%			15,523
NyK					
Total Registration	28%	72%	100%		22,003
Total Referrals	20%	80%	100%		5,540
Total Placement	22%	78%	100%		3,768
Business advice recipients	25%	75%	100%		2,987
CRPs	24%	76%	100%		1,888
Assistive devices to persons with disability				39,481	39,481
Persons with disability (assets and enterprise training)				3,014	3,014

122. A key factor responsible for the success in achieving the training targets was the strategy of creating Community Resource Persons and providing training to communities through them. The strategy of accessing technical expertise from Government departments in districts also facilitated the achievement of the target. Furthermore, given the evidence for income generation from assets and beneficiary feedback on productivity of training, the linking of training with asset transfer contributed to the project's success in graduating the poor. The institutional innovations introduced under the component such as NyK centres, Digital Hubs, Production Centres and Youth Centres required careful planning with POs which had little or no previous experience in these areas and were supported by PPAF through the development of detailed and high-quality training manuals.

123. The UCDP has helped LSOs to develop a broader vision, map basic services, familiarize themselves with key issues in their UC and prioritize their needs. The platforms were introduced towards the last year and a half of the project in 2014 and required more time for a rigorous assessment for refining and evaluating the model. However, there are some recognizable achievements. In the past, development projects have delivered vocational skills training but there was no mechanism in place to connect graduates with the job market or facilitate the placement of those who had skills but were without jobs. The establishment of the NyK centres has given high visibility on the development agenda to the need for establishing such facilities. It has generated debate and experimentation vital to developing an effective model for job placement. The rudimentary structure that has been put into place to operate as a conduit for information on employment to communities and can be accessed by private individuals, enterprises and agencies, even government agencies for recruitment has demonstrated the high potential and need for this service. Placements of women and men have started to take place and MOUs with organizations have been signed for training and employment of youth. The Digital Hubs which have been established under PPAF III are providing LSOs with the technological tools that can aid them and also generate some additional income even if they do not serve the lofty objectives which they were expected to achieve. Digital Hubs were set up with the objective introducing a variety of technological and communication services at community doorsteps and developing 'knowledge centres with the potential to act as a central informational and coordination point with access to education and training through distance learning programs, inter and intra community. These have been successful to some extent in providing LSOs with technological tools to aid them in their work and in some cases have helped to generate some additional income even if they do not serve the ambitious functions that were envisioned for them.

124. The Community Livelihood Fund has done well despite the challenges of late disbursement of the fund due to factors such as difficulties encountered by LSOs in registering and opening bank accounts, preparing LSOs systems to administer a loan centre. A majority of LSOs are following the Standard Operating Procedures and disbursing loans with an average recovery rate of 98%. Standard Operating Procedures have been developed and disseminated. Service charges of loan centres vary but as can be seen in Table 3.5 nearly half are charging between 16 to 20% rates of interest.

Table 3.4: Distribution of Centres by Service Charges

Rate of Service Charges	No. of Centers	Percentage
1% to 5%	7	5.83%
6% to 10%	25	20.83%
11% to 15%	30	25.00%
16% to 20%	58	48.33%

125. Together with its successes, there were areas in which the project has faced challenges. Graduating households out of poverty and expanding the livelihood opportunities for women were both key objectives of the project. As women's businesses or sources of livelihood typically tend to be less profitable than men's the project had to

balance its objective of graduating households out of poverty by investing in men's livelihoods, which could potentially generate higher returns, with the objective of women's economic empowerment. Different strategies were used to address this issue: (i) women were given assets they could directly use such as livestock, sewing machines and small shops inside houses; (ii) assets that could prove to be more productive but not directly used by women were given in the name of women as it was thought that even providing an asset in a woman's name challenges gender stereotypes to some extent; (iii) an attempt was made to set up collective businesses in which women were producers and men were involved in facilitating marketing and purchase of raw material; (iv) businesses in which women's grants were invested and from which they were beneficiaries in the profit.

126. Under the component, POs also provided grants on a collective basis to the target groups. The idea of giving collective assets was justified on the grounds that some of the enterprises only made economic sense if they were of a certain scale. However, there has been variable success with these collective assets and collective businesses. PPAF has assessed that these business can only succeed if there is clear specification of ownership rights, management responsibilities and the manner in which the profits will be shared. Experience shows however, that over time these organizations suffer from lack of transparency in decision-making, record-keeping, distribution of profits and risk of elite capture. PPAF is therefore specifying a clear set of guidelines for the provision of collective assets and businesses. LSOs have been tasked to supervise these businesses in an attempt to address some of these issues. However, the capacities and resources of a social development volunteer organization to monitor a private enterprise was overestimated and in some cases practices emerged such as LSOs covering their transaction costs by taking a 10% to 20% share in the business. PPAF plans to further refine its policy in discussion with POs and LSOs for the future.

127. Another area in which PPAF has found that its POs have had limited success with is the notion of the Common Interest Groups. It was difficult to achieve a common understanding and clarity across partners on CIGs. The logic of composition went from considering all those in a common profession as constituting a CIG to attempting to include different actors along a value chain with often competing interests in one group. The creation of parallel structures and the need to participate in them as well along with the meetings of community institutions proved onerous for some of the women and men in the community. PPAF attempted to introduce some efficacy in the process by developing guidelines and SOPs based on a needs assessment, developing training modules and doing a Training of Trainers (TOT) and rolling out a standardized community program separating the functioning CIGs from those that were non-functional. It found that out of the 8,392 CIGs only 2,300 were reported as functional. From among the CIGs reported to be functional, the project focused on those with the most promising market prospects. It assisted these CIG's by establishing 134 Production Centres which brought together CIGs working on different parts of the same value-chain or a single product on one platform. The project then undertook to strengthen these Production Centres through providing quality training at the doorstep, exposure visits to familiarize them with the value-chain and develop linkages with markets.

128. There were significant challenges associated with the implementation of the Community Livelihood Fund. These ranged from delays in disbursement from POs to LSOs, lack of preparedness of LSOs, conflict within LSOs and mismanagement of funds. PPAF undertook an intensive exercise for risk mitigation: the risks of mismanagement of CLF were addressed by developing SOPs based on extensive

consultations all the relevant stakeholders (POs, community institutions, PPAF's Financial Service Group and donor) and development of training modules and management structures like Credit Committee and Review committees, and Action Learning Forums.

129. In its analysis of working with these different institutional artifacts under the LEED component, PPAF has also identified some challenges associated with NyKs, Digital Hubs and Production Centres. For example, the NyK model relies on young entrepreneurs in mostly remote areas, volunteering time, and investing resources to develop and run a local employment agency. LSOs provide the physical space and PPAF provides training. In the manner in which the NyKs have been operationalized by the POs, the NYKs are considered to be a private enterprise for the young entrepreneur, while the LSO supervises the enterprise, functions as a guarantor for those employed and has a share in the earnings. This ambiguous specification of proprietary rights by some of the POs presented a considerable practical challenge during operationalization of this concept and it is no surprise that only a limited number of NYKs are functioning. Digital Hubs were set for the provision of equipment and training but it is too early to assess at this stage whether these can be sustainable or if LSOs have the capacity to manage and implement the ambitious vision for these centres. A fundamental challenge remains that the structures and systems of social development organizations whether it is an LSO or a PO are not geared towards fostering or running a private enterprise. However, PPAF has learnt some important lessons through these efforts which are being debated and reflected upon in the preparation of its future strategy.

130. PPAF has been responsive to problems that emerged during implementation and continued to refine the strategies for the component on the basis of implementation experience and feedback as is evidenced by the preceding discussion and the following; (i) restructuring and other adjustments made such as the increase in the asset grant from Rs. 25,000 to Rs.50,000 to enable beneficiaries to increase their incomes on a sustainable basis; (ii) limitations of NyKs in establishing connections with employers in remote areas were addressed through establishing an elected national body which could access agencies linked to local, regional and international markets and (iii) facilitating some internal operational requirements to assist LSOs and POs to undertake local procurement of assets. For the long term PPAF is in the process of refining its strategies in collaboration with its POs and LSOs and assess how to better structure livelihood programmes.

3.2.3 Innovations

131. The LEED project had several innovative elements. The use of the poverty scorecard for targeting asset transfers and training, the procurement of assets through LSOs and the creation of the various livelihood platforms were a response to the realization that placement and business advisory services were a critical need. Young entrepreneurs were provided training in how to establish a grassroots placement enterprise and provided space and support by LSOs to start a business. They were then federated at the national level to increase access to employment agencies working at local, regional and national levels. Currently a franchise model of NyKs is being explored. Digital Hubs were created within LSOs to support the LSO by providing basic equipment to support LSOs and to generate some income for LSOs. Youth Centres were created to encourage young men and women to participate actively in cultural activities, to build active citizenship and help young people identify social enterprises with a double bottom line. Production centres brought together common interest groups or individual working on different parts of the same trade or value chain. LEED supported their understanding of different parts of the value chain, skill development and linkages to markets. The experience with these innovations has been mixed and will continue to be reflected on and shared by PPAF in its capacity as a repository of knowledge and a learning organization.

3.2.4 Monitoring and Evaluation

132. In the Project Appraisal Document, some of the intermediate outcome indicators were output-oriented and not sufficiently defined. The intermediate outcome indicators were appropriate for the livelihood component once they were revised to capture intermediate outcomes after the mid-term review and some indicators added to capture the additional interventions under the revised LEED strategy.

133. PPAF's monitoring system was dynamic and evolved to keep pace with the development of the component. Implementing partners, POs and LSOs, were trained against developments at each step on an on-going basis. There was a multi-tiered system for the monitoring of the LEED component to ensure reliability of data. LSOs monitored and reported on asset transfer, groups and the various platforms created. The Union Council Development Plans were used to assess the appropriateness of asset and training selected for a given area. POs verified data submitted by LSOs and sent monthly progress reports to the LEED unit which received and checked data from POs and undertook periodic field visits for verification through random selection of beneficiaries and identification of issues in back to office reports. The M&E staff of PPAF conducted random visits to verify compliance with policies and conducted third party evaluations.

134. The monitoring system produced data that facilitated analysis and utilization as it was disaggregated by sex, age, poverty score, province, union council, Partner Organization, types of asset, types of training etc. The LEED unit actively utilized the data to take corrective action. The data was used to monitor the coverage of the ultra-poor and vulnerable and became the basis for allocation of resources to POs. The target for transfer of assets and training for women was revised from 45% to 50% when partners were under-achieving the target to signal seriousness. The LEED unit also took action if data showed excessive distribution of a particular kind of asset in an area. Third party evaluations were commissioned and provided insights into the effectiveness and impact of the project.

3.3 Assessment of Outcomes

3.3.1 Relevance

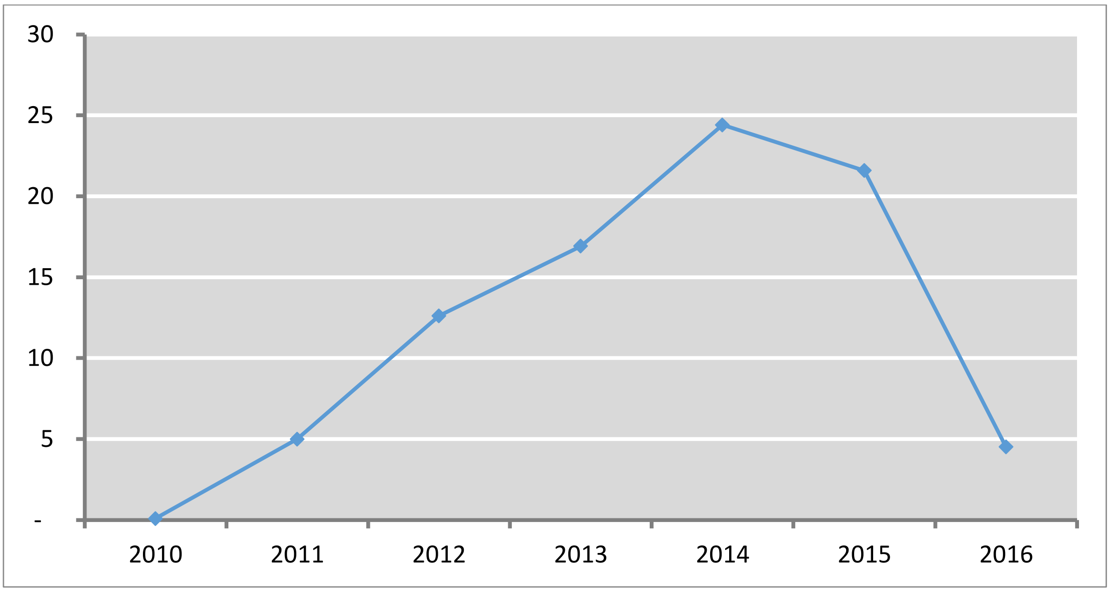
135. Pakistan has high rates of poverty and unemployment. There were estimated to be 6.36 million unemployed people in the country in 2014.[50] The LEED component remains highly relevant as it provides labour market interventions in the form of productive asset transfers for the poor, formation of common interest groups to increase the negotiating power and market access, and an increase in employability through provision of training, job placement, formation and targeted access to finance.

[50] Planning Commission, (2015) Draft National Social Protection Framework for Pakistan

3.3.2 Efficiency

136. After the initial delay in the implementation of this module, there was an exponential growth in disbursements in the LEED component which is illustrated by the manner in which funds were utilised (Figure 3.1). PPAF has demonstrated a model for graduation of the ultra and vulnerable poor that is efficient and cost-effective. At an average cost of Rs. 40,350 of transfer of assets with training or by providing vocational training with a maximum cost of Rs.40,000, men and women were able to generate an average income of Rs. 4,500 per month and this helped to graduate the ultra and vulnerable poor out of poverty or to lower levels of poverty.[51] The Government of Pakistan on the other hand is currently providing Rs.18,800 per annum in quarterly installments to BISP beneficiaries on an on-going basis without an exit strategy. ***The PPAF model aggregates payment to a beneficiary over two to three years to achieve an average monthly income that is more than twice that given under the BISP safety net programme*** (Rs. 1566). The PPAF model is more efficient and cost-effective as transaction costs for both the implementer and the beneficiary are limited to a one-time transaction. ***Using the PPAF strategy, BISP could effectively graduate 2.5 million women out of poverty every year.*** In addition, PPAF has a methodology to address inclusion errors through effectively screening potential beneficiaries through its community organizations.

Figure 3.1: Exponential Growth in LEED (Rs. Million)



137. PPAF has also been able to deliver training at very reasonable cost (Table 3.4 and Annex 3.4). This was achieved by using a range of delivery mechanisms such as government's vocational institutes, the informal *ustad-shagird* (master-apprentice) model and Community Resource Persons to impart training. Most of the platforms created by the project have also been fairly low-cost. The main cost of setting up of the different platforms was incurred in the training of two people at a total cost of Rs. 100,000. The Digital Hub cost Rs.703,000 per unit including training and hardware. The cost of establishing a youth centre was Rs. 14,500 which was incurred in providing training to two people. The specific benefits of each of these platforms has not been separately recorded by the POs. For the future, PPAF is planning to require POs to

[51] Apex Consulting (2015). User/beneficiary Assessment Survey, Phase II.

document this information more systematically in terms of the beneficiaries and the benefits that are generated. The loan centres from which the CLF is operating have proved to be an efficient mechanism to deliver loans to communities. The LSO is managing a credit portfolio of Rs 2.7 million with an initial investment in capacity building which is just 4% of the value of the credit portfolio. 2.13 million is an average loan per loan center without operational cost. In the case of Youth Centres, internal review and beneficiary feedback indicates that these were under-resourced given their objectives and in future a structured programme with an appropriate budget would be planned for their proper functioning.

138. A Value for Money analysis of the livelihood component was undertaken based on the number of people who were provided different types of assets and vocational and technical training under PPAF III. The increase in income for the recipients of the different types of assets and training was based on data collected through a Third Party survey of 2000 beneficiaries and supplemented by focused data collected from the field.[52] Only those trainings were used in the analysis which were expected to lead to an increase in income such as technical and vocational trainings. The entire cost of the livelihood component was used to assess the benefits over the six-year project period. The analysis shows that ***an investment in livelihoods and enterprise development leads to an Internal Rate of Return of 138% and a Net Present Value of USD 180 million at a discount rate of 10%*** (Annex 3.3).

Table 3.5: Unit Costs of Training

Types of Trainings	No of Beneficiary	Average of Intervention Cost Amount
Common Interest Groups (CIG)	24302	5,500
Community Institutions Management Trainings	61,240	4,000
Community Livelihood Fund (CLF) trainngs ie, Credit appraisal, portfolio management and book keeping	306	14,550
Community Resource Person(CRPs)	3,661	25000
Digital Hub Management	427	18000
EDT + Asset + Business	113,147	3,750
Exposure Visit	9,027	10,000
Livestock Management Trainings	74,664	2,450
Naukri Ya Karobar (NYK)	399	8,132
NRM Related Trainings	33,155	3,000
Technical & Vocational Trainings (TVT)	60,106	30,000
Workshop	6,636	1,900
Youth Center (YC)	1,680	7,250

[52] Ibid

3.3.3 Effectiveness

139. There is significant evidence that the LEED project has expanded livelihood opportunities, increased incomes of the poor and successfully built capacities of local institutions and community women and men including the youth. Studies conducted by PPAF and partner organizations show that asset grants and vocational training were effectively delivered and had a positive impact on livelihoods and graduating the poor. 80 % of beneficiaries expressed a high degree of satisfaction with the asset transferred to them and reported utilizing it for income generation with a positive effect on household income. The estimated average increase in household income was around Rs. 4,500 per month.[53] Similarly with vocational training, 83% were very satisfied with the training. 41% of the clients were of the view that the LEED project had helped to create linkages with markets, government and NGOs. The overwhelming majority termed the linkages developed through the project profitable with 70% rating them as very profitable. The linkages valued most were with government departments and markets. 91 % of beneficiaries receiving vocational training said they had used the skills with 82% using them in their villages. The earning from the skills ranged from 46 per day to 1000 per day.[54] In a study conducted in Layyah, the majority of beneficiaries reported that the training was useful and had a beneficial impact on their businesses.[55]

140. The impact assessment of SCAD shows that 80% of the beneficiaries of livelihoods were satisfied with the training and reported a positive impact on household income. In addition, the community infrastructure interventions were identified as a leading factor in improving livelihoods through saving time, providing access to markets and through the provision of light.[56] An impact study on LEED beneficiaries in Kharan, a remote district in Balochistan, reports high degrees of satisfaction with assets and training and the graduation of around 54% of households out of the ultra-poor and vulnerable categories. Over 50% households also reported an increase in food items purchased and 50% increase in purchase of fuel items.[57] Another impact study on LEED beneficiaries in Tharparkar shows that as many as 40 per cent of the respondents were found to have graduated from the first two PSC bands to the third band of 19-23 and the top most band of 24-100.[58]

3.3.4 Institutional Change and Strengthening

141. The livelihood project has helped to build capacities for the implementation of livelihood interventions targeted to socially excluded groups within POs and within community organizations and LSOs, in particular. The livelihood component has played a key role in building capacities of LSOs through a range of interventions. The Union Council Development Plan and awareness-raising on Millennium Development Goals (MDGs) has played a role in helping LSO’s to develop a broader vision of their sphere of influence. LSO’s capacities have also been developed in the areas of procurement, management of loan operations, criteria-based selections, record-keeping and monitoring. The profile of LSOs has been raised and this has resulted in an increase in linkages with development actors including government. POs who had little previous

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53 Apex Consulting (2015).,User/beneficiary Assessment Survey, Phase II.
54 Ibid.
55 Haider Ali, (2015) Impact Assessment Study report, ADO.
56 Semiotics (2014) Impact Assessment of Sindh Coastal Areas Development Project.
57 Hameedullah Khan (2015) Impact Study for BRSP LEP Project.
58 Irfan Khan,(2013), Graduation Survey, Tharparkar Rural Development Programme

experience of delivering livelihood interventions are now accessing other donors for similar interventions.

3.3.5 Sustainability

142. Under the LEED component, sustainability has been addressed using a range of strategies. One of the core strategies has been building local capacities to allow local institutions to continue some of the work themselves. The provision of a wide range of vocational and technical skills is also expected to enable individuals to become productive and sustain their livelihoods. Many of the young men trained as CRPs have created social enterprises such as tuition centres, veterinary centres and generate sufficient revenue to sustain themselves. NyK's are supposed to generate enough funds from registration and placement to be able to provide on-going services as are Digital Hubs from services such as photocopying, internet access, etc. PPAF has initiated an internal assessment to assess if these models are sustainable in their current form. A franchise model is already being considered for NyKs with some functions outsourced to the private sector. LSOs have also been given the CLF and calculations using the weighted average of interest rates charged shows that each centre can earn Rs. 31,500 per month if it efficiently disburses loans. However, sustainability of such funds is dependent not only on the revenue that can be earned but on arrangements to ensure management oversight and regular audits. POs are in the process of signing terms of partnership with LSOs under which these funds will continue to be supervised for the next two to three years.

3.4 Beneficiary and Partner Feedback

143. Consultations with beneficiaries and stakeholders showed that interventions under the LEED component were highly valued. Beneficiaries and Partners were of the view that vocational training under PPAF III was more relevant, appropriate for the target group and marketable than it had been under other development programmes in the past. They appreciated the flexibility given to select vocations. Experience showed that the inclusion of the ultra-poor was a challenge as many of them required working capital together with the asset. The engagement of youth through the CRPs was appreciated by them and they acquired a new perspective about their own potential**.** In Tharparkar, the *ustad-shagird* (master-apprentice) model of training was considered the most successful as boys were quickly offered jobs. The young men and women wanted to have higher levels of training and young women even in remote areas like Shangla wanted to have access to scholarships for certified courses such as LHVs and medical technician. NYK centres were effective in areas which were close to an industrial area or city. The beneficiaries suggested caution in the provision of collective assets and greater supervision and oversight in the management of CLFs.

3.5 Assessment of Bank Performance

144. The quality at entry of the Livelihood Component was generally appropriate and relevant However, the lessons learnt in the country on savings and internal lending which detail the considerable risks associated with regulation, management, governance and sustainability of savings and internal lending were not sufficiently captured or addressed in the design. The indicators some of the intermediate outcome indicators were output-oriented and not sufficiently defined initially. However this was addressed finally in 2013 in the restructuring of the component and its results framework.

145. The World Bank missions showed an understanding of the factors that delayed the implementation of the project and appreciated the components achievements. The missions supported the project by focusing it on the need to establish guidelines, sector-specific strategies and analyze the feasibility of micro-enterprises. However, as far as the CLF and CIGs were concerned, there was need to provide much greater reflection and sharing of experiences in this new area of work for PPAF and its POs and sufficient guidance or opportunities to exchange experiences with others was not provided in the design or during implementation. The World Bank did not take cognizance of the fact that CIGs, outside the structure of cooperatives, have limited potential and are unlikely to transform into 'vibrant entities'[59], though they can in certain sectors like agriculture and handicrafts, provide some benefits through collective marketing. With regard to the CLF, there was a push to disburse funds rapidly without taking into consideration the preparedness of the local community organizations. The guidance to link loan centres to MFIs and formal institutions was not realistic given the dynamics of the micro-finance sector and the formative stage of the loan centres.

146. The rationale and objective of CIGs and the capacity to support them was a struggle for social development organizations and the World Bank's direction to include value-chain stakeholders with competing interests in the same CIG such as the milk-seller, butcher and livestock traders in a livestock CIG led to greater confusion. The bank recommended a livelihood development group pilot[60] and promoted the concept of collective businesses. This recommendation did not take on board the ownership and management challenges associated with collective enterprises. The push towards collective business came from a shift in World Bank thinking when in the 4th ISM, the strong focus on the ultra-poor was questioned "*LEP should investigate whether the exclusive focus on the ultra-poor is stimulating sufficient economic activity or if solutions are also needed to meet the needs of the poor and vulnerable poor to stimulate a local ecosystem for economic development"*[61] although in the PAD the focus on the ultra-poor and socially excluded groups was the rationale for PPAF III.

3.6 Lessons Learnt and Best Practices

147. Some of the key lessons from PPAF's experience in livelihoods, which was a new area for it and its partners, are summarized below;

- The use of the poverty score card mechanism to target the beneficiaries for the granting of assets and training was generally accepted as an impartial and transparent mechanism and largely helped to avoid social conflicts in the community and provided a transparent system for resource distribution. Community validation has proved to be a good practice to deal with inclusion errors.
- The administration of the poverty scorecard needs to be improved through capacity building of researchers to conduct it and separately budgeting for the survey to be professionally administered and serve as a reliable instrument for targeting interventions and provide a valid baseline. There is also a critical need for developing a strategy to address exclusion errors.

59 World Bank, 5th PPAF –III ISM Aide Memoire (July-October 2013)
60 Ibid
61 World Bank, 5^{4h} PPAF –III ISM Aide Memoire (Jan-March 2012)

- PPAF has developed a successful approach for the ultra-poor which has been successful in helping to increase income and expand the livelihood opportunities of the poor in a more effective and efficient manner by providing productive assets and income enhancing vocational and technical training opportunities.
- Social development organizations face challenges in supporting and developing enterprise groups, whether it is Common Interest Groups, Production Centres or NyKs as their ethos and systems are not geared to enterprise development. PPAF is in the process of re-examining the institutional arrangements that could facilitate such enterprises and clarifying the optimal division of roles between development organizations and private sector entities.
- The provision and management of collective private assets and business is fraught with risks given that these arrangements are generally informal in which ownership rights, management responsibility and the division of profits is loosely structured. Tensions generally begin to surface in these enterprises between volunteer management and paid staff especially in cases where they begin to generate profits. Over time it has proved difficult to sustain these enterprises and the experience of a host of international and local donors bears testimony to this fact. This is a practice which needs to be carefully reviewed.
- The Union Council Development Plan has been a powerful tool for developing a vision at the local level and galvanizing communities into action. The involvement of the VOs and COs in developing the UCDP plan needs to be further strengthened through providing them with orientations through Community Resource Persons on the objectives and methodology of the plan so they can participate in it more actively.
- The Community Livelihood Fund is an efficient mechanism for making affordable credit available to women and men who are otherwise un-bankable. Some of the lessons learnt are as follows: (i) selecting an LSO that has been in operation for at least a year (ii) the revolving fund should be released in installments with the release tied to performance (iii) higher investments should be made in capacity building for overall financial management and the management of the credit operations. Lessons from similar interventions in Pakistan and PPAF's own experience show that if these funds are to be protected from being squandered, third party oversight on a continuing basis is critical. Given the considerable risks associated with CLF in terms of its management and regulation, replication of this intervention needs to be carefully considered.
- The building of local capacities by training young people as community resource persons has been a successful strategy to engage youth and create a network of development activists at the community level. The CRPs have facilitated the implementation of PPAF III in different capacities – from spreading awareness on health and inclusion to providing livestock extension services - and are being engaged by a wide range of development agencies including government in some areas. PPAF has created a consolidated directory of CRPs which is serving as a useful resource for other projects. The lessons learnt for strengthening this intervention are (i) Allowing sufficient time budgeted for selection process (ii) strong focus on selection according to criteria (iii) a clear engagement plan with payment made for tasks undertaken and report back arrangements to facilitate the spread of awareness and services to the communities.

- A meaningful engagement with youth to develop leadership skills and promote them as active agents of change is best achieved through a well-resourced and structured project with a dedicated budget as has been demonstrated in successful models established in the country. Youth projects should also be energized and made sustainable by linking them to on-going programmes such as the youth parliament, girl guides etc. It will be important to have differentiated strategies and targets for the inclusion of young girls in youth activities otherwise activities will be focused on young men. It is important to set targets for the inclusion of girls and devise appropriate activities for their inclusion.

- The inclusion of women in a project is facilitated by setting targets, gathering and actively monitoring sex-disaggregated data. Setting a high target is a good strategy for focusing organizations on including women and girls. In remote areas the inclusion of women will entail engaging with traditional trades such as embroidery and handicrafts and intensive support at the doorstep will be needed in the initial stages in terms of design, quality control and access to markets. In order to facilitate women's mobility, affirmative action is necessary. For example, the unit cost for men and women's exposure visit may have to be different, a budget for a relative to accompany a woman so she can travel for training or exposure visits needs to be made available to overcome barriers to mobility. PPAF III has set a high standard in collecting and utilizing sex-disaggregated data. It needs to ensure that not only is sex-disaggregated data collected in third-party studies but levels of satisfaction and impact are also sex-disaggregated.

- The most effective strategy for the inclusion of persons with disability is to design an intervention that addresses their social and economic rehabilitation. A rehabilitation plan for a person with disability needs multiple interventions requiring technical expertise, so mainstreaming persons with disabilities has to be understood to mean not just setting a quota for assets and training but allocating a budget that will ensure that technical expertise can be contracted in to do a needs assessment for the assistive device needed and develop a rehabilitation plan. Another key lesson learnt is that the process of inclusion is facilitated and sustained by creating Community Resource Persons for social inclusion and tasking them to include persons with disability in community organizations. It is also important to disaggregate the data by gender to ensure the inclusion of women. PPAF IIIs success in this regard is highlighted by the fact that in response to a request from the Government of Khyber Pukhtunkhwa, the intervention on disability was showcased and discussed at a roundtable.

4 Micro-Credit Access

4.1 Component Objective and Design

148. The objective of this component was to improve availability and access of the poor to micro-finance to enhance their capacities, productivity and returns from livelihood initiatives. In most areas, the intention was to improve access to existing micro-finance services and facilitate the provision of micro-credit to poor borrowers through partner organizations which were Microfinance Institutions (MFI) and working in areas that were unable to access finance from the mainstream micro-finance sector. This component included capacity building for selected MFIs to improve their ability to work in these least developed areas and provide training and technical assistance to improve existing systems, review and improve the current loan methodology and cost recovery as well as the lending mechanisms between MFIs. It was expected that those districts would qualify for the loans which had an overall microfinance penetration rate of less than 5% with low economic development and high incidence of poverty. Based on these considerations, 37 districts were identified for the component.

149. The expected outcome of the component was increased access of the poor, especially women to micro-credit, particularly in the least developed areas of Pakistan. The current average penetration rate of 6.0% was to be increased to 8.8% over the next five years. The component was also expected to provide technical assistance to PPAF, to support its organizational strategy of restructuring and the de-linking of its micro-finance operations from PPAF's other poverty interventions. The component comprised US$ 33 million as sub-loans for micro-credit and a further US$7 million for MFI operational support, capacity building, and technical assistance to PPAF.

4.2 Key Factors Affecting Implementation and Outcomes

4.2.1 Project Preparation

150. There has been considerable background analysis undertaken in Pakistan to establish the large unmet demand for credit especially in rural areas and for the agriculture sector which is not served by the commercial banking sector. Regular assessments of the low levels of penetration is produced by the Pakistan Microfinance Network (PMN) which has been undertaking studies to assess the financial services coverage at the district level. There was also considerable background analysis undertaken by PPAF to justify its transformation to a special purpose vehicle or financial institution for wholesaling financial services to partner organizations. This was based on PPAF's assessment that it would not be able to manage its dwindling financial resources if it did not transform into an entity that could generate additional sources of financing from the private sector. One of the major constraints in the growth of the micro-finance institutions has been the lack of funds. It was expected that the establishment of the Pakistan Micro-Finance Investment Company (PMIC) would be able to address this gap through attracting commercial funds for the sector.

4.2.2 Project Design

151. The objectives and activities of the project were generally realistic and constituted PPAF's core line of business. However, in terms of the delivery of credit under the

project, the design of the micro-credit programme included some difficult criteria. For example, the requirement in the Project Appraisal Document (PAD) that "all potential borrowers must belong to the lowest tiers in terms of their poverty ranking on the poverty scorecard or other objective measure but must not belong to the "ultrapoor" category and should be positioned well below the poverty line." Given that the microcredit component was expected to be demand based and was to be implemented in areas with low economic development this stipulation of precisely assessing the poverty profile of the borrower was a particularly difficult condition to fulfill or monitor.

152. The PAD had also identified the risk of decreasing rates of repayments by POs. This risk was expected to be mitigated through loan loss provisions by both PPAF and POs, careful selection of POs with high repayment track records, PPAF's rigorous monitoring and audits and the cost of delinquency being built into the interest rate. However, the original design of the microcredit component did not fully consider the difficulty of providing financial services to remote districts with low levels of economic development and a large scattered population. The MFIs providing credit to these areas incurred high delivery costs and suffered due to non-performing loan portfolios. The assumption at design that the capacity of POs for reaching out effectively to widely dispersed rural communities in districts with sparse population in particular Balochistan and remote areas would be made possible through further investments and incentives to POs to scale-up and reach out to the most backward districts and the chronic poor throughout the country was not tenable in many cases.

153. As a result of the low level of demand and the high cost of lending to the remote districts, no lending was possible in 14 of the original 37 districts and very limited lending was provided in 5 districts. The coverage of the microcredit component had to be modified to include all the districts of Khyber Pakhtunkhwa and Balochistan for utilizing grants to extend micro-finance operations and capacity building under PPAF-III. The on-lending activities under the component were expanded to 10 additional districts that included Quetta in Balochistan and Peshawar, Charsadda, Karak, Nowshera, Swabi, Buner, Mardan, Kohat and Mansehra in Khyber Pakhtunkhwa. Thus the credit component could only be implemented fully in 18 of the originally selected districts and grants were expanded to include POs in Balochistan and Khyber Pakhtunkhwa. Another important change in the design of the component was the reallocation of grant funds to upscale innovative products as originally the funds were only demarcated for establishment of branches and the financing of operational and capital costs.

154. The Bank's safeguard policies on social and environmental factors were incorporated as an integral part of the design of this component and each PO was expected to closely adhere to the lists developed to ensure that financing was not approved for any investments that were on the negative list. There was no specific risk of elite capture associated with this criteria as loans were being provided on commercial rates and for amounts which would generally not be of interest to the non-poor. Furthermore, any associated credit risk was minimal given the well-structured processes at PPAF for screening PO requests, the financing terms developed by PPAF and the development in the sector with reference to the credit information bureau. The trend towards greater self-regulation to abide by the principles of consumer protection is growing within the MFIs and provided a modicum of assurance that the POs would follow the principles of the SMART campaign.

4.2.3 Project Implementation

155. The funds available for on-lending have been fully utilized. By the end of December 2015, PPAF had disbursed the entire Rs. 2,975 million of the loan funds and revolved it around three times from reflows and exchange rate gains amounting to a total of Rs. 8,388 million. This disbursement translates into achieving 282% of the original component allocation. As far as the grant is concerned, PPAF has committed Rs. 719.74 from Rs. 712.4 million which includes Rs. 500.4 million (USD 5.56 m) of the original allocation and Rs. 212 million which accrued as a result of exchange rate gains. It has thus committed all the funds from grant financing.

Table 4.1: Achievement versus Targets

Category	Funds Allocated	Total Funds Committed	Funds Disbursed	% of Commitment to Allocation	% of Disbursement to Allocation
On-lending funds (Million Rs.)	2,975	9,400	8,388	316%	282%
On-lending funds (Million USD)	33.06	105	93.2		
Grant Funds (Million Rs.)	712.4	719.74	657.47	101%	92.2%
Grant Funds (Million USD)	7.68	7.99	7.08		

156. The microcredit component was implemented by 22 Partner Organizations across the country. However, support for institutional development from the grant sources was provided to 31 organizations. Funds for on-lending to organizations not working in the selected districts was made available through PPAF reflows and other sources. Table 4.2 below gives a list of the organizations involved by province and Annex Table 4.2 gives the volume of on-lending funds and grants provided to each. From an analysis of the funds under the component, it appears that 9 MFIs or 40% of the POs received 83% of the credit funds. These same organizations received 58% of the grant funds.

Table 4.2: Share of Disbursement of Credit and Grant Funds (December, 2015)

	Share of Credit Funds	Share of Grant Funds
NRSP	21.50%	11.40%
TRDP	13.0%	10.20%
SAFCO	9.90%	0.80%
ASA Pakistan	8.50%	3.60%
Kashf Foundation	8.00%	19.0%
SRSO	8.00%	3.90%
SVDP	6.60%	1.80%
PRSP	5.10%	0.20%
BRAC	2.10%	6.80%
Total	82.70%	57.70%

157. The strong performance of the microfinance component was due to the effective leveraging of institutional development of the POs and extending their outreach under the current project and capitalizing on the growth of previous investments. Another key reason for the success of this component was the very well developed implementation methodology of PPAF and its considerable investment in Partner Organizations with the capacity for rural outreach. PPAF III has helped to graduate its clients to larger loan size. Overtime, the MFIs have also adjusted their lending methodologies in a manner that helps to reduce the transactions cost for the borrowers. For example, TRDP's use of the branchless banking agents for collection of its loans is one example of a PO adjusting its methodology to reduce costs to borrowers. Another example is Kashf's shift from a group lending methodology to an individual lending approach. However, the POs offer both individual and group lending models to balance their risk of lending with the convenience for borrowers. The MFIs are continuing to build their technical capacity to improve their risk assessment capacity to reduce the guarantee requirements placed on borrowers. While some point to the high rates of interest charged by the MFIs, comparative assessments of the rates of interest show that the interest rates charged by MFIs in Pakistan are comparable to rates charged by MFIs internationally and that these rates are, in any case, much lower than the rates charged by informal money lenders.[62]

4.2.4 Innovations

158. PPAF used the resources available under PPAF-III to pilot test several innovative products and up-scale those which had been previously tested under financing from the International Fund for Agriculture Development or other donors. These included an index-based crop and livestock insurance, value chain financing, low cost school financing, renewable energy financing and an asset based lending product. Some of the products were especially designed for low-income households and women such as the Business Incubation loan which was targeted at women with skills but no actual business experience. These products were designed and implemented in close collaboration with commercial insurance companies and public and private sector agriculture input companies, etc. To encourage the innovations, PPAF played an instrumental role in facilitating linkages, providing initial subsidies to test new pilots and providing grants to finance some of the capacity building and institutional strengthening elements of the innovations. PPAF expects that the private sector and the clients will forge effective linkages for continuing to provide and avail of these services. Table 4.3 below gives a summary of the types of innovations and their coverage under PPAF III.

[62] MF Transparency Country Pricing Report for Pakistan, 2013-14.

Table 4.3: Coverage of Innovative Financial Products

Projects	POs	District	Grant (Mill)	Beneficiaries
Upscaled (Initiated in PRISM)				
Enterprise Value Chain (Embroidery + Livestock + Poultry)	BEDF	Haripur	6.40	400
Agri Value Chain (Wheat and Cotton)	NRSP-MFB	Bahawalpur	35.87	15,000
Dairy Value Chain	SRSO, FFO, AGAHE	Jacobabad, Muzaffargarh, Rajanpur	20.54	2,500
Stitching Value Chain	Baidarie	Sialkot	3.53	180
Renewable Energy	SVDP	Khushab	0.10	500
Livestock Micro Insurance[63]	SRSO, TRDP, SRDO, FFO, Mojaz, RCDS, SVDP, Agahe	Jacobabad, Shikarpur, Ghotki, Tharparkar, Sanghar, Muzaffargarh, Layyah, Khushab, Rajanpur	43.36	12,654
Crop Micro Insurance[64]	NRSP-MFB, SRDO, SSF	Bahawalpur, Sanghar	36.25	13,361
Branchless Banking	KF	Abbottadad, Bahawalpur, Gujarat, Haripur, Khushab, Multan, Sialkot, Nowshera, Mansehra, Mardan, Bahawalnagar, Muzaffargarh	21.80	8,221
Initiated in PPAF – III				
Low-Cost Private Schools	KF, TRDP	Bahawalpur, Multan, Gujarat, Sialkot, Bahawalnagar, Khushab, Layyah and Tharparkar	9.72	31,178
Livestock Value Chain	SVDP	Khushab	1.61	600
Start-up Business Loan Product	KF	Gugrat, Sahiwal, Bahawalpur, Multan	6.14	2,280
Business Incubation Labs	KF	Nowshera, Mardan, Abbottabad, Thatta and Lasbela	2.02	1,011
Asset Backed Lending	KF, JWS	Sialkot	2.41	132
Total			**189.75**	**88,017**

[63] Total animals insured equals to 57,181
[64] Total acres insured equals to 35,863

159. ***Livestock Insurance:*** The index-based crop and livestock insurance products were targeted at small and marginal income farmers owning less than 6 acres of land and 3-4 animals. With the help of its strategic partnerships PPAF has not only worked in conventional livestock insurance but has also launched two different types of livestock products for sacrificial and milking animals, with the focus on providing protection to vulnerable small herders. The livestock insurance products are now functioning in 9 Districts of Sindh and Punjab and 57,181 animals have been insured. The POs involved in the implementation worked closely with clients and helped them to file claims. An important aspect of the livestock insurance was the initiation of animal vaccinations with the participation of the POs who engaged livestock specialists for the purpose. The insurance product was subsidized by PPAF in the first round but the subsidy is expected to be withdrawn in subsequent rounds of implementation. The experience with this product showed that the claims settlement process needs to be further streamlined to encourage farmers to access the product. PPAF found that one of the most valued aspects of these products was the provision of livestock protection services particularly animal vaccinations against the prevalent diseases in the area. The experience with this product highlighted the critical need for livestock health and vaccination services as a risk mitigation strategy for poor households which suffer as a result of the high animal morbidity and mortality rates.

160. ***Index-Based Crop Insurance and Warehouse Receipts:*** PPAF also assisted with the up-scaling of a rain-based crop insurance product which had been pilot tested earlier. Under this 13,361 clients insured 35,863 acres during the upscale phase of the product with the participation of United Insurance and Alfalah Insurance companies. PPAF offered this product on a subsidy on a sliding scale. Moreover, PPAF also supported the design and implementation of the Crop Yield Insurance Product to secure the farmers' cotton crop against losses due to natural calamity; a total of 25,053 acres of cotton have been insured up till now. Due to recent hailstorms and heavy rainfall during the monsoon period; a total of 238 claims have been settled for insured clients with damaged cotton crop amounting to PKR 14.62 million. PPAF is also attempting to support a system of warehouse receipt financing and as a first step is helping to link farmers with the warehouses established by the NRSP Bank to subsequently assist with the initiation of a loan product in which the warehouse receipt is used as a collateral.

161. ***Agriculture Value Chains:*** PPAF has also assisted small farmers and women from poor households in enhancing their productive capacity and establishing market linkages to graduate them to levels whereby they can capitalise upon the availability of financial services. To strengthen the economic base of low-income farmers with timely access to easy and cost-effective financial and non-financial services, PPAF implemented a comprehensive Agriculture Value Chain for 10,000 small farmers in District Bahawalpur. Amid the successful completion, the second phase of the value chain has been implemented with additional 5,000 farmers. As part of the package training was provided to 15,000 farmers in enhancing crop productivity and 2,000 women trained in efficient cotton picking practices. Moreover, forward linkages have been established with government departments including Pakistan Agricultural Storage and Services Corporation Ltd (PASSCO) and Punjab Food Department for timely uptake of yield from farmers directly at government support price of wheat. In order to cover the risks of farmers, a comprehensive crop yield insurance product has been developed, which provides insurance coverage in case of crop loss due to natural calamities. Initiatives including Natural Enemy Farm Reservoir (NEFR) and Good Agricultural Practices (GAP) have also been developed to promote environment-friendly agri-practices. An

SMS service is also being initiated to benefit the farmers by keeping them updated on latest agricultural practices and timely weather updates.

162. PPAF designed Livestock and Dairy Value Chains focused on better livestock management and dairy development through the organization of small dairy farmers at the grassroots level. These value chains were implemented for 3,100 beneficiaries in Districts Rajanpur, Jacobabad, Khushab and Muzzafargarh. The beneficiaries were also provided specialized trainings on best dairy practices, livestock management and business development services. In addition backward and forward linkages have been established with government line departments and corporate entities for provision of fodder thus resulting on higher milk yield at competitive prices. Through these value chains, PPAF has also facilitated improved livestock management among groups of farmers to facilitate their access to larger loans for livestock and provide facilities for improved animal sheds and nutrition as well as improve access with markets. These measures are expected to reduce the risk of borrowing.

163. ***Off-farm value Chains*:** PPAF has also initiated several off-farm value chains which included a stitching value chain pilot which helped revive income streams of unemployed football stitching women workers which has been up-scaled for 180 women through establishment of two new stitching centers for gloves and garments. After undergoing the training, some of these trained women beneficiaries will be employed in factories while others will be provided microcredit facility so as to establish their own units at home. Through its partners PPAF has been assisting women’s groups to promote traditional handicrafts such as the embroidery value chain in district Haripur with access to loans to home based women entrepreneurs and training to develop their skills to produce a wide range of hand embroidery products. The value chain focused at linking the members to renowned designers of the country and local raw material suppliers. The women beneficiaries of the value chain were also provided with opportunities to showcase their embroidered products at national and international sale exhibitions and fashion shows. The value chain has now been running on a self-sustainable basis, benefitting over 400 women of the area. In addition, livestock and poultry value chains have also been established for the same women beneficiaries to diversify and increase their household incomes. The model of the embroidery value chain has resulted in significant increase in beneficiaries’ income streams through creation of business opportunities. In all these models, linkages are established with corporate entities for supply of raw material and purchase of the final product.

164. ***Innovative Financing Products:*** PPAF has also assisted its POs in introducing some innovative financing products which are targeted at meeting some of the critical education and energy needs of the targeted communities. These products include a low cost school financing product in collaboration with Kashf Foundation (KF) and TRDP. The project has reached out to 160 LCPS in Districts Bahawalpur, Multan, Gujarat, Sialkot, Lahore, Bahawalnagar, Khushab, Layyah and Tharparkar; benefiting 29,618 students (51% girl students) and 1,383 teachers who are working in these schools. The product by Kashf is being implemented in 100 schools and the introduction of this product has resulted in increasing the total enrolment to 16,824 students, of which 51% are girls. Trainings have been delivered to 697 teachers and 281 entrepreneurs. PPAF has also introduced a product designed to finance a renewable energy product which finances solar and biogas solutions. Over 2,407 clients have benefitted from these microfinance based solutions, with loan amount exceeding Rs. 45.28 million. The technical specifications of the solar panels is determined after an analysis of the electricity requirement of each household and repayments are based on household cash-flows.

165. ***Business Incubation Laboratories*****:** PPAF initiated a programme aimed at empowering women through access to finance. The first phase of the programme provides an opportunity to aspiring women entrepreneurs to obtain start-up loans without the hassle of arranging male guarantors and post-dated cheques. Further on, it also provides financial literacy, business development, gender role, and justice trainings. The program has been implemented in 4 districts of Punjab i.e. Bahawalpur, Multan, Gujarat and Sialkot, whereby startup loans have been disbursed to 2,280 women. While the second phase of the program programme aimed at providing access to finance for starting and growing businesses for women entrepreneurs was initiated with a range of non-financial services aimed to enhance business skills by enrolling them in what is termed as Business Incubation Labs (BILs). These labs provide business development skills, linkages to markets, and collaboration with the trade institutes, promoting efficiency, increasing productivity and creating growth and sustainable business enterprises. About 801 women have graduated while an additional 210 women have been inducted for the upcoming sessions. Based on the success of this model an additional 32 BILs have been established across Pakistan by Kashf Foundation. Kashf also introduced a new product which allows women to access startup loans and assisted many aspiring women to establish their own businesses.

4.2.5 Monitoring and Evaluation

166. The indicators established for the microcredit component were adequate to monitor progress. PPAF has a well-established system for monitoring progress for most of the indicators required under the component. PPAF supplemented its own monitoring and evaluation system through recourse to the MicroWatch bulletin published by the Pakistan Microfinance Network on a quarterly basis to assess the credit penetration rates in the target districts. PPAF has financed a series of outcome assessment surveys of micro-credit recipients. Some of the POs also undertake impact assessment of their microcredit programmes which provide valuable information on the impact of the component. The lessons from the experience of these innovations are captured in periodic publications and brochures which are disseminated among the target communities and key stakeholders. PPAF has held numerous workshops, discussions around its initiatives and on the impending spin-off of PPAF microfinance operations. A knowledge sharing activity is being planned with all POs to share the experience gained during implementation. Moreover the various manuals, financial tools, outcomes and analysis of uptake, constraints, sustainability and other issues will also be shared with POs to enable them to learn from the experience.

4.3 Assessment of Outcomes

4.3.1 Relevance

167. The Government of Pakistan has been pursuing a very proactive strategy for providing increased access to financial services in the country as a key element of its poverty reduction strategy. In pursuance of its objectives of providing wide coverage, the country has taken some bold regulatory measures and has been acknowledged for having

one of the best microfinance environments by the Global Microscope report for its enabling environment for financial inclusion.[65] A national microfinance strategy developed in 2006 had outlined ambitious plans for reaching 10 million clients by 2013. However, the sector has not been able to meet these targets due to lack of funds, limited MFI outreach and lack of adequate institutional infrastructure for financial services. There is still a large unmet demand for financial services in the country as potentially there are estimated to be between 17 million to 20.5 million micro-credit clients.[66] Pakistan has one of the lowest rates of financial inclusion in the world.[67] As a key action under the National Financial Inclusion Strategy (NFIS) formulated in May 2015, the Government has specifically outlined the need for improving access to financial services for the agriculture sector, SMEs and addressing the gender gap in providing access to finance and financial inclusion. The Action Plan in the NFIs specifically refers to the creation of the Pakistan Microfinance Investment Company. Thus this component was very relevant to the needs of rural enterprises, agriculture and the unmet needs of poor households in Pakistan especially women.

168. PPAF III also introduced various types of insurance products which are highly relevant for rural areas. The penetration of insurance services in Pakistan is very low – only 3.0% of the population holds any kind of insurance policy,[68] with insurance coverage being abysmally low for females (0.7%) and almost non-existent for inhabitants in the more remote provinces. Based on the needs of the women farmers, PPAF in collaboration with insurance companies is designing a women centric insurance product providing insurance coverage from diseases/animal bites which women cotton pickers are prone to. Meanwhile, Kashf Foundation has initiated health insurance plans for its borrowers. The insurance product is bundled with the loan. Following are the plans offered

- **Plan A:** Premium of PKR 1,850 annually, eligibility- married women below age of 45 years, husband & wife below 65 years of age, cover for unmarried son max age 25 years, unmarried/divorced/widowed max age 65 years. Cover provided includes OPD of upto PKR 5,000 for each individual, IPD per individual PKR 30,000, maternity cover for C-Section only PKR 20,000, loss of wages PKR 300/night in case on in-patient, ambulance cost for upto 40 km distance.
- **Plan B:** Premium of PKR 1,200 annually. Same coverage as above, only maternity cover is not provided in this plan. All women unmarried/divorced/widowed are provided this plan in addition to all married women above 45 years.

4.3.2 Efficiency

169. The PPAF model of disbursing funds has proved to be an efficient method for providing funds to rural areas and districts with limited access to financial services. PPAF has developed a system of assessment of its POs based on an Internal Rating System developed by M-CRIL. PPAF's own process of lending to the POs was relatively quick and applications were generally approved within a quarter. The POs in turn had

[65] The Economist Intelligence Unit (EIU). 2015. Global Microscope 2015: The enabling environment for financial inclusion. Sponsored by MIF/IDB, CAF, Accion and the Metlife Foundation. EIU, New York, NY.
[66] Ali Akbar Ghanghro and Nafey Khan. Estimating Potential Market Size for Microcredit in Pakistan. (December 2015). MicroNote 27. Pakistan Microfinance Network.
[67] Access To Finance Survey. State Bank of Pakistan and The Little Data Book on Financial Inclusion, World Bank 2015.
[68] The Economist Intelligence Unit (EIU). 2015. Global Microscope 2015: The enabling environment for financial inclusion. Sponsored by MIF/IDB, CAF, Accion and the Metlife Foundation. EIU, New York, NY.

also developed loan approval processes that enabled very quick processing of the loans to beneficiaries. The disbursement pattern of the on-lending funds shows that PPAF had disbursed the entire USD 33 million within the first 2 years and thereafter had revolved it more than three times to provide much greater outreach than expected at appraisal. The loan size given by the POs under PPAF III has gradually grown over time by about 24% which was higher than the rate of inflation and represents real growth in loan size.

Table 4.4: Loan Size Growth of MFIs under PPAF III

Year	2012	2013	2014	2015
Loan Size (PKR)	18,300	19,700	21,400	22,700

170. PPAF charged the POs interest rate at Kibor or 8% which ever was higher. The interest rates charged by the POs to clients ranges from 20% to 36%. The lending rates charged by MFIs covers the cost of operations, cost of funds and cost of delinquencies. Despite these high interest rates, the microcredit sector is reported to be efficient in enhancing access and lowering the cost of lending. Studies have shown that the biggest concern for the target group in rural areas is access to financial services, not just the cost of those services. The costs charged by the MFI sector are lower than the costs charged by the informal sector which can charge interest rates of between 100-200%.[69] PPAF has examined the cost of delivering financial services and estimates that POs cost of delivery has reduced from 24% to 19% over time. Some of these efficiency gains are being transferred to the clients through reduction in the interest cost of the loans.

171. PPAF facilitated PMN which in partnership with Micro-Finance Transparency (MF Transparency) and other key stakeholders completed the first data publication under the Transparent Pricing Initiative. Pricing information was collected and standardized calculation methods employed to calculate Annualized Percentage Rate (APR) interest rates for all products of the 31 MFPs which participated in the assessment. This was the first sector-led move towards greater transparency and standardization in pricing calculations and disclosures in the local industry. The findings of this analysis show that the loan products of the MFI sector target very small loan amounts relative to the economic indicators of Pakistan. In other words, microcredit in Pakistan is much smaller in size than microcredit in other comparative countries. This means that loans are targeted toward a needier population which brings with it the financial challenges of providing extremely small loans. Pricing levels in Pakistan were adjudged to be ‘moderate’ to ‘low’ relative to other countries, and for the scale of loan amount, are much lower than most other countries. The assessment concluded that loan product pricing is more transparent in Pakistan than in most countries, however there is room for improvement. Countries with higher transparency in comparison have in place legislation requiring more transparency in their pricing.[70]

172. The efficiency of the micro-credit operations can also be gauged by the fact that for every rupee provided as a grant for building the capacity of the 31 POs, the MFIs were able to provide loans worth Rs. 13 to the borrowers. In addition, support was provided to 266 branches in 33 districts. It is expected that the institutional infrastructure added in Khyber Pakhtunkhwa can serve more than 399,000 active clients. The processes

[69] Qadir, Adnan 2005. A study of Informal Finance Markets in Pakistan.
[70] MF Transparency Country Pricing Report for Pakistan, 2013-14.

established for disbursement and recovery of loans by the POs has also been growing in efficiency. Many of the POs are now using both the individual and group lending approach to provide financial services. This has also helped to reduce the transaction costs for women in particular. Some of the POs are also beginning to make use of the branchless banking eco-system and using agents in rural areas for collection of loan repayments. This has helped to reduce the transaction costs for clients. The sector on the whole has achieved sustainability and now the challenge is to go to frontier markets and underserved areas with a diverse range of financial and non-financial products.

4.3.3 Effectiveness

173. The approach for credit disbursement used by PPAF in the project succeeded in providing 582,990 loans through a wide range of partners (Annex 4.1). New borrowers were recorded at 376,532 as on December 2015. A Third Party Survey which was undertaken by Gallup to assess the profile of the borrowers shows that of the 2,503 borrower households in the sample, 39% households were found to be poor (according to PSC classification ranges 0-34) while 61% were found to be non-poor (PSC scores 35-100).[71] Given the market based interest rates being charged on the loans this was to be expected.

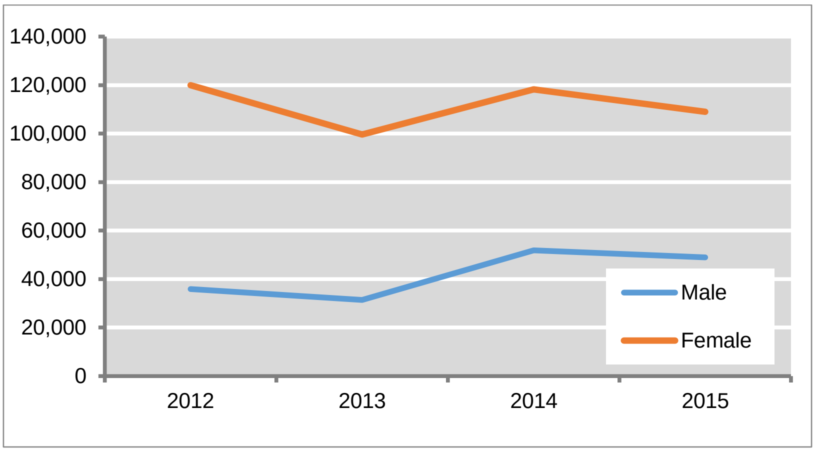
Table 4.5: Achievement vs Targets

	Target	Achieved (Dec 2015)	
New Loans	230,046	376,532	164%
Repeat Loans	196,161	206,458	105%
Total	426,207	582,990	137%

174. The gender distribution of the loans shows that women got 72% of the loans under PPAF III. The loans given to women were consistently higher than those given to men throughout the project life. A User Beneficiary Survey of 2000 households in 21districts across Pakistan in June 2015 confirmed that the loans under PPAF III had gone mostly to women. The survey reported that 70% of the respondents were women. Around half of these women were illiterate and 41% had educational qualifications which varied from primary to matriculation level showing that loans were accessed by women at the lower end of the socio-economic strata.

[71] Gallup. May 2013. PPAF Microcredit Financing: Assessment of Outcomes.

Figure 4.1: Gender Distribution of Loans



175. While the microcredit strategy was effective in providing access to women, it was not effective in reaching some of the most difficult areas of Balochistan and Khyber Pakhtunkhwa. The selected POs were only able to provide these funds in 23 of the 37 targeted districts. A principal reason for this was that MFIs entailed high costs of delivering credit to areas with a scattered population and there were high risks of lending to households which suffered frequently from natural disasters particularly droughts and the receding water table. Issues pertaining to law and order in Balochistan where PO staff was kidnapped and military operations in SWAT and KP has also forced POs to wind down their operations in most of the target districts. The MFIs working in these areas faced vey high non-performing loans and eventually withdrew from the most remote and isolated districts included in the original design. Despite these setbacks, the micro-credit penetration increased to 12.4% in the target districts in which the Project was implemented. In addition, a minimum annual growth rate of 20% in microcredit loans was maintained in 27% of the PPAF-III served areas.

176. An assessment of the micro-insurance programmes shows that while the uptake of these products is still at a small scale, the beneficiaries have been successful in filing claims for both crops and livestock. The claims filed and secured for crops have resulted in 43% of the value of subsidy being recovered through claims while under livestock claims 17% of the value of the subsidy being recovered. PPAF is also in the process of conducting an analysis of the incurred claims ratios to assess how to assist its MFIs navigate some of the difficult issues in the sector on behalf of its clients. A principal finding in this regard has been that clients are more likely to be satisfied where the paper work is limited and claims processed quickly.

Table 4.6: Efficacy of Micro-Insurance

POs	Micro Insurance Type	Districts	Total Acres/ Animals Insured	Grant	Subsidy	Beneficiaries	Claims
Crop Micro Insurance							
NRSP-MFB	Yield Index	Bahawalpur	9,450	9,200,000	9,200,000	3,965	721,447
NRSP-MFB	Yield Index	Bahawalpur	25,053	24,999,750	24,459,750	8,431	14,619,286
SRDO	Yield Index	Sanghar	400	686,500	535,500	200	
SSF	Yield Index	Sanghar	960	1,904,500	1,606,500	765	
Total			**35,863**	**36,790,750**	**35,801,750**	**13,361**	**15,340,733**

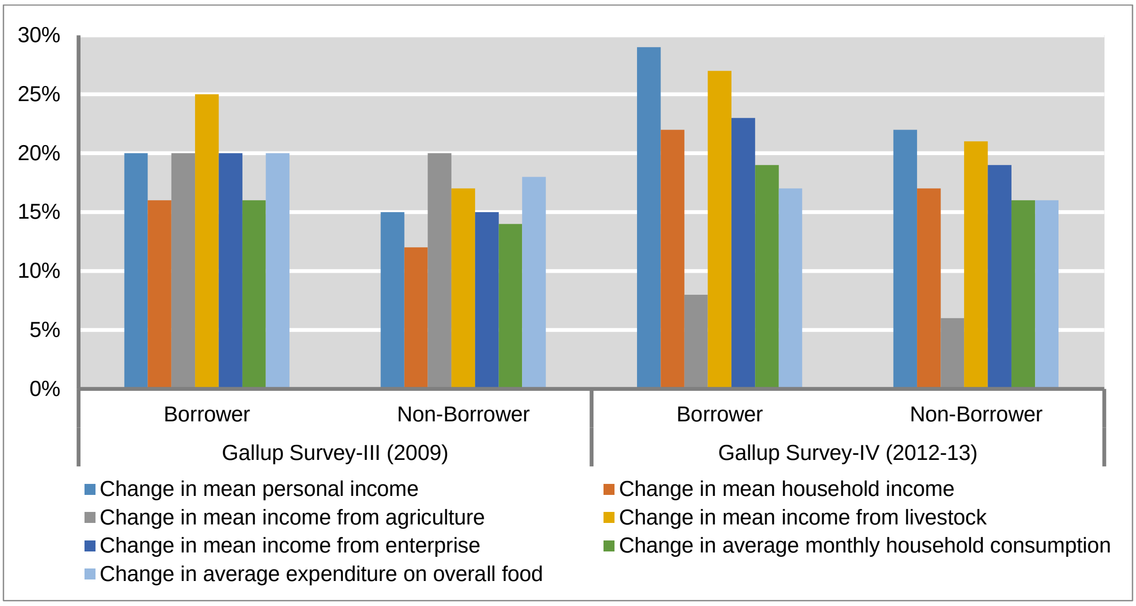
POs	Micro Insurance Type	Districts	Total Acres/ Animals Insured	Grant	Subsidy	Beneficia ries	Claims
Livestock Micro Insurance							
SRSO	Convention al	Jacobabad	6,900	7,129,10 0	6,379,10 0	1,150	48,000
TRDP	Convention al	Tharparkar	12,219	7,201,63 5	4,382,70 0	1,358	1,938,20 0
TRDP	Convention al	Tharparkar	14,856	7,165,00 0	4,360,08 0	1,651	
SRSO	Convention al & Milking	Ghotki Shikarpur	4,854	9,342,00 0	3,465,00 0	1,214	16,000
SRDO	Convention al	Sanghar	2,411	2,597,50 0	1,540,00 0	1,873	192,000
FFO	Convention al	Muzaffargar h	1,701	1,628,07 0	1,475,57 0	567	170,922
Mojaz	Convention al	Muzaffargar h	909	1,651,30 0	1,096,80 0	182	
RCDS	Convention al	Layyah	5,494	2,952,24 3	2,066,24 3	1,099	140,520
SVDP	Live weight	Khushab	6,287	1,487,18 8	1,268,31 3	3,322	2,160,09 0
Agahe	Convention al & Milking	Rajanpur	1,550	2,210,00 0	1,610,94 2	240	-
Total			**57,181**	**43,364,0 35**	**27,644,7 47**	**12,654**	**4,665,73 2**

4.3.4 Poverty Impacts, Gender Aspects, and Social Development

177. PPAF has commissioned several studies over time to report on the impact of the microcredit programme. Two surveys by Gallup one in 2009 and the other in 2013 consistently show that borrowers did better than non-borrowers in terms of income from various sources as well increase in consumption and increase in food consumption. The Gallup survey undertaken in 2013 included 5,000 households consisting of both borrowers and non-borrowers spread over 33 districts across the four provinces of Pakistan. It reported that 91% of the borrowers experienced positive benefits while 9% experienced none. Based on their experience with the first round of loans, 75% of the borrowers reported that they would borrow again from PPAF's Partner Organizations. On the whole, 61% of borrowers and 59% of non-borrowers reported that they had experienced a positive change in their personal income. The change in mean personal income was found to be statistically significant with the borrowers experiencing a mean

change of 29% in comparison with a 22% change for the non-borrowers.[72] On the whole, results show that 86% of borrowers and 89% of non-borrowers experienced increments in their gross annual income from livestock. With respect to the change in mean income, it can be observed that borrowers experienced a 27% increase and non-borrowers experienced a 21% increase in livestock income. This result was found to be statistically significant at the 90% confidence level. Overall, analysis of gross annual income from enterprise revealed that 97% of borrowers and 93% of non-borrowers saw a rise in their incomes. Analysis of change in mean income from enterprise revealed that borrowers experienced a 23% increase while non- borrowers experienced a 17% increase in their mean incomes and the results were found to be statistically significant.[73]

Figure 4.2: Impact of Micro-Credit on Income and Consumption



178. Overall, it was observed that the household expenditures for 95% of borrowers and 93% of non-borrowers underwent a positive increase during the period under study. The changes in their monthly mean expenditures was 19% (borrowers) and 16% (non-borrowers) and was found to be statistically significant. The three categories of livestock, agriculture and property assets were tested separately and assessed as a whole. The results showed that, in the case of livestock, changes in the number of buffaloes (32% for borrowers and 21% for non- borrowers) and cows (47% for borrowers and 34% for non-borrowers) were found to be significantly greater for borrowers than for non-borrowers.[74]

179. Consistent with the results of the Gallup 2013 survey, the beneficiary survey of 2015 reported that 92% of the respondents termed credit beneficial for them. The beneficiaries used microcredit usually for business purposes. Around 85% microcredit beneficiaries reported loan was intended for business needs, while the remaining reported that it was taken for family needs (13.5%) and medical purposes (1.8%). These results are almost similar for both male and female respondents. Around 44% of the respondents felt their businesses had become self-supporting, while 52% said they need further credit. Only 4% of the respondents felt that their business would be closed down after repaying the

72 Gallup. May 2013. PPAF Microcredit Financing: Assessment of Outcomes.
73 Ibid.
74 Gallup. May 2013. PPAF Microcredit Financing: Assessment of Outcomes

credit.[75] A total of 168 microcredit beneficiaries received skill-trainings. Though the degree of usefulness varied across trained beneficiaries, 96% termed trainings useful.

180. An impact assessment of 660 clients undertaken by Kashf in 2015 found that 98% of the clients had used the loans for productive purposes. Most of the loans had been used for expansion of the business, while 30% had used the funds for new business and 10% for diversification through new products. The impact assessment also reported some significant additional benefits which accrue as a results of women's participation in the enterprise. For example, the study reported higher income for family enterprises where women are involved and there was a greater likelihood of women led businesses creating jobs compared with male led businesses. The participation of women in the Kashf credit activities was reported to have had a significant impact on their self-confidence, decision-making, food consumption, access to education and health and had a significant impact in changing perceptions. Mature Kashf clients were said to be four times more likely to educate their daughters and change their views about early marriage.

4.3.5 Institutional Change and Strengthening

181. PPAF has been the main catalyst in the exponential growth in the microfinance sector in Pakistan in the last fifteen years. It was the first organization that was able to change the orientation of NGOs as organizations which could only operate with grants and enabled them to borrow funds to finance their operations. PPAF transformed the NGOs from charity driven organizations dependent upon donor financing to MFIs with a clear business plan for becoming sustainable development partners. This led to a significant transformation in organizational culture, appraisal criteria, governance structure, staffing pattern, financial management and audit systems, monitoring and evaluation arrangements. Under PPAF III, many of the MFIs continued on their path of institutional development through the opportunity to invest in improved management information systems, product innovations, links with the private sector and use of the financial eco-systems offered by the branchless banking platforms to improve operational efficiency and convenience for clients. PPAF has also improved the inclusion of women in the POs by requiring that the BOD of the POs improve the representation of technically qualified women. As a result the proportion of women on the PO Governance structures has increased to 32% and the technical competence of women members has also improved.

182. All MFIs agree that without PPAF their trajectory of growth and development would have been significantly different and many would not have been able to sustain their operations. The reliance of the sector on PPAF is illustrated by the table below which shows PPAF's market share in the microfinance sector in terms of both the number of loans and the volume of funds. The gradual decrease in PPAF share is due to the dwindling resource base of credit funds mostly derived from loan proceeds which it has begun to repay to the Government on the maturity of past loans.

[75] User/Beneficiary Assessment Survey, Phase – II. June 2015. Apex Consulting

Table 4.7: Sector Growth and PPAF Share

Year	Sector OLP	PPAF Exposure	PPAF Portfolio (%)	Sector Clients	PPAF Clients	PPAF Portion (%)
Jun-09	16,757,846,000	9,141,000,000	55%	1,409,657	733,606	52%
Jun-10	20,295,915,000	11,802,000,000	58%	1,567,355	824,355	53%
Jun-11	24,854,747,000	13,200,000,000	53%	1,661,902	751,586	45%
Jun-12	33,877,284,000	15,279,000,000	45%	2,040,518	872,225	43%
Jun-13	46,613,582,000	16,565,000,000	36%	2,392,874	908,981	38%
Jun-14	63,531,465,000	17,805,000,000	28%	2,997,868	949,883	32%
Jun-15	80,951,000,000	17,513,000,000	22%	3,507,333	923,403	26%

183. Currently, more than 80% of PPAF's total loan portfolio has been deployed with partners registered with the Securities and Exchange Commission of Pakistan (SECP) under the Companies Ordinance. PPAF is also playing an instrumental role in assisting some of the POs to meet the new licensing requirements announced by the SECP for Non-Bank Finance Companies (NBFC) which requires all NBFC to have a minimum of Rs. 50 million equity/share capital. It is estimated 10-12 PPAF supported MFIs may not be able to meet this new requirement. PPAF is in discussions with the SECP to determine how to negotiate this effectively on behalf of its partners. PPAF has also played a critical role in developing the institutional infrastructure for strengthening the system for consumer credit information through support to the establishment of the Credit Information Bureau from its other funding sources, negotiating with PMN to make the smaller POs partners associate members and helping them develop MIS systems under PPAF III. This will enable them to become members of the Credit Information Bureau for better credit risk management and enabling POs to make prudent lending decisions.

184. PPAF has initiated the process of spinning off its micro-finance operations to create a separate Pakistan Microfinance Investment Company (PMIC) to enable it to expand its sources of funds and become Pakistan's leading microfinance investment vehicle. In April 2014, the Board of PPAF approved the setting up of the new national microfinance investment fund with investments by the United Kingdom's Department for International Development (DFID) and KfW the German Development Bank. External consultants were hired to facilitate the process of negotiations amongst the shareholders, design business plans, devise investment strategy and organizational structure of the new entity along with provision of legal advice on the formation and other regulatory compliance issues. In September 2015, the Finance Minister gave his approval in principle for the

establishment of PMIC. In coordination with the shareholders and consultants, PPAF is currently in the process of taking necessary actions to complete all legal and procedural formalities for the formation of the new entity. To facilitate the process, PPAF has prepared an ESG framework, transition plan and financial model for a smooth transformation.

4.3.6 Sustainability

185. The sustainability of the microcredit operations of PPAF III can be assessed at various levels which include the sustainability of PPAF, its partners and the linkages fostered between the POs, private sector entities and the target group. The sustainability of PPAF's microcredit operations will be maintained through the reflows of its credit pool. In addition, as noted, PPAF is in the process of finalizing the requirements for establishing the PMIC which is expected to attract additional sources from donors and commercial sources for on-lending to its POs which have a large and growing demand for credit funds. Conservative estimates project a requirement of more than Rs. 160 billion by year end 2018 in order to double the current client base and reach 7 million borrowers. Having exhausted its financial resources (exposure of Rs. 18 billion), the spin-off of microfinance operations of PPAF is key to attract new funds for the sector and further improve the capability and capacity of the sector to absorb these funds and remain robust while fostering provision of more sophisticated financial products for the un-served.

186. The sustainability of POs is growing as most of them are operationally and financially self-sufficient. Operational Self Sufficiency (OSS) and financial self-sufficiency (FSS) for the sector continued to remain above 100% between 2009 and 2013.[76] OSS for the industry showed a healthy increase to close at 118.1% and FSS stood at 116.5% in 2013. Out of 37 MFPs whose data has been reported in the review, 30 had an OSS above 100%. Among the peer groups, RSPs have the highest OSS with 140.1% followed by MFIs at 117.8% and MFBs at 113.1%.[77] Continued improvement in OSS is fuelled by increased income from loan portfolio on the back of increasing Gross Loan Portfolio (GLP) as opposed to rising yields that was witnessed a few years ago. Key future drivers of profitability are expected to be increase in GLP which in turn would be a function of expanding outreach and increasing loan sizes. Trends in the MFI industry show that the industry has continued its transition to commercial financing with the ratio of commercial liabilities to total debt reaching 81% in 2013 to 75% in the previous year.[78]

187. The sustainability of the linkages formed under PPAF III between the POs and private sector players and the farmer groups and clients depends very much upon the potential of these arrangements to be mutually beneficial. These arrangements cannot be mandated to continue if they do not serve the interests of both parties. Many of the MFIs are continuing their engagement with insurance companies for the provision of health insurance to their clients. However, the uptake of other products such as the livestock and crop insurance depends upon farmer's perceptions of risk, the cost of the premium and the previous experience of claim settlement and the calculations by insurance companies of the overall cost of delivery, risk assessment and the volume of business they expect to generate. The livestock insurance provided by United Insurance Company

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76 MF Transparency Country Pricing Report for Pakistan, 2013-14.
77 Ibid.
78 MF Transparency Country Pricing Report for Pakistan, 2013-14.

and the Alfalah Insurance has not been actively pursued in difficult to reach areas such as Tharparker. However, the vaccination component has been continued by TRDP because of the high demand by farmers for this service. Similarly, the sustainability of the other insurance products, financial products and value chain arrangements depends upon their benefits for both the supplier and the client.

4.4 Beneficiary and Partner Feedback

188. PPAF encourages regular feedback from its Partner Organizations and the clients of its microcredit services and other key stakeholders on a regular basis. Special workshops were also organized at the end of PPAF III with all POs to share their experience of implementing the project. This section highlights some of the most significant findings from both the POs and the beneficiaries.

- All the POs were unanimous in recognizing that PPAF was responsible for their growth through the provision of on-lending funds and grants for operational growth and technical strengthening especially the development of their Management Information Systems which helped them install and use financial technology options for improving the efficiency of their operations. However, the POs felt that the financing agreements were very restrictive in their fixing of loan tenure and limited their ability to use the funds with greater efficiency.
- Funding was a major issue for MFIs. The MFIs felt that funding from PPAF had played a major role in the growth of the sector. ASA had achieved a growth rate of 30% annually and this would not have been possible without PPAF’s assistance. The MFIs were somewhat concerned about the possibility of lending in the future as they did not fully appreciate how the future financing would flow to them through the PMIC.
- MFIs have had limited recourse to commercial bank funding which has been made available generally only through special initiatives such as the IFAD financed PRISM facility, PPAF using its reflows to guarantee commercial funding to POs and the Microfinance Credit Guarantee Facility which had been facilitated by the State Bank of Pakistan to under write the risk of the limited commercial bank in lending to the MFIs.
- The MFIs were very laudatory about the discipline which interaction with PPAF had instilled in them. PPAF would undertake six monthly supervision visits in which they would provide them support with mentoring and monitoring. PPAF’s attitude was one of imparting learning and strengthening them. They appreciated the strong support which they were provided by the PPAF staff.
- Some of the POs outlined how PPAF III had enabled them to introduced new products. Kashf explained that it was only providing credit for existing businesses. However, under the Project, Kashf introduced a loan for new businesses which was not available before. This product was developed based on surveys in the field that showed that there was a large demand for credit from young women with. The women who entered this segment were eventually graduated into the regular programme.
- SAFWCO spoke about the transformation of MFIs into Non-Bank Financing Companies and the requirement to secure a license from SECP. While this was a good move and would help to strengthen the sector, the equity capital requirements

of Rs. 50 million appeared to be onerous and the MFIs were trying to negotiate this down to Rs. 10 million with PMN and PPAF assistance.

- Kashf had also initiated the concept of the Business Incubation Laboratory through which business management services are provided which demonstrate to the clients how to manage a business, prepare a market plan, undertake cash flow analysis, budgeting, etc. The young women are also assisted with backward linkages for raw materials and forward linkages for selling their products. A 30 hour training module is delivered over a six week training period which includes field visits.
- TRDP had also converted to a paperless environment and was using an android to record all transactions. PPAF III had enabled this transformation to a paper less environment by providing the financing and technical assistance for the design, hardware and the development of an MIS and an FIS system which enabled them to get real time data on line. The device also records the GPS coordinates of the clients and aids in monitoring.
- The experience of the MFIs with health insurance products revealed that clients were generally satisfied with the coverage in cases where they could go to a facility on the panel and get access to services without having to pay cash or claim cash. However, problems arose in cases where the client claimed cash and had to deal with cumbersome reimbursement procedures. The other issue in this context arose when insurance companies required a discharge summary before settling claims and rural hospitals had no system for issuing one. Insurance companies did not consider the provision of any oral medication during a hospital stay as grounds for lodging a claim and did not honour such claims.
- TRDP explained their evolution to the branchless banking model which had proved very efficient for them in the desert areas of Tharparker where there was limited transport and physical banking infrastructure. The agents of branchless banking had helped to increase convenience for the clients and reduce the costs of the MFI in collecting loan repayments. The client only had to visit the TRDP office once during the disbursement of the loan. Most collections were being made at the agents of branchless banking in the bazaars near the villages.
- ASA prefers to engage directly with its clients through its staff in its branches. They feel that the branchless banking model creates a distance between them and the clients and prefer to establish a direct connection with the clients given that the MFI uses the opportunity of interacting with the clients to deliver behaviour change messages on health, etc.
- There was a strong competition among the POs for trained staff and there was considerable poaching of staff. However, some of the MFIs like Kashf had put in place a strict policy not to hire staff from other MFIs.
- The MFIs reported mixed experience with their consumption loans. While some felt this had created over-indebtedness among their clients, others felt that they had put in place strong mechanisms and procedures that had enabled them to meet an important household need.
- The lending policies of the MFIs differed quite considerably from one to the other. One area of difference was the system of guaranteeing the loan. While some did it through peer pressure and a group lending approach, others felt that making the group liable for one bad loan eroded the cohesion of the entire group and had

discontinued this approach. Other MFIs asked each client to guarantee the loan through a cheque or asked for two or three guarantors or the household head or a person with an established business in the main town to guarantee the loan. Some did away with the group guarantees as the individual graduated to a higher loan and established a credit history.

- The MFIs indicated that in many cases households preferred to pay the outstanding loans of women clients who were also recipients of the BISP safety net cash payments rather than get a death certificate from NADRA which would immediately stop all future BISP payments.
- The POs in Balochistan were clear that microcredit was not an appropriate instrument for the widely scattered and low population density and remote districts which entailed high disbursement and collection costs. The POs felt that the structuring of the loan repayments on a monthly basis for rural households dependent upon seasonal incomes did not provide was not appropriate for their needs. The POs felt there were limited arrangements for risk sharing in an economy that relies mostly on the livestock and horticulture sectors which suffers from frequent droughts and the receding underground water table which further exacerbates the issues with water scarcity. Many of the orchards in the province had been destroyed as a result. The Federal Government had recently announced an interest free loan scheme for Balochistan which was probably the appropriate mechanism for provision of finance to households in this area.

4.5 Assessment of Bank Performance

189. The World Bank reviewed the credit component on a regular basis as part of its Implementation Support Missions (ISM). The technical specialist responsible for evaluating this component understood the microfinance component well and engaged very actively with PPAF. While there were no significant issues related to this component and its progress was satisfactory, there were a few issues which were raised fairly consistently by the Implementation Supervision Missions. For example, the first ISM noted that while the pace of fund allocation was commendable, it cautioned that at the current allocation rate, the component funding may be exhausted before social mobilization and livelihood activities are undertaken in some of the designated districts.[79] . There was actually no danger of the funds finishing as the funds were going to be revolved on a continuing basis.

190. The second aspect that was repeatedly raised by several supervision missions was the lack of integration between the social mobilization and the livelihood components. Several of the missions noted that the microcredit component was designed to complement other PPAF interventions. The fact is that it was always going to be difficult to synergize the social mobilization and livelihood component with the microcredit component due to the different implementation methodologies of these components, separate geographic focus, different targeting and selection criteria and the fact that microcredit was provided on market rates and had to be based on demand and a proper screening process to assess the credit risk and the purpose of lending. PPAF has strived to develop a graduation approach under which it tries to graduate the beneficiaries of its livelihood programme to its microfinance programme.

[79] Aide Memoire: Implementation Support Mission (March/April 2010) of PPAF-III.

191. There was also an expectation that Community Organization savings would be the source of funds for group inter-loaning and the basis on which livelihood grants would be disbursed (2nd ISM). One of the missions also recommended that it was vital for POs to promote savings and internal lending among COs, VOs, and LSOs as a building block to accessing credit (4th ISM). Apart from the operational difficulties in making this happen, these recommendations were somewhat unrealistic and ignored the fact that the idea of using individual savings for collective purposes or internal lending was against the spirit of what people value in a savings product. It also ignored the ample evidence that existed about the squandering of the CO savings in many of the community institutions in the past and the need to reassess the internal lending stipulations using people's personal savings.

192. The World Bank Supervision Missions did recognize that the design of the credit component may have been overly ambitious with its expectations regarding the penetration rates in remote districts with low population densities and few economic opportunities. In view of the very low level of penetration and assessment of the viability of sustaining microcredit operations in the priority districts of KP and Balochistan, the World Bank did finally sanction a PPAF request that all districts of KP and Balochistan be made eligible for microfinance operation and capacity building grants under PPAF III (5th ISM).

193. The World Bank did well to caution PPAF on ensuring that the Prime Ministers Interest Free Loan Program (PMIFL) should be carefully targeted (6th ISM) and point out the need to develop a robust monitoring and evaluation system that could effectively assess performance of POs and the level of impact of PPAF's microcredit activities that were having on the rural poor (4th ISM) and to recommend that PPAF should commission an assessment of the pilot products and innovations to assess the extent to which they were aligned with the beneficiary needs and were scalable (5th ISM). However, it did not itself examine the types of evidence available to assess if the reports that were being produced were appropriate or offer any specific guidance in this regard. The World Bank recommended that PPAF should focus on taking products to scale and developing greater linkages with the private sector (8th ISM). However, the fact is that the uptake of the specific innovations depended very much on the demand for them among the clients and the willingness of the private sector to continue to offer the services.

4.6 Lessons Learnt and Best Practices

194. Some of the lessons learnt and best practices specific to the microcredit component include the following;

- Given that microcredit programmes charge market based interest rates and depend upon client demand and strict screening processes by MFIs to ensure that the borrowers meet the guarantee and other requirements and have a sound business plan and can repay the loans, it is unrealistic to stipulate that these go to individuals or households who have a very specific poverty profile and to limit the geographic focus to remote districts with low population densities, high costs of delivery and low levels of economic activity.

- To stipulate very close integration between programme components which are being implemented by different POs and have a different geographic focus and selection criterion was unrealistic and was likely to happen not as a result of what any specific PO did or did not do but in cases where the individual recipients of grants graduate to a level whereby they have the appetite and capacity for credit and are able to satisfy the POs implementing the credit component that they meet the requirements of accessing loans.

- It is critical to preserve the distinction between individual savings and collective savings and ensure that individual savings offer people the specific attributes which people value in a savings product such as safety, security and returns. It is not good practise for a development programme to encourage people to save and then stipulate that people use this for internal lending which has proved to be risky and offers none of the attributes valued in savings products.
- The role of subsidies in the promotion of innovation has to be carefully assessed. Subsidies are important whereby the underlying economic feasibility of accessing a service or product is sound but is needed to encourage initial uptake until a certain volume is achieved. Subsidies are not effective whereby the underlying economic equation is such that the service is not valued in and of its own because the benefits are not commensurate with the costs or risk perception is not such which justifies the premiums associated with an insurance product for instance.
- The scaling up of an innovation depends upon the extent to which an innovation is mutually beneficial for the provider and the client. Thus while the piloting of innovations is important as a demonstration or development of the specific features of a product, its uptake and scaling up depends upon the demand for the service, its price and the willingness of the provider to make it available.
- Investments in the institutional strengthening of MFIs of PPAF especially their financial management and MIS systems has led to significant dividends being realized in terms of the opportunities it offers for linking up with digital financial services to increase the convenience for clients and reduce the costs of delivery for MFIs.
- While allowing MFIs to give credit on market based rates which helps to develop access to sustainable financial services, it is also critical to oversee the cost of lending of MFIs and encourage the development of efficient and cost effective systems and ensure that some of the efficiency gains are passed on to clients.
- PPAF's support to a large range of MFIs and the balance it provided between its growth objectives and promotion of diversity has helped in the overall growth and development of the sector. PPAF's role as an advocate for the smaller MFIs has been instrumental in enhancing the sustainability of the microfinance sector.
- It is not always easy for an organization to continue to transform itself to meet the growing and emerging needs of its partners and target group. However, PPAF has recognized that transformation is essential and that it will continue to have to reinvent itself if it is to be relevant to its target group and meet the changing needs of the microfinance sector.

5 Water and Infrastructure

5.1 Component Objective and Design

195. The objective of this component was to establish and upgrade basic services and community infrastructure to serve the poor, help provide basic infrastructure and integrated community infrastructure projects and renewable energy projects to the rural poor. An additional objective under this component was to provide civil works related to protective and productive infrastructure as part of integrated rural development in the Sindh Coastal Area (SCAD). The SCAD program was initiated in 2006 under the Second Poverty Alleviation Fund (PPAF-II) project as a vehicle to improve the livelihoods of coastal communities affected by seawater intrusion as a result of the left bank outfall drainage under the National Drainage Programme (NDP).

196. Expected outcome of this component was increased access of the poor communities to provision of basic needs like drinking water, irrigation, energy, access to transport and access to markets. The component outcome expected included the following; (i) at least 50% of Community Organizations (CO) are benefiting from improved infrastructure; (ii) minimum ERR of 20% and FRR of 25% of investment, in Water and infrastructure; (iii) 30% of community organizations have accessed other sources of funding for infrastructure/local services; and, (iv) at least 40% of beneficiaries of infrastructure are women.

197. While the objectives, outcome indicators and total allocation for the component remained unchanged throughout the project period, the outputs for the water and infrastructure schemes under the SCAD component were revised in mid-2014. Instead of the rural growth centers (RGC) and Integrated Infrastructure Up-gradation Projects (IIUP), a block allocation was allowed for 1406 projects to be implemented as part of the UCDP involving the CO and LSOs. This change was necessitated to improve the performance of SCAD to achieve its project development objectives (PDO).[80]

5.2 Key Factors Affecting Implementation and Outcomes

5.2.1 Component Preparation

198. PPAF's Partner Organizations have been using grant assistance for financing community infrastructure as an entry point to community organizations. This has proved to be a well-tested approach to addressing the need for productive investments in rural areas and as a mechanism for organizing communities and building their capacity.[81] According to the World Bank ICR for PPAF II a draft study undertaken by the Bank's DECRG group for the 14,164 CPIs built by POs, assessed that they had proven to be more pro-poor and less exclusionary than comparable government schemes in the same villages. Infrastructure schemes were also reported to be in a better condition 5 years after completion than comparable government schemes in the same villages.

[80] Restructuring Paper on a Proposed Project Restructuring of the Third Pakistan Poverty Alleviation Project Credit IDA-45990 July 09, 2009 Report No: Res17630.
[81] ICR PPAF I AND PPAF II

5.2.2 Component Design

199. A number of outputs were mentioned in the design document under the Water and Infrastructure Component such as Rural Growth Centers (RGC), Integrated Infrastructure Up Gradation projects (IIUP), and Sustainable Rural Development Projects (SRDP), but are not explained. The assumption seems to be that the project would rely on the earlier experience of PPAF to help guide PPAF III in implementing these interventions. This would have been a valid approach in case PPAF I and II had such interventions, and these were documented. However no such evaluation or impact study is referred to in the PAD. It was assumed that PPAF would work out the operational details once the project was underway. Critical questions regarding the manner in which the infrastructure component would come together in the integrated approach with other components, specially the newly created Livelihood Development component were not elaborated. The sequencing of PPAF interventions under the different components and the manner in which the Village Development (VDP) was to be integrated in the Implementation Plan (IP) was not clearly specified. Furthermore, given that the number of Community Organizations in which projects were to be implemented exceeded the allocation of the number of schemes by more than 12 times it was not clear how the integration was to be achieved and what it entailed. Despite the close engagement of the World Bank with PPAF during the preparation process these aspects were not elaborated.

5.2.3 Implementation

200. The targets specified under this component were categorised into several categories of schemes. This included the schemes identified under the (i) Holistic Rural Development (Sindh Coastal Area Development programme); (ii) Local Area Up-scaling & Up-gradation (iii) Small Scale Infrastructure Projects or Community Physical Infrastructure schemes. Each of these main categories included a range of sub-categories like subcomponent (i) comprised of conventional and integrated infrastructure in SCAD area, subcomponent (ii) comprised of drought mitigation schemes, water efficient schemes, micro-hydel projects, and subcomponent (iii) included basic community physical infrastructure projects etc. Table 5.1 below gives the number of schemes and the sub-categories. Under PPAF III, a total of 7,169 sub-projects were implemented by the Community Physical Infrastructure (CPI) and Water Energy Environment and Climate Change (WECC) units at a total cost of Rs. 4.806 billion. Most output targets under the component have been either achieved or exceeded. However, some of the activities under SCAD could not be implemented because of lack of clarity regarding the underlying rationale and conceptual basis for their inclusion such as the Rural Growth Centers and the Integrated Infrastructure Upgrading Projects. The table below gives the targets under each type of scheme and the achievements under PPAF III. These schemes have benefitted 479,737 households in 9,139 COs.[82]

201. The Drought Mitigation and Preparedness Plans (DMPP) were implemented in the drought affected districts and were designed to reduce water conveyance losses and increase water conservation and recharge ground water reservoirs. Typical interventions included, water course lining, water reservoir development, construction of delay action and check dams, land leveling, and pipe irrigation. The schemes under the Integrated Water Efficient Projects (IWEP) primarily included a) water source development, b)

[82] PPAF M&E reports

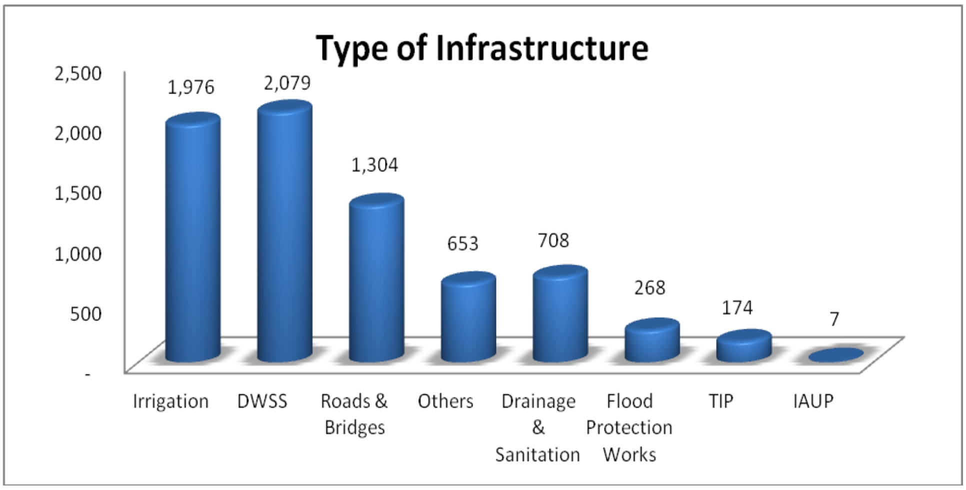
conveyance of water from water source to fields and c) efficient application of water at field level. Interventions under IWEIP included water course lining, pipe irrigation, land leveling, sprinklers, solar pumping, and drip irrigation system aimed at introducing new water efficient methods and technologies to enhance water source development and water conveyance and application efficiency.

Table 5.1: Targets Vs. Achievements

Component Outputs	Total Target	Revised Target	Achievements as of Dec 2015	%
SCAD Holistic Rural Development	1,470	1406	1,470	105%
Rural Growth Centres	10		1	10%
Integrated Infrastructure Upgrading Projects	30		0	0%
Technological Innovations Projects	350		134	38%
Conventional CPI Projects	1,090		1,335	122%
Local Area Up scaling and Up gradation	141		242	172%
Drought Mitigation and Preparedness Project	8		13 (891)	163%
Micro Hydro power development Projects	25		10	40%
Integrated Water Efficient Irrigation Projects	100		211	211%
Sustainable Rural Development Projects	8		8 (193)	100%
Basic Community Infrastructure	3,387		4,394	130%

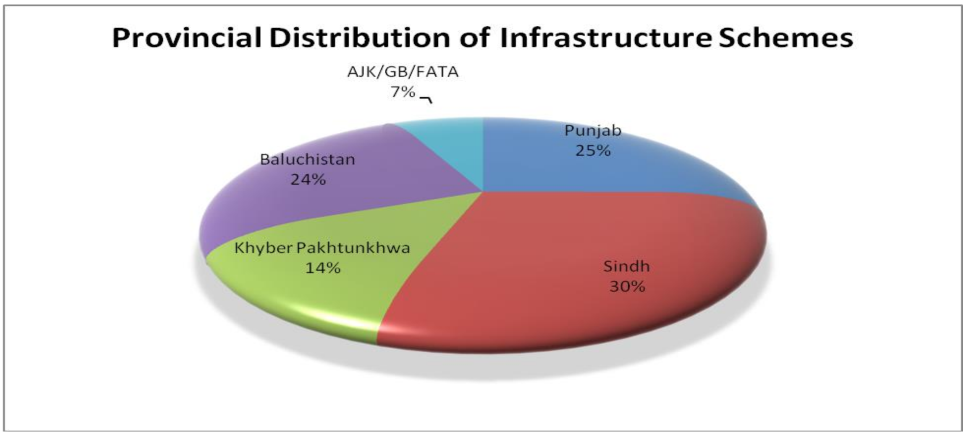
202. The types of schemes selected were based on the priority needs of the communities. A majority of these schemes related to drinking water, irrigation, roads and bridges, drainage and sanitation infrastructure. Of the total sub-projects, 29% were for drinking water supply, 28% were irrigation schemes, 18% of the schemes comprised of roads and bridges, 10% were for the improvement or development of new drainage and sanitation infrastructure while the remaining 15% included other infrastructure which suited the local requirements and community needs.

Figure 5.1: Community Productive Infrastructure Sub-projects by Type



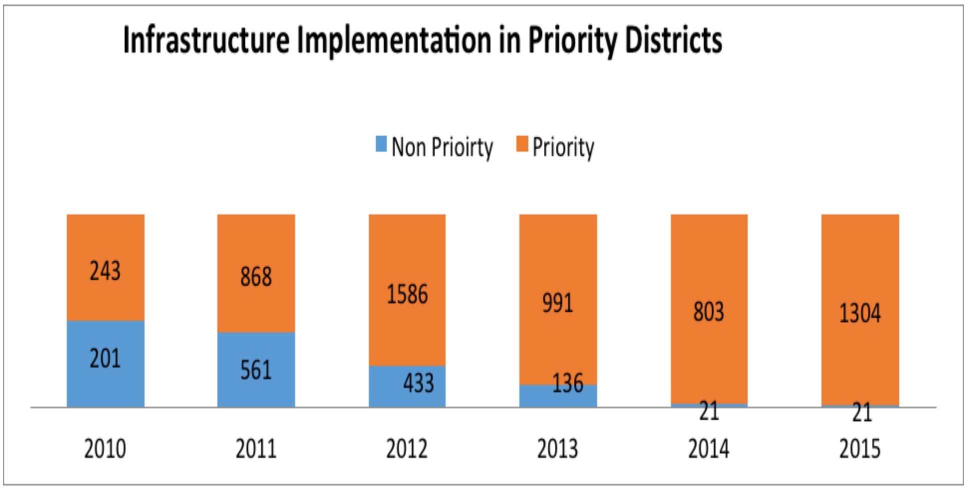
203. The schemes were implemented in 641 union councils across 66 districts, ICT and 2 agencies of FATA in some of the most remote and poor areas of Pakistan. The provincial spread of the schemes shows that 30% of the schemes were in Sindh, 25% in Punjab, 24% in Balochistan, 14% in KPK, whereas the remaining 7% were in the ICT,AJK, GB and FATA.

Figure 5.2: Provincial Distribution of the Schemes



204. While both the CPI and WECC units were able to achieve their targets, a challenge was to restrict the POs to priority districts. Both the CPI unit and WECC units had developed PO agreements which defined the number and type of sub-projects. Typically, the agreements were spread over 2 to 3 years and included a number of non-priority districts as the final delineation of the priority districts took time to develop and finalize. It was not always easy for the POs to relocate from areas in which they had invested considerable time and effort and raised expectations of the communities. However the PPAF was gradually able to shift the funding towards the priority districts from year 2013 onwards. Figure 5.3 below shows the gradual move of investments to priority areas.

Figure 5.3: Location of CPI sub-projects in Priority Districts



205. While most of the schemes benefit both men and women members of the households, more than 900 CPIs were implemented by women organizations or mixed organizations where both male and female members of the community are registered as members. Most of these schemes are for drinking water and irrigation. Majority of these are in Sindh, and Punjab, while we also see a number of examples in Balochistan and KPK. In the case of women organizations, decision making in the identification and layout of the scheme such as the location of the hand pump was undertaken by the women. However, since the women cannot be practically involved in procurements, they seek assistance from their male relatives.

206. Under SCAD, PPAF-III empowered local POs and COs to respond to natural disasters in the Sindh coastal areas through Water Energy and Climate Change (WECC) funds. A dedicated disaster management unit was established in 2011 and PPAF Disaster Management Strategy (PDMS) was formulated in 2012 with its second edition launched in October 2015[83]. A total of 168 training events of 5 days each were conducted in 42 union councils in which 5,003 person were trained (2,603 men, 2,400 women)[84]. The trained persons were organized under the umbrella of existing LSOs in 42 union councils to form disaster management committees (UC DMC) and emergency response teams (UC ERT). Case studies conducted by NRSP in two SCAD districts indicate that the disaster response teams effectively and timely responded to emergencies of different kind and saved lives and livelihood assets. Moreover, PPAF has worked closely with its POs to enable them to respond to the frequent floods in Pakistan across the country.

5.2.4 Monitoring and Evaluation (M&E)

207. A fairly robust monitoring system has been established within PPAF III to ensure proper reporting of the physical progress of the component. A set of indicators are being reported by the partner organization on a quarterly basis. These include, the essential details of the scheme such as the name of the CO, location including the GPS coordinates, type of project, beneficiary households disaggregated by gender, total cost of the scheme, PPAFs share and community share. In order to monitor linkages by the

[83] PPAF Disaster Management Strategy (July 2015 – June 2020), Second Edition October 2015
[84] PPAF Annual Report 2014 (Page 30-31)

CO to other donors the POs also report the name of donor, type of scheme and value of those schemes which have been implemented by the CO with non-PPAF funding.

208. The POs send a consolidated report in the shape of an excel spread sheet to the CPI and WECC units. The units after a through scrutiny provide the component information to the M&E unit on a quarterly basis. The data and reports are validated and spot checked by the CPI and Water and Infrastructure unit staff from time to time, who undertake field visits on a regular basis.

209. Under the guidance of the World Bank Implementation Support Missions (ISM) the system has continued to evolve. The M&E section has recently plugged the gap in monitoring of the functionality and O&M of schemes by putting in place a system of regular spot checks of randomly selected schemes. Furthermore the M&E unit has started to disaggregate the CPI/WECC data and also link it to the other components. The up grading of excel and email based system of reporting to a web enabled system for PO is further expected to improve the system. While the regular monitoring system continues to evolve and capture the essential information, the M&E unit has commissioned a number of Third party impact studies and beneficiary assessments. These provide independent assessment of how the investments in the water and infrastructure are performing and help in giving course correction feedback to the POs, as well as provide quality information.

5.3 Assessment of Outcomes

5.3.1 Achievement of Project Development Objectives

210. The key indicators identified in the results framework, required that at least 50% of COs benefit from improved infrastructure and 30% access other sources of funding for infrastructure. By December 2015, 42% of the COs were benefiting from improved infrastructure and 24% of the COs had accessed other sources of financing[85] besides PPAF. In addition, 9,139 COs[86] were benefitting from the 7,169 CPIs that PPAF has funded. By Dec 2015, 50% of the beneficiaries of the Infrastructure schemes were women.[87]

5.3.2 Relevance

211. The infrastructure that PPAF III has helped build under the project is highly relevant both at the local level as well as national level. The schemes have been implemented in poor and relatively remote areas of Pakistan, where public sector investment in infrastructure is weak or non-existent. All infrastructure schemes were implemented in response to an expressed priority need of the community. Although the PAD gave broad categories within which PPAF III was to operate, the individual schemes, under the Drought Mitigation and Preparedness Project (DMPP) and Integrated Water Efficient Irrigation Projects (IWEIP), were tailored according to the need of the communities, as well as the requirements of the area where it was implemented. As an example, DWSS was included both in IAUP as well as DMPP when the community saw it as a priority need. The 891 infrastructure schemes built under the 13 DMPPs are in the drought prone districts such as Tharparkar, Zhob, Killa Saifullah and DG Khan. Similarly the more than 1,976 irrigation

[85] Cleaned PPAF M&E data
[86] ibid.
[87] PPAF M&E data

related interventions, ranging from water channel lining to construction of tube wells, have been undertaken in water stressed areas such as Attock, Bhakkar, Chakwal, and DG Khan.

212. A recent study by Sebcon[88] confirms the relevance of the schemes. Prior to the execution of DWS schemes only 9% of the overall intended beneficiaries had access to tap water inside the house with none in Sindh, KP and Balochistan. Access of these un-served communities was raised to 28% as a result of the intervention, with 56% and 47% for Balochistan and KPK, respectively. Overall, 83% respondents were satisfied with the implemented DWSS as their primary source of drinking water. All the respondent beneficiaries from Sindh and KPK and 99% from Punjab and Balochistan had cultivable command areas that benefited from the irrigation schemes implemented under PPAF III. Where PPAF had supported the construction of drainage systems, about 50% of beneficiaries reported lack of drainage facility inside the house and 74% outside the house. Similarly, the respondents of communities where PPAF had helped in building roads and bridges confirmed that they were having difficulties accessing basic necessities, e.g. 77% reported difficulty in accessing health facilities, 72% reported difficulties in accessing markets and 64% educational institutes, due to lack of roads. All respondents stated that the selected schemes were extremely relevant to the community's needs and a high priority for them.

5.3.3 Efficiency

213. Although it is difficult to compare the cost of schemes from one organization to another due to the large number of operational variables, studies undertaken to compare small infrastructure schemes illustrate that the cost of a community built schemes is considerably lower and the quality better than what is possible in the public sector.[89] According to an independent study[90] conducted by SDPI, commissioned by Mountain and Glacier Protection Organization (MGPO) there are major cost differentials between schemes implemented by PPAF and Government, as shown in the table below. On average, similar type of government schemes cost nearly twice as much as the community based schemes.

Table 5.2: Cost Comparisons between PPAF and Government Schemes

Type of Scheme	PPAF Average Cost (Rs.)	Government Average Cost (Rs.)
Pipe Irrigation	4,000,000	6,757,860
Irrigation Channel ((Mix Materials)	2,061, 559	2,152,591
DWSS	1,590,925	3,406,187
Flood Protection Works	750,000	2,075,428

214. WECC and CPI unit have assisted 60 partner organizations of varying capacity to implement schemes of varying complexity. More than 96% of the schemes have been

88 "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
89 "Bottom Up or Top Down? Participation and the Provision of Local Public Goods", Ghazala Mansuri, The World Bank.
90 "Immediate Impact Assessment Report of MGPO Community Physical Infrastructure Projects Funded by PPAF", Mountain and Glacier Protection Organization, September 2014.

completed and the figures shared by the POs indicate that 33% of the schemes were finished within 3 months of initiation and nearly 60% were completed within 6 months. The community-based approach ensures that the mechanisms for the articulation of community demand are strong and reflect community priorities. The community commitment is illustrated by the fact that it has directly contributed more than Rs. 850 million (17.7% of the total) towards the capital cost and its assumption of the O&M responsibility of these schemes entails an additional commitment of Rs 3.2 billion based on conservative estimates[91] of the operations and maintenance cost over the life of each scheme.

5.3.4 Effectiveness and Impacts

215. The effectiveness of the Water and Infrastructure component can be seen in a number of ways. The first one is its direct impact on the lives of the communities where it helped address their priority infrastructure need. Table 5.3 below shows the number of schemes implemented under each category of CPI and WECC, and the associated beneficiary household numbers. Further, a recent study by Sebcon[92] on the impact of CPIs reveals that in a majority of the cases (88%) the respondents were getting a steady supply of water throughout the year which they are using for drinking, washing and bathing. Drinking water supply scheme has had a visible impact on health, which can be seen in the overall improvement in the health of beneficiaries. Gains in health for women and children were seen to be around 77% and 74%, respectively.[93] Also 61% of the beneficiaries (overall) and 84% from Punjab stated that their health had improved after gaining access to a water supply that provided clean drinking water.[94] Furthermore, due to DWSS interventions, collection time of water decreased drastically as it used to take women anywhere from 1 to 3 hours per day to collect water.[95]

Table 5.3:[96] No of Schemes & Beneficiary Households

Type of Intervention	No of Schemes	Beneficiary Households
Irrigation	1,976	84,271
DWSS	2,079	103,565
Roads & Bridges	1,304	166,875
Drainage & Sanitation	708	58,607
Flood Protection Works	268	13,987
TIP	174	6,005
IAUP	7	369
Others	653	46,058
Total	**7,169**	**479,737**

91 Roughly estimated at 4.5% of the initial capital cost.
92 "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
93 Ibid.
94 "User/Beneficiary Assessment Survey – Final Report", Apex Consulting, 2011.
95 "User/Beneficiary Assessment Survey – Final Report", Apex Consulting, 2011.
96 PPAF M&E Data, 2015.

216. A major positive impact of the interventions on gender was observed in terms of reduction on the workload of women performing cleaning and sanitation tasks[97]. The use of water pumps by beneficiaries has increased from 14% in the pre-intervention scenario to 45% after the project and to public taps from 2% to 19%, with positive implications for the health and hygiene of the beneficiaries with major benefits for women and children.[98] The Impact Assessment further reveals that in a majority of the cases (88%), the respondents were getting a steady supply of water throughout the year which they were using for drinking, washing and bathing.[99]Almost all the households reported a significant reduction in family diseases.[100] About 88% of DWSS beneficiaries are highly satisfied with the drinking water provided by the intervention.[101]

217. As a result of the irrigation schemes implemented under PPAF III, 75% of beneficiaries reported an increase in their average income.[102] As a result of this increase in household income, 40% beneficiary respondents reported a positive impact on children's education, 58% reported improvement in quantity and quality of food and 39% reported better family health status.[103] The average time required for watering the land nearly halved whereas the average HH income increase due to an increase in irrigation area is reported as Rs. 19,000 per annum.[104]

218. According to the latest Impact Assessment[105], 83% of Sanitation and Drainage beneficiaries agreed that the PPAF interventions significantly contributed in improving drainage and sanitation condition. About 18% stated that they had not experienced overflow of drains in the area after the scheme and 69% said that the scheme was effective in improving the drainage and sanitation conditions in their community. About 78% agreed that the scheme had reduced malaria and typhoid incidences and effect on family health care cost at the household level. Among other benefits, 46% people acknowledged the benefits in mosquito control and 44% stated that they have a lower incidence of illness in the household as a result.

219. The Sebcon Study[106] also brought out positive perceptions of the beneficiaries regarding the roads and bridges component of PPAF III. About 18% reported that the scheme had a positive impact on their incomes, while 37% said that the scheme had reduced monthly household travelling expense, 72% reported that the scheme was effective in improving accessibility in the village, 49% said that the scheme was effective in improving access to health services, and 46% reported a positive impact on children's access to better education services.

220. In terms of perceptions about renewable energy interventions,[107] 43% stated that the energy schemes were helpful with children's' education, 76% stated that the scheme had

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97 "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
98 Ibid.
99 Ibid.
100 "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
101 "User/Beneficiary Assessment Survey – Final Report", Apex Consulting, 2014.
102 "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
103 Ibid.
104 User/Beneficiary Assessment Survey – Final Report", Apex Consulting 2014, .
105 "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
106 Ibid.
107 Ibid.

been effective in saving women's time during cooking, 51% stated that the scheme had been beneficial in saving men's time in buying or collecting fuel wood, 52% claimed that the scheme had decreased pollution level in the house, and 86% agreed that the scheme significantly contributed to addressing energy requirements of their household. As many as 71% agreed that the scheme had reduced their fuel cost.

221. The Third Party assessment had also calculated the economic and financial rate of returns for some of the water and infrastructure schemes. The calculations were based on data collected from 87 schemes from all the four provinces. Out of the 87 schemes; 28 were irrigation, 21 Drinking Water Supply (DWSS), 23 Roads and Bridges, 13 Drainage and Sanitation and 2 Renewable Energy schemes. The highest rate of returns was reported to be from Irrigation (51.2% FIRR) and 57.2% (EIRR) whereas for drinking water it was 14.7% FIRR and 16.7% EIRR. The aggregate financial rate of return was 33.8% and its overall economic rate of return was 36.1%. Annex 5.1 outlines the basis for the calculations.

Table 5.4: Financial and Economic Analysis of CPIs[108]

Type of Scheme	FIRR	EIRR
Irrigation	51.2%	57.2%
DWSS	15%	15.2%
Roads & Bridges	35.6%	36.8%
Drainage and Sanitation	16.4%	16.2%
Renewable Energy	22.3%	21%
All Schemes	33.8 %	36.1%

222. In terms of the impact of the disaster preparedness and response related work within PPAF III, case studies conducted by NRSP in two SCAD districts indicate that the disaster response teams effectively and timely responded to emergencies of different kind and saved lives and livelihood assets. PPAF has worked closely with its POs to enable them to respond to the frequent floods in Pakistan across the country.

223. Case studies reveal that Drought Mitigation and Preparedness Project (DMPP) interventions were highly relevant for mitigating the drought conditions that prevailed for the last three years in the targeted areas. For example in UC Jilga, District Qilla Abdullah, interventions were carried-out that included water harvesting, check dams, delay action dams, rehabilitation of Karezes, and use of PVC pipeline for improving water conveyance system. In addition, solar pumps were installed under the Livelihoods component in about 50 locations which benefited communities for extracting ground water for irrigation purposes. The UC Jilga community informed that the ground water recharge has significantly increased due to the construction of the dam and other related measures which made it possible to harvest water from Karezes which had previously become dry.

108 Ibid.

5.3.5 Poverty Impacts, Gender Aspects, and Social Development

224. In terms of targeting, one study indicates that the average poverty score of the households benefiting was 31.[109] Another study which was a beneficiary assessment survey carried out in 2014, showed that the 13% of the community members who were given infrastructure project were below a PSC of 23 whereas 27% were below the transitory poor level.[110] The impact assessment of the SCAD area showed that a majority of the respondents (66%) were categorized as poor based on their PSC score.[111] Beneficiary perceptions regarding elite capture showed that 61% of irrigation scheme beneficiaries felt that the scheme was serving the intended beneficiaries. This proportion rises to 72% for drainage and sanitation interventions, 75% for roads and bridges and is as high as 83% for drinking water schemes.[112]

225. The benefits to women from roads and bridges constructed under PPAF III were quite significant, as 48% of women respondents reported that the schemes had improved their access to employment, 75% claimed that it had improved their access to markets, and 88% claimed that it had improved their visibility in and access to social spaces.[113] As a result of drinking water schemes, gains in health for women and children were seen to be around 77% and 74%, respectively.[114] Drainage and sanitation interventions had reduced women's workload, according to 76% of the respondents.[115] The findings of a study by SAFWCO about outcomes of the infrastructure projects revealed that women's increased access to safe drinking water resulted in reduced burden of treatment and medical care. Furthermore, the time spent on fetching water, could now be invested in productive work and childcare.[116]

5.3.6 Institutional Change and Strengthening

226. While a community organization at the village or village level continues to be the prime custodian of the CPI/WECC, the role of the LSO has become significant in the identification, and operation and maintenance of infrastructure projects in PPAF III. LSO play a central part in consolidating and prioritizing the infrastructure projects identified by various COs in a Union Council Development Plan, and also help resolve any conflict which might arise in this process. Furthermore, LSO committees regularly check the O&M of schemes and give feedback and assistance to COs which are negligent or lack capacity. Some LSOs are also leveraging their UCDPs for funding from government and non-government sources.

227. PPAF has also built the technical capacity of the POs which range in size from large national NGOs to small organizations which worked in only a few UCs, at the start of its partnership with PPAF. PPAF has helped these POs develop effective systems for the implementation and monitoring of engineering projects. PPAF has strengthened their capacity for environmental compliance.

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[109] "User/Beneficiary Assessment Survey – Final Report", Apex Consulting, 2011.
[110] "User/Beneficiary Assessment Survey – Final Report", Apex Consulting, 2014.
[111] "Final Report: Impact Assessment of SCAD Program", Semiotics Consultants, 2014.
[112] "Impact Assessment of PPAF's Basic Services and Community Physical Infrastructure (CPI) schemes", SEBCON, September 2015.
[113] Ibid.
[114] Ibid.
[115] Ibid.
[116] "Lasting Footprints: Impact Assessment Case Studies – SAFWCO's Community Physical Infrastructure (CPI) Development in Rural Sindh, Pakistan", SAFWCO, 2014.

5.3.7 Sustainability

228. A recent Impact Assessment reports that most of the design and quality of construction in irrigation, drinking water supply and renewable energy were found to be good, designs were appropriate, and construction quality reasonable.[117] PPAF has been paying increasing attention to the sustainability of the infrastructure schemes that have been implemented. While it has been mandatory for COs to form a dedicated O&M committees right from the start, the CPI and WECC units have been reasserting their emphasis on sustainability by holding regular regional training workshops on quality control and sustainability of infrastructure projects to help build awareness and capacity of the PO and LSO on the sustainability of the completed schemes. More recently, the LSO has also been increasingly taking up an important role in the O&M of schemes. They form a 2 to 3 member monitoring team that carries out periodic visits to the infrastructure interventions implemented by COs within the UC, reporting on the conditions of the scheme, and bringing it to the attention of the concerned CO. Similar arrangements were seen throughout the country, which is quite encouraging from the perspective of institutional sustainability, particularly since this arrangement is not mandated by PPAF, but simply a consequence of the LSOs ownership and accountability for the interventions implemented by COs under its jurisdiction.

5.3.8 Innovations

229. PPAF has introduced a number of innovative projects which have helped to install renewable energy investments. A number of projects are irrigation related, such as drip and sprinkler irrigation, while a significant number are for solar lightening in off grid remote villages. Use of solar has accrued economic and environmental benefits due to the elimination of the use of diesel generators for pumping water. Solar street lights were deeply appreciated in remote off grid settlements in the SCAD areas. Diesel consumption was reduced to half in villages with solar powered pumps. One example is in district Chakwal, where the pump for drinking water has been converted to one based on solar energy. The community is saving Rs. 4000 per day. Earlier, diesel consumption released 76kg of CO_2 emissions per month. The solar powered system has offset carbon emissions to the tune of 900 kg per annum.

5.4 Beneficiary and Partner Feedback

230. The feedback from POs as well as community members from different tiers of community organizations confirmed that all infrastructure projects were identified by the communities and helped address their most pressing infrastructure needs. Communities in Balochistan particularly emphasised the relevance of infrastructure investment, which not only addressed their immediate needs, but also helped alleviate their feeling of isolation from the central government. The communities reported that around 90% of the schemes were working well. The remaining 10% that failed were mostly due to reasons beyond the control of the community and PO. The POs and beneficiaries saw a significant impact of infrastructure projects.

231. Cultural sensitivities in Balochistan, KPK and parts of other regions do not allow females to participate directly in CPI implementation, however female organizations which get CPIs maintain and operate bank accounts and other documentation, which is

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[117] Impact Assessment of PPAF’s Basic Services and Community Physical Infrastructure (CPI) schemes, SEBCON, September 2015.

seen as an empowering process. The participation of women's COs in section of CPI/WECC helped open up conservative areas which at first frowned on even mentioning WO activities. Even in the most conservative areas like South Waziristan, Dir, and Buner, men allowed greater interaction with women, leading to training, and greater awareness , once an infrastructure project has been constructed by the WCO. Exposure visit of male from very rigid communities such as South Waziristan, to attend mixed VO/CO meetings was found to be effective in opening conservative men to the possibility of female participation in the development agenda of the community.

5.5 Assessment of Bank Performance

232. The World Bank contribution can be seen from the quality and frequency of the Implementation Support Missions (ISM) which it has fielded. However, the focus on issues was very uneven and selective. While a number of missions talk about Open Defecation Free initiative and go into considerable detail on how to implement and monitor it, there was little attention paid on how the DMPP and IWEIP were being implemented. The missions did focus on some key issues such as the need to improve and expand on the VDP, develop and work with a single funding agreement, or the need to develop a FMIS. None of the missions had an expert in integrated planning, irrigation or drought management or mitigation that could have helped PPAF at the operational and technical level.

5.6 Lessons Learnt and Best Practices

233. Some lessons learnt and best practices are:

- The underlying principles regarding community participation in scheme selection, design, implementation and operation and maintenance have formed the bedrock of an approach that has demonstrated the capacity to implement a large number of community physical infrastructure schemes efficiently and cost-effectively.
- Community participation through active participation in financial and labor contribution, financial management and the procurement of construction materials ensures strong community ownership of community infrastructure projects and empowers participating communities. However, relaxing the condition of upfront cash contribution for remote and poor communities enabled these disadvantaged groups to also benefit from infrastructure schemes.
- While the implementation of PPAF III continues to play a significant part in building the trust and confidence of community organizations, helping raise incomes and filling the infrastructure gaps of the communities, PPAF realizes that its targeting strategy at the Union council needs to be improved. The practice during PPAF III has been to rely on the UC selection as the means to ensure targeting of the poor. However within the UC a village poverty ranking would help to focus the investment better.
- There is need to formulate special guidelines that can be used for the identification and implementation of schemes selected by women's community organizations to ensure that these schemes reflect women's priorities and that the process of scheme supervision, implementation and operation and maintenance can be used to empower them and enhance their status within the community.

- The design of projects needs to be unambiguous in outlining the purpose and operational modalities of different type of infrastructure investments. Without this clarity it is difficult for partners to implement the schemes.
- The presence of a pool of technical experts whose expertise reflects the major types of CPIs infrastructure projects that are being implemented can improve the quality of technical supervision provided by PPAF and its POs and improve scheme implementation. These experts can be retained on a short-term and rotating basis to provide technical assistance as and when required.
- PPAF has realized the need to strengthen its monitoring system to enable it to report more systematically on functioning schemes and is exploring simple low cost android-based community monitoring systems which can help record and share information.
- The development of Disaster Response Teams in 5 SCAD districts as part of the social mobilization process was a good initiative and helped the local institutions both in disaster preparedness as well as timely response to recent disaster events. Given that the frequency and intensity of natural disasters has significantly increased in the country, PPAF will expand the implementation of the PPAF Disaster Management Strategy (PDMS) to cover all disaster prone districts as identified by the National Disaster Management Authority (NDMA).
- Integrated projects introduced under WECC need a stronger coordination with other components of PPAF. For example while DMPP was supportive in water development and management activities in Balochistan, the livelihoods programme independently introduced solar pumps for shallow ground water extraction. PPAF recognizes that improved coordination would have added greater value to its investments.
- The frequency and intensity of climate change induced disasters (floods, droughts, cyclones etc.) has significantly increased. While all interventions of PPAF-III under WECC e.g., under DMPP and Innovative Green Energy Projects tried to address the climate change issues, greater attention will be paid to climate change adaptation for increased resilience to climate change in future projects of PPAF.

6 Education and Health

6.1 Component Objective and Design

234. Under PPAF III, US$ 30 million was allocated for health and education. The objective of the education component was to increase access of poor communities to quality education. It aimed to improve access to quality education through establishment, rehabilitation or strengthening of public and community schools to enhance enrolments, retention and completion rates. Demand-driven low-cost community education facilities were to be set up in areas where these facilities were not available within a radius of 2 km of a settlement. POs were encouraged to design and implement innovative projects to provide access to children of communities living in small hamlets and in remote areas. To ensure continuity of quality in community and government schools, these facilities were to be maintained and monitored by village organizations and school and health management committees.

235. The design proposed that the basic facilities necessary for a quality primary school should be provided. Minimum requirements for a PPAF supported schools were specified. Qualified teachers were to be hired by offering higher salaries than offered by private schools. Teacher training was to be provided by recognized training institutes and trainers on a regular basis to ensure quality in teaching. The education programme envisaged that over time education facilities would be managed and supported by the community and the costs would be met through school fees to be charged depending on the paying capacity of the community. In addition, community institutions' linkages with the government departments, other development partners and corporate sector were to provide support for sustaining schools.

236. The goal of the health program was to provide basic healthcare services to the local communities. The services to be provided were specified in the design and included Outpatient Department (OPD) service, laboratory tests, a pharmacy, safe deliveries and complete range of safe motherhood practices, prevention and management of early childhood diseases, screening and referral of high risk pregnancies, child spacing and Family Planning (FP) services, and community health education and awareness campaigns. The health program design specifically emphasized maintaining the quality of the equipment, medicines and lab tests at high level in all PPAF facilities and attracting qualified staff to the rural health facilities by offering a salary package comparable with government or private facilities. The design envisaged that each facility would charge a fee from patients on a sliding scale depending on the paying capacity of the community. The design of the programme was based on the expectation that over time health facilities would be managed and supported by the community and the costs would be met through patient fee, community support and community institutions' linkages with government departments, other development partners and corporate sector.

237. In 2012 and 2013 Bank supervision missions pointed out that the present education and health interventions were not sustainable and advised a change in strategy.[118] In consultation with the World Bank a new strategy was designed. In the revised approach the focus shifted from supply side service delivery to demand side financing for

[118] Aide Memoire: Implementation Support Mission (July 11-19, 2013) Third Pakistan Poverty Alleviation Fund Project (P105075)

improving human capital by developing community level capacities to increase access to quality education and health facilities. In the revised programme, various models to enhance access to quality education were to be piloted, Community Resource Persons were to be trained to raise demand for quality education and health services, develop social enterprises in education (coaching, computer training and adult literacy centres, private schools, youth centres) and in health, to provide basic services including maternal and child health, nutrition advice, family planning and treatment of minor ailments. The design also included the provision to give vouchers to poor students for accessing schools and to ultra-poor women for accessing maternal health services.

6.2 Key Factors Affecting Implementation and Outcomes

6.2.1 Project Preparation

238. The analysis provided in the Project Appraisal Document recognized the inadequacy of the social services for the poor in Pakistan and incorporated lessons learnt from health and education projects piloted under PPAF II. Although the assumption that communities would be able to pay fees and user charges on the scale suggested proved to be incorrect, the majority of schools were sustained as assumed in the design by development partners, government and the private sector. The subsequent major restructuring of the education and health programmes shows that there was significant discomfort with the original design within the World Bank which subsequently led to its complete restructuring. From a supply based approach, the model was transformed in the last year of implementation to a demand led model with a focus on building local capacities and creating demand.

6.2.2 Project Implementation

Education

239. The education component exceeded its targets in terms of the number of schools it supported, the teachers hired; and trained and the number of students supported. The education sub-component was able to disburse 100% of the Rs. 2,710 million allocated to it despite a major restructuring. During implementation of the project, PPAF established both community schools and supported government schools based on its long established strategy that it would support community schools and provided support of two kinds to an existing government facility which included the provision of missing facilities in existing public sector institutions in terms of physical infrastructure and human resource, wherever required and adopt abandoned government schools that had become non-functional and provide missing facilities including appropriate teaching staff.[119] Overall, PPAF supported 896 schools of which 690 were government schools and 206 were community schools. Two thousand teachers were trained and placed in public schools and 1500 teachers were provided to the community and public schools. Under PPAF III, support was provided to schools in which a total of 127,112 students were enrolled. Of these 98,384 students or 77% were enrolled in the public schools and 28,728 students or 23% were enrolled in community schools.

[119] Educating Pakistan's Children: Choices Alternatives and Tradeoffs: An Assessment of PPAF's Model of Delivery. (circa 2009)

Table 6.1: Education Programme Targets vs Achievements

Education	Targets	Achievements
Primary/middle/schools established/supported	336	896
Teachers hired and trained	1680	3500
Students enrolled	40,081	127,112

240. The component successfully included some of the most marginalized and vulnerable groups. The target for supporting girls was 40% but the programme achieved a target of 45%, despite the particularly restrictive gender norms in the communities in which PPAF was working. The project made some singular achievements such as the support of three thousand out-of-school children from coal-mining households in the conflict-affected district of Kohlu in Balochistan.

241. Due to the lack of attention in Pakistan on developing strategies for assisting special children, PPAF felt that the resources available under PPAF III could assist it in bridging an important gap. Moreover, for PPAF children with disabilities were a clear target group as disability is a dimension of social exclusion highlighted in the PAD. PPAF felt that the needs of differently abled children could not be sufficiently addressed through its community based interventions. Differently abled students are a scattered population and it is very challenging to make community-based schools inclusive, although efforts were made in this regard. It, therefore, undertook to support specialized POs such as Pakistan Foundation for the Blind (PFFB) and Family Educational Services Foundation (FESF) some interventions which would have a more global impact on differently abled children in Pakistan such as expansion of Pakistan's sign language and recording of the syllabus up to matric for KP or Balochistan for the visually impaired. It also undertook some specific interventions such as strengthening government institutions for special education, which serve children from low-income groups, with computer centres, providing teacher-training and additional teachers. Although these schools were based in cities like Lahore and Peshawar, they had students come in from surrounding rural districts as well. The component supported 17,589 differently abled students by providing them with vocational training, expansion of Pakistan specific sign language, transportation and resources such as teachers, teaching aids, computers and software, audio books for better quality education in special schools. In particular, a few Deaf Reach Schools and Training Centers were supported. These schools not only provided scholastic and vocational training for underprivileged deaf children and teenagers but also trained their parents, families and communities.

242. The selection of the right POs with the competencies required to deliver results was key to the success of the community based school interventions, both in terms of providing quality outreach and inclusion. The POs were able to provide quality services because most already had well tested systems in place. While some of the POs specialized in community mobilization and not education, they were able to deliver by outsourcing teacher-training to highly regarded teacher-training institutes and effectively involving communities for monitoring and oversight through school management committees and community institutions. Effective strategies for inclusion of girls included ensuring that 70% of the teachers were women, the schools were easily accessible and that trust was built through active community engagement. A critical role

in recruitment and retention of teachers was played by the high levels of support extended by communities and the provision of transport by Partner Organizations.

243. Another significant achievement of the education programme has been its contribution to quality education through its teacher-training intervention. The 3500 teachers trained by the programme were put through a cycle of teacher training which included a diverse range of topics from lesson planning, class management, joyful learning, involving parents in the school, etc. The quality of teacher-training was maintained by POs with expertise in education delivered trainings through their in-house experts while others engaged highly reputable teachers training institutions. The communities provided oversight of schools through parents' interaction with teachers, School Management Committees and community institutions. COs helped POs to identify and retain committed teaching staff from the same or from the adjacent communities, they extended high levels of support to teachers and monitored and ensured teachers attendance. The COs and School Management Committee (SMC) members actively sought feedback from parents and conveyed it to teachers. Parents themselves made frequent visits and had high levels of interaction with the teachers. The level of feedback and strength of relationship with teachers resulted in higher levels of teacher student interaction.

244. The revised strategy focused on the demand side financing for improving human capital and moved away from service delivery. It was implemented from April to September 2015 in 24 UCs in 13 districts with 9 Partner Organizations. Under the revised strategy direct 201 Community Resource Persons including 22% women were trained on the rights to education, school development plan formulation and establishment of social enterprises. The training of young persons from the remotest districts of Balochistan, Sindh and KP provided exposure, built their confidence, and developed linkages with the key players in the development sector. There is evidence that the young human capital developed by PPAF was used by many other development players to deliver their intervention. There has been sustained and active involvement of the community in demand generation, retention of students and teachers and the management and oversight of schools in target districts.

Health

245. PPAF implemented its strategy of health care by supporting community health facilities and support to government health facilities through provision of missing facilities in existing public sector health facilities in terms of physical infrastructure and human resource, wherever required and support to abandoned government health centers that had become non-functional in close coordination with its POs and the targeted communities.[120] The health programme provided support to 504 health facilities: 361 were government health facilities and 143 Community Health Centres. The public health facilities were mostly primary health care facilities - Community Dispensaries, Basic Health Units (BHUs). However in some instances, support was also provided to secondary level facilities such as Rural Health Centres (RHCs) and Tehsil Head Quarter Hospitals (THQs) to provide services for un-served rural communities. Sixteen hundred health personnel, mostly Lady Health Visitors (LHVs), health technicians and midwives were placed in the public health facilities where staff was not available and in

[120] Cost Effective Quality Health Care. Unraveling the Paradox. An Assessment of PPAF Model of Delivery. (circa 2009). PPAF.

Community Health Centres established or supported under the health programme. The personnel hired were trained to provide high quality of health care services. They also received training in record keeping and community engagement.

246. The health programme's key achievement was providing Primary Health Care (PHC) and Maternal, Neo-natal and Child Health (MNCH) services through facilities where 12 million women and men are reported to have visited the public and private health facilities during the project duration. About 83% of the patients (10 million) accessed public health facilities and 17% (2 million) used Community Health Centres (Table 6.2). The services provided were mostly related to primary health, with a special focus on mother and child health care services.

Table 6.2: Health Programme Targets, Achievements and Reported Beneficiaries

Health	Targets	Achievements
Health Centres established/supported	280	504
Health staff trained	1210	1600
Beneficiaries (cumulative)	2. 2 Million	12 million
Beneficiaries	Community	Government
Total Beneficiaries	2,106,922	10,474,642
Male Beneficiaries	951,216	4,506,575
Male (General OPD)	603,669	2,405,819
Boys OPD	347,547	2,100,756
Women Beneficiaries	1,155,706	5,968,067
Female General OPD	635,973	2,693,059
Antenatal	118,945	835,173
Post Natal	144,809	516,957
Girls OPD	262,161	1,922,878

247. The selection of partners with appropriate expertise and experience and the involvement of the community through Community Health Management Committees contributed to the success of the intervention. The health intervention was also successful in reaching out to women and girls: Overall 57% of the beneficiaries were women and girls while 62% of adults were women. The access to women was due to hiring Lady Health Visitors (LHVs) and midwives. Direct financing was provided to for facility based delivery and health vouchers. Pregnant women with a poverty score of 23 or below were given vouchers for provision of maternity services at hospitals such as antenatal, post-natal services along with laboratory services and ultimately normal delivery or Caesarian Section. As in the education intervention, young women and men from marginalized areas were engaged as Community Resource Persons in Health and trained in establishing social enterprises. Around 203 CRPs (32% women) were trained

for awareness raising on preventive health and to provide basic health services including family Planning, immunization and referrals. The health CRPs trained 19,355 community members on preventive health practices with a special focus on improved hygiene practices.

248. In the initial years of PPAF III, PPAF took a decision to fund tertiary care for the poor (poverty score of under 23) from poor districts at Government tertiary care hospitals through Heartfile which has strong credentials in health care research and negotiating policy reform in the health sector. However, this was discontinued in December 2012, on the direction of the World Bank given that the design allowed only for primary healthcare interventions.

249. The health and education interventions faced a significant challenge when the expansion of activities in health and education was halted in 2012[121] and 2013[122] and the World Bank Supervision Mission instructed PPAF to revise the education and health programme and prepare an exit strategy. The change of strategy was enforced at a time when the programme had already achieved its physical targets and was ready to take it to the next level of consolidation and standardization and improving its monitoring and evaluation systems to improve the assessment of enrolment, retention, completion and the impact on health outcomes due to the large number of patients reported to be using the facilities. The exit strategy entailed detailing the exit plan for each education and health facility that was being supported, as well as revising the programme strategy to focus on building of local capacities. The health and education unit started withdrawing support (Table 6.3) and was able to exit in a systematic and principled manner: facilities were supported for the period committed in contracts with POs and, in the majority of cases education and health facilities were taken over by POs or community entrepreneurs as a business. In the case of schools, PPAF's own funds were used to sustain the investment after withdrawal of World Bank support.

Table 6.3: Schools and Health Facilities Supported year wise by PPAF

Type of Facility	2010	2011	2012	2013	2014	2015
Community Schools	90	133	187	109	128	87
Government Schools	33	173	668	178	150	55
Community Health Centres	54	105	112	29	3	-
Government Health Centres	-	15	199	69	10	5

250. The final approval of the exit plan and revised strategy took a considerable amount of time and the time available to implement the revised program was only six months, from April –September 2015. Due to limited time available for implementation, follow up and systematic evidence collection has not been possible. However, PPAF records and reports submitted by POs indicate that all the Community schools are still functioning. A

[121] Aide memoire: Fourth Implementation Support Mission (January- March 2012), Third Pakistan Poverty Alleviation Fund Project

[122] Aide Memoire: Implementation Support Mission (July 11-19, 2013) Third Pakistan Poverty Alleviation Fund Project (P105075)

large majority of these are being supported by PPAF, while the rest are being supported by the POs, through fees and service charges and a few of the schools are being supported by the corporate sector. All the community health centres are also continuing to function. At the moment, none is being supported by PPAF but 61% are being supported by POs and the rest are being sustained through services charges (Table 6.4). The participation of the corporate sector in the adoption or financing of the facilities has been low as is evident from the current record.

Table 6.4: Sustainability of Schools and Health Centres

Type of Facility	PPAF Own Resources	PO Resources	Private Through Fee	Corporat e Sector	Total
Community Schools	86	63	54	3	206
Community Health Centres	0	91	56	0	147

Innovation

251. An innovation introduced by the project was the training of community women and men in a forty-five day course on social entrepreneurship to enable them to establish schools. In the education sub-component, a couple of innovative strategies were used to increase the number of girls in schools. In the schools run by Indus Resource Centre (IRC) in Jamshoro, every boy admitted to the school had to bring a sister or a female cousin and could remain in the school only as long as the girl who got admission with him stayed in school. This led to a dramatic increase in the percentage of girls in these schools. IRC and Bahn Beli successfully increased the number of girls attending middle and high schools in their areas by employing women teachers in government schools where previously only men were teaching. An innovative and successful strategy adopted by IRC to control dropout rates was to link teachers' Annual Confidential Reports (ACRs) and yearly increments to children's retention rates.

Monitoring and Evaluation

252. Monitoring indicators for education and health component specified in the project's Results Framework were linked to level of satisfaction with social sector services, net enrolment growth rate and a minimum proportion of women beneficiaries. The reporting on the net enrolment rate was difficult to track because of the wide geographic reach of the schools. PPAF believes that an indicator on learning outcomes and greater guidance on the measurement tools would have led its POs to focus more on quality of education in a systematic and consistent basis.

253. Data on the indicators defined in the Results Framework has been regularly collected. The satisfaction levels of beneficiaries was collected through intermittent third party assessment studies. The record keeping formats at health facilities and schools were being maintained, and formed the basis of reports prepared by the POs. However, PPAF has always struggled to calculate the incremental enrolments and out-patients in public sector schools and in practice it has not been possible to verify the large number of patients reported to be visiting the public health facilities. A major challenge in monitoring was recording utilization of health services without double counting of

beneficiaries as the record was maintained manually and it was not possible to provide computers and customized software. Another challenge was that education and health unit was not adequately staffed to monitor interventions spread in 65 districts.

254. Data for monitoring was generated primarily through quarterly reports on agreed formats and frequency. Other monitoring sources included, third party assessment studies, collection of case studies by POs and monitoring visits by education and health team members. Standardized systems to provide feedback to the POs after a monitoring visit were put in place and were followed. The education and health teams visited the field regularly and were monitoring data collected through field visits which was actively utilized for course correction.

6.3 Assessment of Outcomes

6.3.1 Relevance

255. There is a big gap in the demand and supply in the education and health sectors in Pakistan. Budget allocations for education are insufficient and funds that are available are not spent effectively. There are 25 million boys and girls out of school – that is nearly half of all children in the country. Of those children who do go to school, the vast majority receive an education of poor quality. 48% of government schools are in a dangerous or dilapidated condition and lack basic facilities such as furniture, bathrooms, boundary walls, electricity and running water. On any given day, 18% of teachers are absent from the classroom. Corporal punishment is widespread and remains unchecked. Retention rate at primary level is low at 67.05%.[123] The gap in the demand and supply of health care service is equally significant and explains the low health indicators, especially with reference to mother and child health. Maternal Mortality Rate (MMR) is 276 [124] and it is worse in Balochistan where MMR rises up to 785, Infant Mortality Rate (IMR) which is the highest in the region is at 74 per 1000[125] live births. A major contributing factor for high MMR and IMR is that only 52%[126] births are attended by a skilled birth attendant. In addition, it is documented that health shocks are a major reason for households being plunged below the poverty line while education represents a significant pathway out of poverty. Therefore the inclusion of a health and education intervention in PPAF III was and remains highly relevant especially for women and girls for whom health and education indicators are well below the national average.

6.3.2 Efficiency

256. PPAF has initiated a process to maintain its health and education sector data in a manner that can assist it to review the outcomes of its investments in the health and education sector. The data that PPAF would like to maintain in the future would enable it to assess school retention rates, completion rates and quality of learning outcomes. PPAF has realised that in order to report on these aspects, there is a need for much greater investment in the maintenance of records at the school level and strengthening school and Partner Organization capacity in record keeping and data analysis. To assess the value of investments in the social sectors, some of the available data was analysed. This analysis was only undertaken for community schools and community health centres as

[123] http://www.alifailaan.pk/pakistan_education_crisis
[124] Pakistan Demographic and Health Survey 2006 -07 (no latest official figure available)
[125] Pakistan Demographic and Health Survey 2013
[126] Ibid.

there was no systematic record available of the increments in school enrolments and increase in patient visits to BHUs as a result of PPAF investments in public health facilities.

257. To calculate the Value for Money in the education sector, the number of children who had completed primary, middle and matric was used. These numbers were obtained from the Partner Organizations involved in the community education schools. It was estimated that PPAF III had contributed to the completion of 10,336students at the primary level, 6,261 at the middle level and 3447 at the matric level from support to community schools. From this 55% are recorded to be girls. While the importance of educating these children has an intrinsic value of its own, for the purposes of this analysis, the main quantifiable benefit from this investment which was used in the analysis was the increase in incomes during the adult working life of the children who have received primary school education and beyond. To compute benefits to earning, the working life estimates have been assumed to be 20 years. However, not all of those who receive education will go on to receive benefits in the labour market. The analysis has used labour force participation rates for men and women separately due to the large gender differentials in the rates. The labour force participation rate is estimated to be an average of 80% for men and 27% for women based on the labour force participation surveys in the country. [127] While the labour force participation rate for new male entrants to the labour force begins at 70% it gradually increases to 97%. For the purposes of this analysis an average of 80% has been used for men. For women the labour force participation rate remains more or less constant throughout their life.

258. Extrapolation of the wage premiums between those never attending school and those completing primary school from the 2005/06 Pakistan Social and Living Standards Measurement Survey, a wage premium of $ 143 a year is estimated as the differential wage increase for men. An incremental increase of $ 104 has been used to estimate the increase in women's income for those who complete primary education. The 2005/06 data has been adjusted to include a modest annual real growth rate of 0.7%.[128] It is estimated that for each additional year of schooling after primary, there is approximately an 8%[129] to 10%[130] return on the base salary for wage earners. For the purposes of this analysis, these increments have been added to the wage of children graduating beyond the primary level.

259. Available evidence suggests a sizeable gender asymmetry in economic returns to education, with returns to women's education being substantially and statistically significantly *higher* than men's.[131] This return is not in terms of the increase in income but other benefits that accrue to women and their families due to changes in fertility patterns, reduction in infant mortality rates and other health benefits. An attempt was made to quantify the additional benefits of education for girls and include that in the economic analysis. A comparison of household health expenditure from different sources, such as the Household Integrated Economic Survey, the Family Budget Survey

[127] Pakistan Labour Force Survey. 2010-2011.
[128] Irfan. 2008. Pakistan's Wage Structure from 1990/91 – 2006/07).
[129] Chaudhry, I.S et al. 2009. The Impact of Gender Inequality in Education on Rural Poverty in Pakistan: An Empirical Analysis. ISSN 1450-2275 Issue 15 (2009). © Euro Journals, Inc. European Journal of Economics, Finance and Administrative Sciences
[130] Comptroller and Auditor General. HC 69SesSIon 2010–2011 June 2010. DFID Bilateral Support to Primary Education. National Audit Office.
[131] Monazza Aslam, (March, 2007) RECOUP Working Paper No 1. Rates of Return to Education by Gender in Pakistan. University of Oxford.

and National Accounts (NA) shows that health expenditure figures for Pakistan shows out of pocket spending to be twice as high as previously thought and are estimated to show that per capita total health expenditure to be $ 33, based on National Accounts data.[132] Based on the assumption that the health benefits for a poor household in which women are educated up to the middle and high school level will be able to reduce the health expenditures by 50%. Thus for a family of four this reduction would entail a saving of USD 66 or per annum. This has been added in the analysis.

260. The overall analysis for this sub-component shows an Internal Rate of Return of 22% for community schools. At a discount rate of 10%, the Net Present Value of investments in the education sector is estimated to be USD 4.2 million. The increased benefits to improvement in students in public schools, quality premiums, and benefits for women in terms of reduction in fertility rates and reduced child mortality and maternal mortality rates are not captured in the quantitative analysis. Incorporating this into the analysis will generate much higher rates of return.

261. An assessment was also made of the VFM metrics of the investments in the health sector under PPAF III. This analysis was undertaken for only Community Health Centers as there was limited information on the increase in patient numbers accessing public sector health facilities. A comparative assessment of the Basic Health Units (BHUs) in which PPAF was supporting health services alongside the People's Primary Health Initiative (PPHI) with BHUs, managed by PPHI only, shows a significant increase in the number of patients accessing General OPD, antenatal care, immunization and child treatments (See figure 6.1). It was estimated that around 2.1 million men and women have availed of the health services in the community facilities. Given the lack of data on the impact of these facilities on the burden of disease and the Disability Adjusted Life Years, the benefits computed as a result of improved access to health care at the local level was simply taken to be derived from (i) a onetime reduction in transportation cost of USD 15 and (ii) one day of savings in the opportunity cost of labour valued at USD 2 for 40% of the people who are availing these services. The cost of establishing the CHCs is determined to be USD 15000 per health centre.

262. The assumptions made for this analysis are very realistic and are also strongly supported by the third party impact assessments[133]. According to an assessment study, community members stated that PPAF supported health services allowed them to take care of emergencies which occur amongst the households at the village level.[134] Another assessment study[135] found that the beneficiary household on average has saved Rs.1951 per month as a result of the services being offered by the Community Health Centres. In addition, the same households has also saved more than 4 days per month as now the people do not have to travel to other places to seek health care services. Yet another study found that the beneficiary households on average saved Rs. 1,100 per month because of the services provided by the PPAF supported health facilities. Based on these figures, the overall VFM analysis for this component shows an Internal Rate of Return of

[132] Lorenz, Christian. Applied Health Economics & Health Policy: 1 January 2012 - Volume 10 - Issue 1 - pp 1-13. doi: 10.2165/11595230-000000000-00000. Triangulating Health Expenditure Estimates from Different Data Sources in Developing Countries: The Case of Pakistan's Private Health Expenditure.

[133] User / Beneficiary Assessment Survey PPAF-III Final Report, 16 July 2011 by APEX Consulting

[134] Impact Assessment of Sindh Costal Areas Development (SCAD) Program Final Report October 2014 by Semiotics Consultants (Pvt.) Limited

[135] User / Beneficiary Assessment Survey PPAF-III Final Report, 16 July 2011 by APEX Consulting

73%. At a discount rate of 10%, the Net Present Value of investments in the health sector is estimated to be USD 2.196 million (Annex Table 6.1)

6.3.3 Effectiveness and Impact

263. Three assessment studies[136] and the Mid Term Review[137] reports indicate high levels of beneficiary satisfaction with PPAF supported health and education facilities. Satisfaction levels with PPAF supported education facilities ranging from 70% to 93% and with health facilities ranging from 70% to 83% were reported. One of these studies explored the satisfaction with the various elements of quality of education such as physical environment, teachers' quality and child learning and found that the education scored high on most of these aspects (Table 6.5)[138].

Table 6.5: Parents' Perceptions on School – Facilities, Teachers and Learning

	Very Good (%)	Good (%)	Satisfactory (%)	Poor / Unavailable (%)
Physical school building	1	89	10	0
Physical classroom	1	90	9	0
Number of classrooms	0	77	20	2
Furniture for children	0	75	23	2
Quality of teachers	1	69	23	8
Numbers of teachers	1	70	23	6
Teachers' attendance	0	81	12	8
Feedback on child's progress	0	70	22	9
Learning of child	5	70	20	4
Class size	1	76	14	9
Availability of textbooks / learning material	0	72	12	16
Availability of toilets	0	67	24	10
Availability of drinking water	2	76	11	11

264. PO reports show that livelihood opportunities were expanded for the 2000 girls from rural poor households who completed their matriculation through PPAF supported schools: these girls were employed as teachers in the same schools and others opted for professions like nursing, midwifery, Lady Health Visitor (LHV) and engineering. Although boys were not systematically tracked, there is some evidence that the livelihood opportunities for boys also improved. More than 200 teachers both women

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136 Semiotics Consultants (Pvt.) Limited October, 2014 Impact Assessment of Sindh Costal Areas Development (SCAD) Program Final Report, APEX Consulting, 2015 User / Beneficiary Assessment Survey, Phase-II, APEX Consulting, 2011 User / Beneficiary Assessment Survey PPAF-III Final Report

137 Izhar Hunzai , Salim Jiwani, Sarwar Rana, 2012, MID Term Review of PPAF III Project

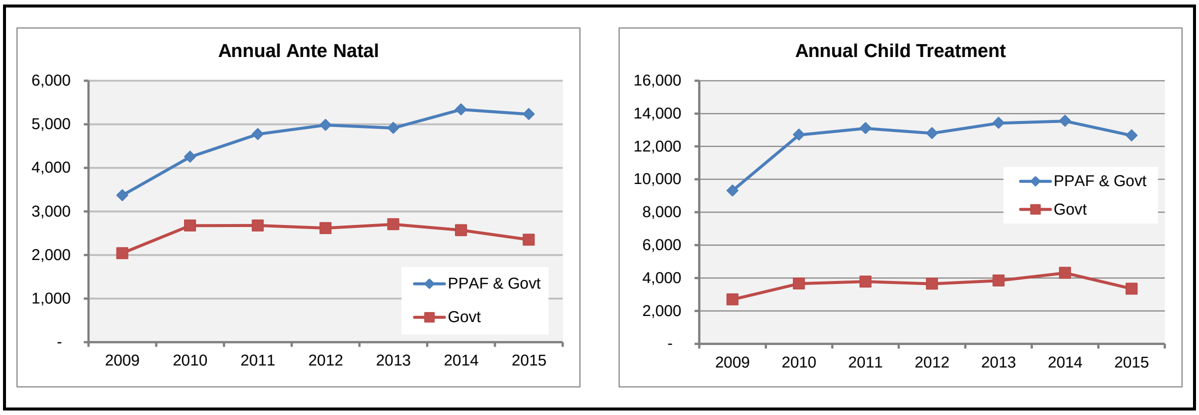
138 Impact Assessment of Sindh Costal Areas Development (SCAD) Program Final Report October 2014 by Semiotics Consultants (Pvt.) Limited

and men, from PPAF supported schools in remote areas[139] who were trained by the POs were inducted in the government education system as they were able to pass the otherwise difficult National Testing Service (NTS) exam.

265. Training of CRPs helped create a human resource at the community level which can potentially be used by other players in the health and education sectors. There is evidence that district government of Tharparker has engaged the CRPs trained in health to identify and refer malnourished children to district health department. PO reports show that 65% of Community Resource Persons (CRPs) trained in Social Enterprise opened schools in the remotest areas such as Panjgur, Awaran and Kharan in Balochistan and Upper Dir in KPK.

266. A major impact of providing health interventions is that 12 million people were reported to have utilized services at the doorstep at nominal charges. A comparison of the 32 BHUs supported by PPAF with the BHUs managed by People's Primary Healthcare Initiative (PPHI) in the same or adjacent UC shows that although the BHUs chosen by PPAF partners had slightly higher rates of utilization to begin with, the rates of utilization of services in the PPAF supported BHUs increased substantially. Ante-natal visits increased by 61% and child health by 63% (see Figure 6.1).

Figure 6.1: Comparison of PPAF Supported and other BHUs in Balochistan



Data Source: PPHI database and PO reports

6.3.4 Institutional Strengthening

267. There has been considerable strengthening of Partner Organizations in the implementation of community health facilities, monitoring support to Government education and health facilities, organizing teacher training and CRP training and reporting on the achievements to PPAF on well specified formats and reflecting much more closely on learning outcomes and reducing the burden of disease. POs with limited experience in these sectors have enhanced their capacity for outreach to some of the more remote parts of the country. In some cases, institutions were able to leverage their work with PPAF, gain credibility with government and other donors to secure financing. The Indus Resource Centre (IRC) is one such example of a PO which was able to demonstrate the efficacy of its model by showcasing the schools supported by PPAF funding and is now managing 70 additional government schools. BRSP was able to

[139] Tharpaker, Bahawalpur, Ziarat, Panjgur, Kharan, Rehri, Sanghar, Jamshoro, Khairpure, Sakhar

illustrate its strength in the education sector and is now part of a provincial advisory committee on education.

6.3.5 Sustainability

268. PPAF III had two strategies for making its interventions sustainable. One was handing over facilities to partners, government or staff willing to run the facility privately or continuing support from PPAF's own resources. The second was to build local capacities by training local teachers, LHVs, TBAs and creating CRPs to spread awareness on preventive health practices and motivating communities to put children in school and providing training for establishing schools and health clinics. Success in employing PPAF hired health and education staff by the government was limited. In a few cases, government continued the intervention through its own resources. For example in four health facilities in Tharparker and Keti Bander, the lady doctors and community midwives recruited by PPAF were integrated into the government system and retained their employment in the same facilities. Similarly, in the education sector, a few schools were integrated into the government education system through the Punjab Education Foundation and he Sindh Education Foundation. However, in a majority of the government schools and health facilities the additional staff – teachers and medical staff – provided by PPAF could not continue because government or communities could not pay their salaries.

6.4 Beneficiary and Partner Feedback

269. Beneficiary feedback obtained from discussions with POs and local communities indicated that parents are willing to send their children to a school that provides quality education and there was significant demand for education provided it was perceived to be of good quality and children were learning at school. The beneficiaries generally reported their satisfaction with the quality of education provided by the PPAF supported schools and particularly appreciated the regularity of teachers' attendance and their hard work. They valued the impact that quality education was making on their children. The parents commented on the difference in the quality of education offered by PPAF supported schools compared to government schools. Some POs were of the view that the models and learning that emerged from PPAF supported work should have been showcased to government and other development stakeholders.

270. Availability of health services particularly through women health care providers at the health facilities' near their settlements was highly valued. Men CRPs raised awareness, among men about the reproductive health problems of women and men were now more willing to take their wives to a qualified health care provider. Women CRPs were considered a source of support and guidance by women in the community who wanted to access health care services, particularly Family Planning.

6.5 Assessment of Bank Performance

271. The Bank had under-designed the health and education sector investments of PPAF III and appeared not to either be aware of or not in accord with PPAF's existing strategy in the health and education sector. The implementation of the social sector programme suffered as a result of the considerable vacillation in the strategy adopted for health and education investments. There was a clear plan articulated in the appraisal document for support to health and education facilities under the project. PPAF had outlined its health and education strategy in documents which had been prepared in 2009 and which

included support to community and public sector facilities under certain circumstances. This is the strategy which was implemented under PPAF III. The World Bank abruptly changed the strategy for support to the social sectors in mid-stream. Financing of education and health facilities were terminated and PPAF was asked to produce new strategies without reference to the existing policy documents. Considerable time was spent on developing and approving the new strategies and the investments in social sectors lost their momentum. This also caused considerable demoralization and embarrassment to some of the POs who were in an advanced stage of negotiation with communities and district government line agencies for providing support to public facilities. The World Bank was not able to fully explain its concerns with PPAF's approach apart from raising issues of sustainability and exit. The revised strategy did not enjoy the full ownership of the POs or PPAF staff implementing the programme.

6.6 Lessons Learnt and Best Practices

272. Consensus between a financing agency and its implementing partner is key for successful achievement of project objectives. In case of any change mid-stream in any specific strategy, it is important to have the complete ownership of all stakeholders and ensure that the process of change is efficient and does not erode the credibility of the implementing partners. In the process of change it is important to provide structured opportunities for lesson learning, consensus and ownership building jointly developing a shared vision with clear targets and outcomes.

273. The feedback received from the field by PPAF and its POs indicates that there is generally strong demand for quality education and thus need to invest greater resources in service delivery models which can provide quality education. Investing in demand creation for without the provision of quality education would neither be efficient nor effective and could in fact be counter-productive.

274. PPAF has learnt that educating girls is the single most important intervention for women's empowerment. It has a positive impact on women's livelihood opportunities, their health and their status in society. Education, unlike any other asset or resource, once given can never be taken away from a woman.

275. Although financing community schools entailed higher costs, it was a worthwhile endeavour and PPAF should have committed to the community schools for a longer period of time, at least 10 -15 years as this is what is required to create and graduate local human resource to sustain those schools.

276. PPAF has realized that there was a missed opportunity to capitalize on the existence of Community institutions and introduce adult literacy programme for women among its target communities as literacy rates are among the lowest. PPAF will explore this possibility in the future as an opportunity for women's empowerment.

277. Provision of accredited technical training programmes such as midwifery, Lady Health Visitor (LHV) certification, Primary Teaching Certification (PTC) would have been more effective in building community resources for and increased local access to education and health services as compared to the shorter courses funded under the revised education and health strategy.

278. PPAF could have capitalized on the synergies built in education by effectively documenting and advocating the successful models for enhancing girls education developed by its partner organizations. PPAF could have leveraged its learning to shape the provincial education agenda.

279. PPAF has realised that there is need for further strengthening and expanding its unit for managing its health and education investments and the need for providing much greater support for reporting on learning outcomes, retention rates, completion rates and assessing the impact on health sector indicators such as proportion of deliveries attended by Skilled Birth Attendants (SBAs) and proportion of children vaccinated.

280. MMR is high in Pakistan, and in PPAF targeted districts MMR is even higher than the national averages. PPAF has realised that although providing health services to a large number of people is a great achievement, but in terms of creating a definite measurable impact, focusing on one or two health indicators would have been better. The health programme could have impacted MMR by targeting an increase in the number of deliveries attended by SBAs.

281. PPAF has the potential to use its unique strategic position to launch an effective behaviour change communication through its network of community organizations. PPAF has learnt that a sharply focused health education campaign targeting one or two key health indicators such as MMR and Infant Mortality Rate (IMR) can be more effective than broad-based campaigns. For example, research shows that targeting strategic behaviours such as optimal breastfeeding for two years can impact IMR significantly by reducing diarrhea, Acute Respiratory Infection and malnutrition[140].[141]

282. Women CRPs in health were able to work very effectively in some areas (Sindh) because they had more mobility, while women CRPs in Balochistan and KP faced difficulties due to restricted mobility. In areas where women have restricted mobility, additional resources and strategies have to be used to enable them to function. This involves providing transportation, pairing women or allowing for a budget for a male relative to accompany her.

[140] Exclusive Breastfeeding Reduces Acute Respiratory Infection and Diarrhea Deaths Among Infants in Dhaka Slums, Arifeen S, Black RE, Antelman G, Baqui A, Caulfield L, Becker S. Exclusive, breastfeeding reduces acute respiratory infection and diarrhea deaths among infants in Dhaka slums. Pediatr 2001;108:e67.

[141] Quantifying the Benefits of Breastfeeding: A Summary of the Evidence Natalia León-Cava, M.S., Consultant, PAHO Chessa Lutter, Ph.D., Regional Advisor, PAHO Jay Ross, Ph.D., Policy Advisor, Luann Martin, M.A., Information Specialist, http://files.ennonline.net/attachments/421/bobcontents-and-introduction-summary.pdf

7 Environment and Social Management (ESM)

7.1 ESM Objectives and Design

283. PPAF-III was required to prepare and implement an Environmental and Social Management Framework (ESMF) based on the World Bank operational policies and guidelines and Government of Pakistan regulations. The purpose was to screen all investments from any negative implications on environmental and social aspects and to ensure that the mitigation measures (if any) are incorporated at the design stage and subsequently implemented them at the construction stage to minimize potential negative impacts.

284. Drawing upon the compliance requirement of Pakistan Environmental Protection Act 1997 and World Bank's Environmental and Social Safeguard policies, PPAF implemented ESMF 4th Edition since 2010 which was further updated to a much more elaborated ESMF 5th Edition in May 2014 to screen and mitigate all PPAF-III sponsored investments. Among other, the ESMF describes the organizational set-up required for the environment and social management of investments, define the monitoring requirements and provide a plan for capacity building of PPAF and Partners' staff and the communities for enhanced environment and social management under the project. The ESMF is a live document which is revised periodically on the basis of lessons learnt to facilitate compliance to environmental and social safeguards by community organizations and POs.

285. Following specific policies and regulation were used for meeting environmental social safeguards at the design and implementation stages for all PPAF-III interventions.

- World Bank Operational Policy (OP 4.1) requirements.
- Pakistan Environmental Protection Act 1997 and other provincial environmental Acts.
- Government of Pakistan Regulations for Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA) 2000.

286. The World Bank cleared the Environment and Social Management Framework (ESMF 4th and 5th Edition) which introduced detailed guidelines for different types of environmental and social safeguard screening of interventions under PPAF III. These have been highlighted in the sections below;

- ***Environmental and Social Review (ESR)*** which was mandatory for all PPAF-III interventions financed by PPAF. Specific forms (Form A at the design stage that includes intervention specific checklist of social and environmental indicators and Form B at the completion stage) for each PPAF intervention type in the ESMF were used. The sub-project proposal was not to be accepted in case of non-compliance of any of the stated criteria in Form A. This form is like a checklist and encompasses environment and social criteria based on a set of indicators that have been developed on the basis of perceived negative impacts of a specific intervention. PPAF provided a detailed assessment of the status of compliance for many of its key investments at the end of its quarterly reports.
- ***Integrated Environmental and Social Review (IESR)*** which is a more comprehensive assessment than ESR and was required for interventions that could

have a possible negative impact of a "cumulative nature at a communal level." The basic difference between an ESR screening and IESR is that the former reviews the impact of an individual scheme, while the latter looks at the cumulative impact of all the schemes undertaken in an area. Interventions that qualify for an IESR were - Integrated projects that PPAF supported e.g., Drought Mitigation and Preparedness Projects (DMPP), Integrated Water Efficient and Management Projects (IWEMP), and/or Union Council level projects benefiting multiple villages, and/or any scheme(s) that benefit 100 or greater number of households.

- ***Initial Environmental Examination (IEE) and Environmental Impact Assessment (EIA).*** These are mandatory requirement under the Pakistan Environmental Protection Act (1997) and the Pakistan Environmental Assessment Procedures (2000). These are mandatory for large and mega scale projects. Such projects generally exceed the size of PPAF supported interventions. Other than Drought Mitigation and Preparedness Projects (DMPP) PPAF does not finance any project, which is of the scale to qualify for an EIA. None of the projects financed under PPAF III required an IEE or EIA.

7.2 ESM Achievements and Innovations

287. Over the years, PPAF made significant achievements in mainstreaming ESM in all its interventions. The ESM system evolved during project implementation and included a strengthened organizational set-up for ESM, enhanced capacities of PPAF as well as Partner Organizations (POs) staff. Throughout the project period, PPAF made concerted efforts to build ESM capacities for implementation and enhanced understanding at all levels including the PPAF staff, the POs' focal persons and communities. While limited ESM training/ orientation sessions were organized in the early period (2010/11)[142], PPAF and its POs made concerted efforts during the period 2012-15 and organized about 100 training sessions (of 2-3 days each) on ESM for Partner Organization (PO) staff and about 300 orientation sessions were held with community organizations (COs).[143] Staff of PPAF's operational units also received 5-day training in ESM in 2013. In addition during 2014/15, PPAF organized about a dozen capacity building events for PPAF and POs staff including orientation sessions, workshops and roundtables for dissemination and mainstreaming of ESMF.[144]

288. ***The major compliance requirements of ESM have been met for all interventions.*** All the schemes were screened through ESR in line with the PEPA 1997 and ESMF. The initial Environmental Examination (IEE) or Environmental Impact Assessment (EIA) was not required for CPIs because all schemes were smaller than the size mentioned in Schedule I and Schedule II of Pakistan Environmental Protection Agency Review of IEE and EIA Regulations, 2000. Most of the CPI interventions were designed to increase the efficiency of water use and recharge underground water aquifers. Building upon previous experience, PPAF initiated investments for the provision of green energy through encouraging the use of biogas digesters, use of solar panels and use of compost as organic fertilizer. The Water Energy and Climate Change (WECC) unit conducted

[142] Before 2012, PPAF conducted 2 major ESMF dissemination workshops in May/ June 2010 (a workshop in Karachi in which 17 POs from Sindh and Balochistan participated and a workshop in Islamabad in which 21 POs from Punjab and KPK participated. In addition, only one training for POs was conducted by NRSP in December 2011, and no such events were organized for communities (Source: 1st Third Party Validation – TPV report July 2012).

[143] Compiled from ESM quarterly training records (2012-15)

[144] Third Party Validation of Environmental and Social Management Framework (2013 – 15), Pakistan Poverty Alleviation Fund, September 2015

IESR/EIA for Drought Mitigation and Preparedness Projects (DMPPs) because of their integrated nature with cumulative impacts at communal level. The EIA findings were shared with the respective provincial EPAs who were very appreciative and returned the reports with remarks that such assessments were not needed because DMPP were environmental friendly initiative and EIA was not required for such schemes under the law. The PPAF-III QPR (July-September 2015) indicates that all the schemes initiated during the quarter prepared ESRs.[145] This is a significant improvement over the year as about 60-65 percent of the POs were adhering to full compliance during the initial years of the project until 2012.[146]

289. ***There were several innovative aspects to the manner in which PPAF III encouraged the implementation of ESMF and the adoption of some practices by its POs and community members.*** The introduction of a watch list by PPAF was a new innovation that added value for ensuring strict ESM compliance. The mechanism helped in identifying and filling capacity, communication gaps of the POs who were not up to the standard in ESM compliance. An Indigenous Peoples Planning Framework (IPPF) was especially developed and introduced under PPAF-III to protect the indigenous heritage and practices of the people in the Kalash Valley in Chitral and do no harm to these dying traditional values and systems. Detailed assessments for planning DMPP project was a useful addition for a comprehensive understanding of the issues at UC level and helped in integrated planning and implementation at watershed/ sub-watershed level. The use of Community Resource Persons (CRPs) as local champions for environmental and social safeguards was an innovative approach. These young men and women have been instrumental in not only ensuring ESM compliance under local conditions but also have introduced several environment friendly initiatives. For example, in UC Ibrahim Haidhry, Karachi, CRPs played a proactive role in introducing a household waste disposal system. However, continued efforts, regular training and sensitization will be required to sustain their interest.

290. Some of the salient institutional strengthening achievements of PPAF in meeting the ESM safeguards during the implementation of PPAF III are discussed below:

- ***A much more comprehensive 5th Edition of ESMF has been introduced under PPAF-III.*** This was a major step forward as the current framework outlines detailed guidelines for screening environmental and social safeguards for all PPAF-III components and sub-projects including CPIs, Livelihoods, and Health & Education. In addition, a negative list has been developed for MFIs and the asset transfer programmes to ensure that there are no negative environmental and social impacts. An Urdu version of the negative list has also been developed and circulated to POs for easy understanding and dissemination to communities.
- The fifth edition of ESMF is very detailed document incorporates parameters for screening of both environmental and social aspects in Form A for almost all common types of development interventions. The compliance to ESMF has been made easier by Form-A mandatory to be completed at proposal stage. This requirement has created awareness about environmental and social screening of subproject among POs, community organizations and community in general.[147]

[145] PPAF-III Quarterly Progress Report (July – September 2015).
[146] PPAF 1st and 2nd Third Party Validation reports (2010/11 and 2012/13).
[147] Third Party Validation of Environmental and Social Management Framework (2013 – 15), Pakistan Poverty Alleviation Fund, September 2015

- ***A strong organizational set-up has emerged with strengthened capacities for effective implementation of ESMF during PPAF-III.*** PPAF has established a strong Environment and Social Management Unit (ESMU) team with a senior environmental expert and a social expert led by the Group Head Compliance and Quality Assurance (CQA). Alongside, ESM focal persons have been designated and trained in all components of PPAF-III to act as champions for ensuring ESM compliance in their respective units.

  At the POs level, a focal person for ESM from among the PO staff has been designated and trained by ESMU team for ensuring compliance at design stage, during implementation with the COs and at completion of the interventions. ***At community level, two community resource persons (CRPs) have also been designated*** and trained in each LSO who are engaged in awareness raising and sensitization of communities about environment and social safeguards.

- ***ESM monitoring mechanisms have been strengthened for strict compliance and ensuring quality.*** The ESM has been integrated in the PPAF M&E system. The ESM progress reporting indicators (number of trainings, number of persons trained, compliances by region/components, number of environmental audits, etc.) have been incorporated in the Management Information System (MIS) data-base. The ESM progress is reported in the Quarterly Progress Reports (QPRs) and Annual Reports of PPAF. ESMU team representation has been ensured in PPAF Credit Committee. The ESM focal persons in PPAF monitors ESM compliance during field visits and submits back to office reports. The POs submit ESM (EQPRs) to ESMU though still require much improvement as these seem to be mechanical exercise giving number of Form A and Form B completed during the quarter.[148]

291. PPAF-III also commissioned three **Third Party Validations** (TPV 2010-11, 2012-13 & 2013-15) during the project period that helped in review of progress, and highlighting issues and recommendations for improvement in ESMF implementation. Summary of key findings and recommendations are provided in Table 7.1. While most recommendations have been addressed by PPAF, there still remains a room for improvement which will be included in future projects.

Table 7.1: Third Party Validation - Summary of Findings and Recommendations

Third Party Validation (TPV)	Summary of Findings and Recommendations
1st TPV (July 2012): The TPV covered the period from 2010-11. ESMF-IV was in practice.	▸ The ESMF guidelines should be disseminated to POs and train POs for record keeping especially by providing essential guidance of Form A and Form B and ESMF implementation. ▸ POs should plan to have focal persons with at least basic understanding of ESMF. ▸ The external monitoring by a third party (as per guidelines of ESMF) should be conducted on annual basis (this TPV is 3 years late). ▸ POs to improve safe practices at health facilities especially in

[148] Ibid

Third Party Validation (TPV)	Summary of Findings and Recommendations
	record keeping of disposal pits and practices. ▸ There is a need to set up guidelines for project maintenance for ensuring quality control. Support for maintenance of projects such as community physical infrastructure projects was lacking. ▸ Water testing in some locations was not done or no reports were available. Water testing at all relevant sites must be ensured especially in areas where tube wells and DWSS projects are being implemented. ▸ In areas of heavy metals contamination, water testing in the case of drinking water should be mandatory. ▸ In desert areas where rainfall is sparse, installation of tube wells may not be the best option for irrigation in the long term, the underground water quality and quantity may deteriorate as a result of over pumping of water. A detailed study of groundwater conditions should be done before awarding any such project. ▸ For any construction that involves tree cutting, it must be ensured that double the amount of trees cut, is replanted to avoid other potential environmental concerns such as deforestation and soil erosion. ▸ It must be specified in the ESMF guidelines what kind of trees must be planted to compensate for the trees that have been cut down. Any trees that have to be cut down as a result of the project need to be specified at the stage of Form A and costs to re-plant trees must be incorporated prior to start of the project. This must be specified in the environmental profiles of the villages or the project area.
2nd TPV (October 2014): The TPV covered the period from 2012-13. ESMF-IV was in practice.	▸ The component of training is weak all across, which requires that the community members be imparted additional training sessions. ▸ The outcome of training activity is seen only till the construction work continues. In this regard, it has also been noted that the regular maintenance of schemes by communities is not up to the mark. ▸ The process of documentation and its full utilization is weak. For example, the submission of QPR's to PPAF lacks regularity and its use at PPAF needs to be made more useful. ▸ While communities understand environmental benefits and seem eager to play their role by up keeping the schemes and improving the environmental safeguards, but the actions are far and few. ▸ The financial resources for mitigation purposes were not clearly mentioned in the budgetary allocations causing hindrances in the community level mitigation measures. The budgetary allocations need to mention cost of mitigation measures as a

Third Party Validation (TPV)	Summary of Findings and Recommendations
	line item explicitly. • A logical and workable approach needs to be designed whereby the tasks of compliance and mitigation could be closely knitted with a purpose of making the communities aware of their role in the maintenance and sustainability of the interventions being introduced in their localities. • More technical staff be inducted and placed at provincial or regional levels. For example, full time environmental specialists who can train PO’s on a regular basis and oversee/ verify that these trainings reach at the local level and are beneficial. • The ESMF in its subsequent phases needs to have explicitly defined and aggressively addressed guidelines for gender balancing. • A set of enhanced criteria is needed to evaluate overall performance of PO's. PO's need to closely monitor VO's/ LSO’s level of adherence to ESMF guidelines and report the same to PPAF on a regular basis for further necessary action. • The emerging community organizations which will be the vital force in the success of guidelines on environmental and social issues need comprehensive training. • The structure of the framework must cover the inter linkages and interdependencies between environmental and social issues. • The efforts to achieve transparency at implementation of the framework require that individuals either from PO’s or CO’s who sign Form A or B must provide N.I.C (National Identity Card) numbers.

Third Party Validation (TPV)	Summary of Findings and Recommendations
3rd & 4th TPV (September 2015 - draft): The TPV covered the period from 2013-15 (two TPVs were combined). Till 2013 ESMF-IV was in practice. The ESMF 5th Edition was introduced in April 2014.	• ESMU made successful efforts in mainstreaming ESMF within PPAF operational units through training. Every Operational Unit of PPAF has one person with specialised knowledge about environmental and social issues of relevant subprojects. ESMF clause is incorporated in all financial agreements and seat of ESM Unit is established at the Credit Committee. • The fifth edition is major improvement on the fourth edition as it incorporates social issues with more vigour. Fifth edition of ESMF needs revision to incorporate gender mainstreaming and consultation of community women in some subproject which directly affect them, for example, water sector and irrigation, and channel lining subprojects. • All POs should have printed copy of the ESMF in their offices which could be consulted as reference by the field staff. • About 80% of the POs including NRSP have no information about ESMF guidelines in Urdu though these were shared. POs have not benefitted from the efforts of creating Urdu version of ESMF documentation. • Majority of the POs though consider ESMF compliance important and provided training to their field staff on ESMF. They have also arranged training of community organisations on environmental and social screening of particular subprojects. But in subproject implementation they ignore ESMF compliance for expediency. • Although ESMF requires maintenance plan for subprojects but these are not prepared and persons are not trained. • A vast majority of the POs prepare QPR as mechanical exercise. ESA is more valuable and gives realistic situation about ESMF compliance than the QPRs. The strength of ESM Unit may be increased to enforce compliance to ESMF by POs through environmental and social Audit. • ESMF needs to also incorporate equity criteria in subproject selection, particularly, in agriculture and all types of irrigation subprojects to ensure that subproject benefits are not concentrated in large landholders. • ESMF manual may provide detailed methodology for calculating land distribution, quartiles and applying criteria. This social safeguard is required to prevent unintended consequences of development, like disempowerment of community and creation of income inequality. • The ESMF shall provide detailed information and methodology for environmental and social review instead of just requiring filling of Form-A and Form-B. This review may find out and identify adverse impacts of subproject, if any. The same review may determine appropriate mitigation measures and determine the mitigation cost.

- ***Environment and Social Audits (E&S Audits)***: ESMU conducted 41 E&S audits jointly with PPAF-III staff during the whole project period.[149 & 150] The POs found this tool most effective for on-the-ground streamlining of ESM practices at the community level. A well set criterion has been developed by ESMU for conducting E&S audits that also helps judging the level of compliance, and capacity of POs. ESMU also issued a watch list for strict compliance – flagging to terminate agreements with those POs who were not compliant and issuance of warning to those whose compliance records were incomplete. ESMU issued several warnings to POs and provided help for meeting compliance requirements. However, no agreement was terminated because the POs were quick to rectify the weakness in the system.
- ***PPAF-III developed the Indigenous Peoples Planning Framework (IPPF) (first ever in Pakistan)*** in line with the World Bank OP 4.10 to assess and mitigate any adverse impacts of development activities on indigenous people of the Kalash Valley in Chitral. This was an important step specifically to safeguard the traditional value systems and natural resources of the indigenous communities. The framework has the potential to be applied in other areas where indigenous people could be found. This framework may also serve the basis to protect the Hindu community in the deserts of Tharparkar which has a very specific dress traditional code and practices and customs which are threatened by the rapid inflow of infrastructure, development interventions and the opening of proselytizing centres.

7.3 Social Safeguards

292. The common social safeguards in the ESMF vary by the type of intervention. However for CPI schemes it specified that the intervention should be based on needs of the community which agrees to the scheme and is aware of the costs including operations and maintenance and that the intervention does not lead to any social conflict. These conditions also stipulate that the beneficiaries include women, minorities and does not threaten any group or lead to any form of forced or mandatory labour or child labour and that the intervention is not located within a notified archaeological site or monument and will not bring any alterations to historical sites.

293. These conditions specifying community agreement on scheme selection and ensuring that there was no conflict or negative fall out in terms of creating a social conflict in the target communities was an essential part of the founding principles of the social mobilization approach which has been adopted by PPAF and its POs. The community organizations are designed as participatory organizations in which the agreement of a majority of the members is essential prior to the agreement of any investment decision. The POs of PPAF do not initiate any scheme in case of a dispute among the members. Furthermore, the participation of community members in scheme design, implementation and operation and maintenance is essential. Ownership of community members is further ensured through the stipulation that the community members participate in investing in a certain share of the initial capital cost.

[149] Cumulative data as reported in PPAF-III Quarterly Progress Report (July – September, 2015).
[150] Up until 2013, ESMU was conducting 1 E&S audit per quarter and given its effectiveness, ESMU initiated 2 E&S audits per month from 2014 onward).

294. The distribution of assets and training was undertaken through identification of beneficiaries through the poverty score card mechanism which has generally been accepted as a transparent and impartial mechanism for selection of grants. Community verification mechanisms are used to ensure inclusion errors. The inclusion of women, minorities, the disabled and the youth has been a very strong feature of PPAF III and it is one of the few programmes where the number of women beneficiaries is higher than men in almost all components. It is also for the first time in the country that the needs of persons with disabilities were paid some attention. The risk of elite capture at the community level is reduced through strengthening of governance systems within the community institutions and trying to ensure that their executive bodies are regularly revolved. The risk of elite capture is also minimal given that office bearers are generally volunteering their time, and loans are given on market based interest rates. One area in which there is a risk of elite capture is with reference to CLF since it is not always possible to monitor them given the wide spread geographic coverage of the community institutions. However, as far as possible, PPAF stipulates that the POs monitor and supervise the disbursement and recovery of these funds. There is also a risk of conflict in case of any misuse or squandering of people's personal savings which they have saved with COs, VOs or LSOs. PPAF is in the process of developing guidelines to give clear instructions on the standard operating procedures to be adopted to protect and safeguard individual savings that people have made with community institutions.

7.4 Grievance and Redress mechanisms

295. Most of the environmental and social safeguards identified in Form A, were usually resolved by the PO/CO at the design stage before initiating any intervention. Pending issues especially those that arose during implementation were resolved through consensus by community or facilitation by POs/ PPAF units during field monitoring and follow-up visits. A grievance and redress unit was established at the PPAF head office level for cases that needed higher level of attention. The grievance cases are routed directly to the office of the Chief Executive Officer and by pass the field units to ensure that these are communicated to senior management. Over the years, only few cases have been reported. Generally, the complaints are associated with selection of a particular geographic area, selection of beneficiaries and in a few cases allegations of corruption have also been made. These are taken very seriously and are resolved through the PPAF fact finding teams visiting the area in question and reviewing the facts of the case in collaboration with the PO staff and local community members.

7.5 Sustainability

296. PPAF has implemented ESMF in other donor funded projects as well. The POs were also found following ESM guidelines in other projects through which there is a possibility that the ESM initiative introduced under PPAF III could be sustained. Furthermore, during the regular monitoring visits, communities do report practicing health hygiene, tree plantation, kitchen gardening, proper disposal of waste material and improved water and sanitation practices at the household level.

297. PPAF-III has developed CRPs to act as local champion on environment and enhanced understanding and interest of the communities about the importance of environment. However, continued efforts, regular training and sensitization will be required to sustain the interest. Given that CRPs are not remunerated, they may lose interest to act as environment champions in the area.

7.6 Assessment of Bank Performance

298. The regular support through the World Bank implementation support missions added value to the ESM process and contributed to the effective implementation of the ESMF. The mid-term review mission in December 2012 and regular implementation support missions helped in identifying gaps and proposed follow-up actions for PPAF-III in agreement with PPAF. Major actions proposed by the World Bank implementation support missions for ESM are listed in table 7.2. These included the revision and mainstreaming ESMF in all components, strengthening of ESMU, and greater emphasis on capacity building and monitoring requirements including Third Party Validation (TPV). The missions also emphasized the need for mainstreaming environmental friendly interventions into all PPAF funded interventions at design stage and ensuring the mitigations measures utilizing up to 4 percent of CPI interventions' budget during the implementation of schemes. The need for IPPF and other required strategies were highlighted by the missions. PPAF-III has complied with all the agreed actions for ESM.

Table 7.2: List of World Bank Supervision Missions Agreements for Follow-up

World Bank Mission	Agreements for follow-up
World Bank Mid-term Evaluation (December 2012)	• PPAF will enhance field activities of ESMU, develop annual plan and ensure the plan in practice. • PPAF will complete at least one round of ESMF capacity building for all POs that are involved in PPAF-III project. • ESMU will revise and prepare an addendum of the existing ESMF to cover aspects which are currently not included particularly health, education, Livelihood Enhancement and Protection, and Financial services programs. And submit to the bank for approval. • PPAF will complete translation of ESMF and its addendum in a local language(s) with reference material and user guidance notes. • PPAF will prepare time-bound action plan to implement corrective measures in response to gaps identified in the TPV study and share the plan with the Bank. • PPAF will complete second round of TPV and submit report to the Bank for review. • ESMU with the assistance of Bank will develop a criterion to determine the requirements for conducting SIA. • ESM will be mainstreamed into manuals of all relevant operational Units of PPAF. • Each relevant unit will start providing regular report on the compliance monitoring of ESMF. • PPAF to (i) arrange gender sensitization session for its staff to build their capacity, technical backstopping to be provided by Banks's gender specialist for the sessions; (ii) regular dialogue to be held with the bank's team on the development of the gender strategy; (iii) integration of gender analysis to reflect upon the representation and participation of marginalized groups with special focus on women and girl child; (iv) inclusion of youth in the development initiatives at the community level with special focus on existing platforms and youth bodies like Pakistan Girls Guides Association and Pakistan Boys Scouts Association; (v) braining storming sessions with PPAF staff at all levels, and (vi) inclusive approach that focuses on engagement of men in empowering women and girls.
1st Aid Memoire (March April 2010)	• Environment and Social Management Group to start training and dissemination of ESMF to POs through regional/provincial workshops. • Since implementation of some health, education, water & infrastructure projects have already started in certain areas-, it is important for PPAF to ensure that the agreements between PPAF and POs to integrate ESW in them. In case where it has been missed out, PP AF needs to issue an addendum to such agreements and include cost on environmental mitigation ex post facto.

World Bank Mission	Agreements for follow-up
2nd Aid Memoire (December 2010)	‣ ESM Work plan to be shared with WB for year 2 ‣ ESMG Staff: Fill the positions ‣ ESM QPR: Prepare and share the 1st QPR; POs to submit QPR ‣ TPR: Commission the TPR ‣ (From 1st Aid Memoire) PO agreements: Since implementation of some health, education, water & infrastructure projects have already started in certain areas-, it is important for PPAF to ensure that the agreements between PPAF and POs to integrate ESW in them. In case where it has been missed out, PP AF needs to issue an addendum to such agreements and include cost on environmental mitigation ex post facto.
3rd Aid Memoire (September 2011)	**(Same as in 2nd Aid Memoire)**
4th Aid Memoire (Jan-March 2012)	‣ ESMU will coordinate with POs to modify ESMF checklists to make them user-friendly and more effective ‣ ESMU will work with LEP and CED to develop procedures for screening their interventions ‣ ESMU will prepare/update its annual plan to include hands-on ESM trainings for POs and share it with the Bank ‣ PPAF will complete Third party validation of ESMF compliance and submit the report to the Bank.
5th Aid Memoire (July-Oct 2013)	‣ The second round of Third Party Validation is considerably delayed. The recruitment of independent consultants for the TPV process - due by end July, 2013 - was not yet concluded ‣ ESMF revision was noticeably late ‣ ESMF compliance merely on the basis of forms filled by PO staff with limited knowledge and understanding of environmental and social aspects needed improvements, ‣ Safeguards awareness about environmental and social safeguards at the community level was ineffectual. ‣ Recommend inclusion of ESMF reporting parameters in the new MIS and further devolution of ESMF reporting at the community level. ‣ The Mission showed its concern about the delay in the preparation of Indigenous People’s Policy Framework. It was agreed that the IPPF will be submitted to the Bank for review and clearance by November 30, 2013.
6th Aid Memoire (April-May 2014)	‣ Shares TPV report and IPP Plan with the Bank and ‣ Fill all vacant positions in ESMF Unit June 15, 2014
7th Aid Memoire (November 2014)	‣ By December 2015, PPAF to share - 4% cost utilization findings, - e-QPR, - IPPF

World Bank Mission	Agreements for follow-up
	- TPV ▸ Medical waste management action plan. ▸ ISO 14000 implementation in progress.
8th Aid Memoire (March 2015)	▸ PPAF will start dissemination and implementation of the Bank approved IPPF; ▸ Disaster risk screening will be integrated into ESMF; ▸ In view of the limited time left in project closure, merge the two pending "annual third party validation of ESM compliance" into one exercise and complete the exercise by September 1, 2015.
9th Aid Memoire (Draft December 2015)	▸ All agreed action are complete ▸ TPV for 2014 and 2015 will be completed on a priority basis ▸ ESM will focus on auditing FSG activities in the next quarter ▸ ESM will assist CPI, WECC and other operations units to mainstream environment friendly interventions into their respective operations manual so as to ensure environmental mitigation is in place by design; and ▸ PPAF needs to ensure sustainability of ESM function in its operations beyond PPAF III.

7.7 Lessons Learnt and Best Practices

299. Some lessons learnt are:

- The upgraded ESMU provides a better mechanism for coordination with the units and enforcement of ESM compliance.
- Regular World Bank Missions added a value, improved the implementation of ESMF and helped the PPAF in follow-ups for timely decisions.
- The third party validations (TPVs) were required annually but delayed due to several constrains. The TPVs commissioned by PPAF provided timely guidance in ESM implementation. Most recommendations were followed and other will be taken-up in future projects.
- The focal person of POs for ESM was mainly a CPI engineer who was given the additional responsibility to ensure compliance or conduct sensitization sessions with the staff and community. A full-time Environmental Expert at PO level could have helped in more effective compliance and to introduce other environmental and social friendly measures in all PPAF interventions in the target areas such as plantations, solid/animal waste management and it's composting as organic fertilizer, kitchen gardening techniques using kitchen waste water for women. Such environmental friendly measures enhance understanding and interest of the local community about the environmental safeguards as well as provide additional livelihoods benefits to local community.
- The mere filling of Form A & B for ESM compliance does not sufficiently explain if any mitigation measures have been undertaken as the POs/ COs do not keep record of mitigation measures. This practice of keeping record of mitigation

measures will be ensured in future projects. Yet the compliance to ESMF has been made easier by Form-A which is mandatory to be completed at proposal stage. This requirement has created awareness about environmental and social screening of subproject among POs, community organizations and community in general.

- ESMF is a working document and there is potential for improvement. It needs revision in a few respects. For example, according to the 3rd TPV report (September 2015), some interventions may have positive environmental and social impact which needs to be elaborated as part of Form A. In addition, ESMF did not provide any measure of social equity in agricultural production related subprojects, like, land leveling, irrigation tube-wells, sprinkler and drip irrigation, channel lining, and others. Some of the subprojects were provided to large landlords instead of small landholders because of absence of clear guidelines in the ESMF. ESMF 6th Edition would provide guidelines on equity in agriculture related subprojects, i.e., the upper quartile of landowners may not own more than, for example, 40% of command area.
- Integration of Disaster Risk Reduction (DRR) in ESM was necessary in view of the fact that the frequency and intensity of climate change induced disasters are increasing. Especially for flood protection works, adverse impact may not be local, it could extend to adjacent upstream, downstream or community located on the opposite side of proposed subproject. These required detailed assessments but were not done. Similarly some flood protection structures (e.g., in Balochistan) required additional engineering and bio-engineering mitigation measures (check dams and plantations) in the upstream catchment area for reducing the flow of flood water and debris. Such integrated measures at the design stage were necessary for protecting the structures itself as well as avoiding losses to wider settlements downstream. The integration of DRR in ESM will be dealt with specialized expertise in future projects.
- Trees plantation though sufficiently emphasized in ESMF as part of environmental mitigation (bio-engineering) measure, but was not fully adopted by POs and communities. For future projects, PPAF will develop tree plantation strategy with clear guidelines including type of species to be selected varying by location, and plantation methods and timings for strengthening and protecting all structural measures that require tree plantation.
- The 4 percent budget was implicitly allocated and utilized for mitigation measures as part of CPIs. An explicit fund allocation and an action plan for all mitigation measures is likely to be more effective. PPAF has already recognized the importance and in future projects, mitigation action plan along with dedicated budget will be part of each implementation plan.
- PPAF recognizes the need to ensure sustainability of ESM function in its operations beyond PPAF-III and has started mainstreaming ESMF in other ongoing projects. Efforts will also be made towards establishing provincial/ regional networks of POs with a special focus on environmental and social compliance, and networking with national as well as provincial environmental and social networks.

8. Monitoring, Evaluation, Research

8.1 Overview

300. To strengthen the monitoring and evaluation capacities within PPAF, a Compliance and Quality Assurance Group was created in 2012 which included within it a Monitoring, Evaluation and Research (MER) unit, fully mandated to shoulder the overall monitoring and evaluation requirements of PPAF, and an Environment & Social Management (ESM) unit, mandated to take forward compliance on environment especially those covenants that PPAF was legally bound to adhere to (under the World Bank ESM Framework). This has enabled the development of a stringent monitoring and compliance framework, which focuses on outputs, outcomes and processes. Supporting the monitoring, a number of assessments and evaluations by third parties are conducted region wise or component wise in order to track outcomes and impact against the Results Framework as articulated in the PAD. These assessments focus on individual or multiple programming components as well as on core strategic priorities of poverty targeting, gender and environmental mainstreaming, good governance and sustainability of impact.

8.2 Monitoring of Partner Organizations

301. There are 3 levels of monitoring at PPAF. Operational units are in charge of tracking outputs and progress against implementation plans of partner organizations. The purpose of monitoring conducted by MER unit is to monitor PO processes as well as track progress against outcome level changes that have been identified in PPAF and donor Results Frameworks. Multi-unit teams representing compliance and quality assurance and financial oversight, conduct monthly field visits. In addition to above, the Internal Audit and ESM Units conduct independent audits. All the Units will have defined parameters/guidelines for monitoring of their respective component.

302. PPAF has been extending its research repertoire in order to strengthen the research and development nexus, not only for PPAF but for the broader development sector and academic institutions both globally and locally. As part of this agenda, PPAF has entered into partnerships with a number of national and international groups and academic institutions with the aim of developing enhanced research capacity within Pakistan as well as testing theories and innovations that PPAF is piloting with its partner organizations.

303. In 2006, PPAF entered into research partnership with the Development Economics Research Group (DECRG) of the World Bank (Washington), with the aim of conducting a series of research studies using randomized control trials, to assess and learn from the variety of programming components that were part of PPAF World Bank funded projects (PPAF I and PPAF II). The learning extracted from this research informed the design of the PPAF III project, and to undertake the impact assessment of PPAF III. A number of other research studies are also in process. A study is being conducted by PPAF and the International Growth Centre (UK) / Punjab Economic Opportunities Program at the Center for Economic Research in Pakistan (CERP) to evaluate PPAF's asset transfer program in four districts of Punjab, using a randomized control trial design. PPAF is collaborating with the Lahore School of Economics and Oxford University to test strategies to reduce elite capture at the level of union council based community institutions.

8.3 The Evaluation of PPAF III – DECRG

Evaluation Context:

304. In phase III PPAF made a series of importance changes in its strategy. In particular, it shifted focus from maximizing spatial coverage to deeper engagement in the communities it served. This required strengthening both the quality and the depth of community participation. In rural areas, this translated into the following specific requirements: (1) that a greater fraction of households in each village should be organized into sub-village bodies, such as community organizations (COs) and self-help groups (SHGs); that these sub-village bodies should be integrated into village and supra-village level institutions of the poor, ensuring both depth at the village level and the ability to coordinate a range of development programs through higher level organizations; (2) that at least 40% of all members of these institutions at each level, should be women and that at least 50% should be poor, as measured by the Pakistan Score Card (PSC); (3) that higher level institutions of the poor should be trained to actively drive the development agenda in their village/Union Council. To do this, a livelihood fund was to be provided. The fund was essentially open, barring a short negative list, allowing village or UC level institutions to set resource allocation priorities. The community livelihood Fund (CLF) could be used for any productive purpose or for the general benefit of the entire community including physical infrastructure, health, education, training and other livelihood activities, including asset transfers to the poorest. CLF amounts were tied to the number of households organized in each community.

305. Since programs like PPAF embody a complex set of interventions, an evaluation of the overall program, though necessary, cannot tell us much about the relevance of specific design innovations. How important, for example, is the investment in social mobilization? Do inclusion mandates change perceptions about women or women's economic or social opportunities? Does an open menu fund lead to more targeted and useful investments? Does the community co-payment requirement really pay off in project maintenance and quality? In principal, the impact of each of these is important to understand in isolation. In practice, this is largely unfeasible both from a program integrity and evaluation design perspective. However it is often possible to ascertain the impact of some design features, while ensuring that the evaluation yields the overall impact of the program.

306. The design of this evaluation allows for an assessment of two key design innovations of PPAF III: the inclusion mandate for women and the poor, and the quality of social mobilization. It also provides an assessment of a further set of design innovations that comprise PPAF III's core program as it was envisaged in 2010-11 (microfinance, community infrastructure, and health and education).

307. In the following, we describe the design of the evaluation, the timeline and some key insights from the midline assessment.

Evaluation Design:

308. The evaluation, a randomized field experiment, focused on one of PPAF's largest partner organizations (POs), the National Rural Support Program (NRSP). The choice of focusing on one partner was deliberate. NRSP is not just among PPAF's largest partners, its overall community mobilization strategy is common to a large fraction of PPAF's

partners working in rural areas, and it has a national presence. This allowed us to include villages from 3 of the four major provinces of Pakistan (Punjab, Sindh and KP) without adding the confounding effects of different PO implementation strategies.

309. NRSP works mainly in rural areas. Its core program, which is shared with a large number of other PPAF POs is to organize rural households into Community Organizations (COs), voluntary associations of 15-20 households. Under PPAF II, the CO's main activities included the selection of community infrastructure projects, partially funded by PPAF; raising co-financing funds; and, undertaking project maintenance. COs were organized and supported by social organizers. Most POs also offered microcredit. COs were sub-village bodies and were not integrated into village level or higher organizations.

310. Household level data collected under PPAF I and PPAF II revealed that a typical village had one or two COs, with less than 10% or village households organized. COs were mainly single sex, with most villages having a male CO and some having separate male and female COs. Community members who joined COs under this model of social mobilization were predominantly male, wealthier, more educated and better connected politically than non-members of COs. There was also evidence of caste-based/socioeconomic segregation in CO participation, with high caste households demonstrating a higher tendency to form COs with other high caste households. Since CO members were mostly male, microcredit tin Pakistan was also largely oriented towards male clients. Even when women were offered credit it was largely used by household males. This evidence suggested that it was unlikely that inclusive local institutions would emerge endogenously. Instead, specific and clear mandates on the inclusion of marginalized sub-groups was needed and, at the very least, careful monitoring of the composition of community organizations was clearly warranted.[151]

311. This evidence in addition to PPAF's own growing realization of the need to deepen inclusion in CO membership led under PPAF III to the design innovations discussed above. Specifically, the mandates on organizing at least 50% of all village households into COs in mobilized villages; the creation of a village level apex organization, the Village Support Organization (VSO) to facilitate partnerships with local governments; the introduction of a community livelihood fund (CLF), a flexible funding mechanism that enabled the VSO to plan and implement a variety of developmental activities under a Village Development Plan (VDP) approved by the Partner Organization[152] and inclusion mandates on women and the very poor.

312. The evaluation employs a 2x2 randomization design (Table 1) to test the effectiveness of institutional deepening, the CLF, and inclusion mandates on women and the poor.

Table 1: Basic Design

	Secret Ballot Ratification		Controls
Inclusion	Yes	No	50
Yes	27	27	
No	27	27	

[151] Mansuri (2012a, 2012b), Gine and Mansuri (2012, 2015)

[152] After the VDP is prepared by the VSO, PO engineers and other staff conduct feasibility studies of the proposed projects and if found satisfactory, the PO approves the VDP.

313. The sample for the field experiment is 158 villages across 5 districts[153] in rural Pakistan. Of these 50 villages were held as controls. In these villages no program activities were done. All 108 treatment villages were required to organize at least 50% of village households to qualify for a CLF. One half of treatment villages (54) were required to ensure that at least 40% of CO and VSO members were women and at least 50% were from households that qualified as begin poor by the score card (referred to as 'Inclusion' villages below). The other half we just instructed to organize 50% of village households to qualify for the CLF.

314. One half of both inclusion and no-inclusion villages were then randomly assigned to a second treatment: A requirement that once the VDP had been cleared by NRSP as technically feasible, it would need to be approved by the whole village through a secret ballot ratification process with a mandatory 66% attendance by adult men and women (referred to as Ratification villages below). A VDP would be considered ratified and ready for implementation if at least 2/3rd of voters found it acceptable on a yes/no vote. If the VDP was rejected, the VSO was required to revise the VDP until the requisite number of votes was achieved. The 2x2 design yields roughly 27 villages in each treatment arm (Table 1).

315. This design allows the IE to provide an overall evaluation of all the design innovations in PPAF III, while providing specific insights about the impact of the mandates on women and the poor. It also allows for an evaluation of the impact of wider community say in the VDP, both in the presence of inclusion mandates and without them. It thus tests whether electoral participation is enough to induce inclusive development or whether the direct participation of the excluded in governance is needed, at least for some period of time, through mandates or affirmative action legislation.

The Process and Timeline

316. The baseline for the evaluation was done in 2010 and 2011. In 2010, the score card was fielded on a census basic in all 158 villages along with a short questionnaire. This data was used to select the household sample for the baseline which was completed in December 2011. This was followed by the formation of COs and VSOs and the submission and clearance of VDPs in the 108 treatment villages. During this time, no microcredit was allowed and no other program resources were provided to these villages. In June 2013, a midline survey was fielded in all treatment and control villages.

317. This was a key feature of the evaluation. PPAF was interested in a clean assessment of the pure impact of social mobilization on a range of outcomes, without conflating it with the impact of the CLF or other program provided resource flows in the community. The midline achieves this.

318. After the midline was completed, CLF resources were released and spent in all treatment villages. However, no microcredit activity was allowed. This allows for a clean test of the impact of the CLF and the VDP implementation process (ratification/no ratification) on household welfare. The endline was meant to be completed by the end of 2015. However, due to security constraints it was difficult to get NOCs for survey teams to undertake data collection. This activity was delayed and has just very recently been completed. This means that analysis of the endline data will now be available by the end of 2016.

[153] Nowshera (KP), Bahawalpur and Mianwali (Punjab), Tando Mohammad Khan and Hyderabad (Sindh)

Measuring Impact

The types of data collected

319. The design of the intervention incorporates a comprehensive plan for data collection at the level of the household, village and facility. As noted above, pre-baseline, a complete household census including the poverty score card was conducted in all 158 study villages. This included the GIS mapping of all households. This was followed at baseline by the GIS mapping of all existing community infrastructure, including basic health units and public primary schools. The latter two were also surveyed, including learning tests for children in grades 3-5. All Lady Health Workers were also interviewed at baseline and midline. In each village, 24 households, stratified by poverty status, were surveyed yielding a total household sample of 3792 households. In each household, a female and male questionnaire were separately fielded. A questionnaire for young adults (13-18) was also fielded in all households with children in the appropriate age range.

320. Finally, lab-in-the-field experiments were implemented to elicit the willingness of villagers to engage in collective action and the willingness of leaders to enforce social norms, as a proxy for leader quality. The first set of lab-in-the-field experiments were conducted at baseline, midline and in July 2015 in preparation for the endline, while the experiment to measure proxies of leader quality was conducted at midline. In addition to survey and game data, the evaluation relies on a range of critical administrative data. This includes CO and VSO membership, participation by gender in the ratification process, the VDPs submitted by each VSO (initial and final), the GIS location of all infrastructure built using the CLF, the names (matched with census identifiers) of all beneficiaries of asset transfers, training and private assets (like drinking water, toilets and irrigation channel improvements); the names of all those who provided labor, whether as co-financing or labor earnings on the projects build with CLF resources, as well as the names of all those who contributed to the CLF (under the requirement that the community augment the CLF released to it by providing 20% of the CLF value as co-financing).

The Impact, so far:

321. A comparison of outcomes between the baseline and the midline, prior to the disbursement of the CLF, allows one to distinguish the pure impact of mobilization from the ‘grant effect’ of the CLF. The grant effect, as noted above, will be captured by comparing outcomes measured at endline with those measured at midline.

322. Thus far midline results focus on the impact of inclusion mandates on women’s and poor household’s participation in and leadership of Community Organizations (COs) and the Village Support Organization (VSO). We find that the inclusion mandate causes more women to be organized into COs and to occupy leadership positions in the VSO. While the inclusion mandate also increased participation in community organizations among the poor, this did not translate into greater leadership roles in village level organizations, despite their larger representation. This raises an interesting question about the inclusion of women versus the inclusion of the poorest in institutions specifically designed to encourage participation by the most excluded. Interestingly, though, significantly fewer influential individuals were elected president of the VSO in villages with the inclusion mandate. The survey of young adults also shows that young men’s views of women in the public space were substantially improved by midline. Interestingly, there is no real impact on the views held by adult males or females, though both adult and young women hold far more positive views about women in the public space then men do. Further, male VSO members, as a whole, do not have more progressive views about women then other villagers. This points to the importance of

providing women a seat at the decision making table. Preliminary analysis of baseline and midline data on preferences for development activities also indicates a substantial gender divide on development priorities, further strengthening the argument for the direct inclusion of women in decision making bodies.

323. Looking ahead, the endline will allow us to hone in on the impact of the program on poverty. In addition, the data collected from the experiments and surveys will allow us to investigate village level outcomes, such as changes in village leadership quality; women's political participation; attitudes towards women by adults and youth; aspirations of youth; impacts on targeting of other poverty programs, such as BISP; alignment of the CIF with the (baseline) preferences of women and poor households; impacts on social cohesion and on collective action beyond the program.

Larger Contributions of the Evaluation

324. Community driven development (CDD) projects have become an increasingly important tool of development assistance because the perceived potential gains are large. Specifically, it is argued that CDD projects can make development more inclusive, improve the targeting of poverty programs, enhance the sustainability of public investments and improve access to public services. Overall, they are seen as a vehicle for making governments more accountable by strengthening the capacity of citizens to both participate in and monitor the setting of development priorities and the allocation of public resources.

325. While the long term goal of such programs is to support poverty alleviation at scale, it remains unclear how and under what conditions community participation yields intended returns. In particular, there is insufficient evidence on the precise mechanisms through which community mobilization yields greater accountability or more inclusive development. This is of particular importance where there is substantial inequality and systematic exclusion of specific groups. Community empowerment in such contexts must explicitly reverse power relations in a manner that creates agency and voice for excluded groups, allowing them to have more control over development assistance and greater influence in local decision-making.

326. In this context, the evaluation described above not only allows for a comprehensive evaluation of PPAF's third phase, it also presents a somewhat unique opportunity to answer some of the most complex policy questions regarding CDD projects in Pakistan and more broadly in the region and elsewhere.

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9 Financial Management

9.1 Overview

327. PPAF was established in 1997 by the Government of Pakistan (GoP), primarily as an apex body at national level to help the Government alleviate poverty by extending financial support to the Non-Government Organization (NGOs) and Rural Support Organizations (RSPs). For this purpose a not-for-profit company, limited by guarantee with an independent General Body and a Board of Directors (BoD) was registered with Securities & Exchange Commission of Pakistan (SECP). The organization was functioning under its own set of rules approved by the BoD to implement the poverty alleviation Programmes through NGOs and RSPs by extending grants and microcredit. Accordingly, Partner Organizations (POs) were selected following an eligibility criteria approved by the Board across the country. These POs implemented the programmes on the basis of agreements and implementation plans (IPs) signed between PPAF and POs. All POs have to pass through an appraisal process following the eligibility criteria approved by the Board before entering into agreements to ensure that their financial policies and procedures can be relied upon.

328. The scope of Financial Management encompasses the whole programme which includes all the implementing partners (PPAF, POs and Community Institutions). During the initial years, the major emphasis was on strengthening the financial management aspects of PPAF and institutions for the poor (partner organizations). Under PPAF III major emphasis was on developing financial management capacity of the institutions of the poor (Community Institutions). PPAF has played major role in development of effective fiduciary systems within the partner organizations (especially small ones). It has devised a strategy for strengthening the financial management capacity at community level. It has attempted to instituted best financial management practices within the organizations recognized by all stakeholders. It has developed corporate governance framework compatible with best national and international practices. Ensured compliance with statutory requirements as well as covenants stipulated in the agreements signed with Donors and GOP.

329. The management has contributed to financial sustainability of the organization and robust financial position through effective resource management and financial controls that resulted in improved equity (US$100 m), stronger assets base (US$300 m) and sustained annual returns (US$15 m). PPAF has negotiated and executed 15 projects with multilateral and bilateral (World Bank, International Fund for Agricultural Development, KfW Development Bank, US AID, US Department of Agriculture, Committee Encouraging Corporate Philanthropy of USA) involving financing of US$ 1,046 million. Managed successful financial closure of 11 multifaceted projects (US$ 750 million).

330. While developing PPAF III, the World Bank carried out a due diligence exercise of PPAF to make sure that the above governance structure and the process were working effectively. Satisfactory status has been expressed in the Project Appraisal Document (PAD) for PPAF III with some suggestions for improvement.[154] The existing financial management framework, which revolves around five key aspects are outlined in the sections below.

[154] WB Project Appraisal Document of PPAF III May 6, 2009.

9.1.1 Transparency

331. Transparency is ensured through (i) true and fair preparation and presentation of financial/non-financial information conforming to national/international reporting standards as well as covenants stipulated in financing agreements; and (ii) timely dissemination of reports/information to various stakeholders (Government of Pakistan, regulators, donors etc.) and making them available in public domain/web-sites.

9.1.2 Accountability

332. Accountability encompasses audits, assessments and compliance with results framework linked with MDGs. There are multiple layers of audits (financial and social). The financial audits include external audits through reputed Chartered Accountant firms as well as dedicated internal audit functions, which are complemented by social audits to improve governance, implementation and promotion of inclusive decision making. Third party assessments provide independent opinion on the effectiveness and impact of programmes.

9.1.3 Sustainability

333. Sustainability emphasized so as to ensure continuation of programmes/interventions without donor funding/support. Among other things, the institutions are facilitated in creating linkages and building reserves, which lead to sustainable development in the long run.

9.1.4 Oversight

334. Oversight focuses on governance, monitoring and internal controls. Effective governance with defined roles and responsibilities is ensured by adopting best practices of corporate governance. There is a robust monitoring mechanism to assess the progress, impact and financial controls. Internal control systems are also strengthened / up-dated.

9.1.5 Efficiency & Effectiveness

335. Efficiency & Effectiveness is ensured through (i) cost controls without compromising the primary goal of poverty alleviation; (ii) efficient project implementation through transparent funds flow/management; (iii) development of systems, standard operating procedures, management information system and enterprise resource planning.

9.2 Financial Management Policies, Systems & Oversight

336. Since inception, senior qualified and experienced staff are involved in the development of the Financial Management and Procurement System of PPAF. This included the development of Accounting Policies and Standard Operating Procedures Manual, SQL based Financial Management Information Management System (FMIS) with integrated General Ledger, Fixed Assets and Payroll modules, and a standalone microcredit module to monitor the microcredit lending to and recoveries from Microfinance Institutions (MFIs), Microfinance Banks (MFBs) and POs involved in microcredit lending. The FMIS of PPAF has its own check and balance system based on principles of accounting and a Chart of Accounts that can collect and disseminate the financial information in minute detail. The FMIS has been upgraded annually in accordance with requirements, especially, under PPAF III. The FMIS is capable of preparing financial statements of the organization at the required periodic intervals. The analytical codes in the Chart of Accounts, helps financial analysis from different aspects

like project, donor and PO wise information. Currently, PPAF's F&A Section is adding codes that will be capable of generating gender segregated financial information.

337. A professional financial management environment at the PPAF Head Office level has further been developed under PPAF III, supported by the policies, rules and procedures for POs and further down to the level of Community Organizations (COs), Village Organizations (VOs) and Local Support Organizations (LSOs). There is a well-defined procedure for disbursements/ expenditure (both capital and revenue), accounting and book-keeping, financial reporting, monitoring, and internal and external audit of POs. Special manuals have been developed for financial management and procurement procedures for all tiers of community institutions. The implementation of policies, procedures and systems is ensured by imparting training and capacity development at all three tiers of PPAF. Various professional trainings are arranged for the FM and procurement staff of PPAF, POs and the members of community organizations to fulfil their responsibilities in a professional manner. PPAF has a robust Internal Audit Unit headed by a Chartered Accountant while a firm of International repute A.F.Ferguson & Co., a member firm of PwC Network carries out the external audit. The audit of PPAF's financials as well as that of POs is carried-out annually by internal and external auditors.

338. Where required, PPAF has shown flexibility to bring about improvements in the policies and procedures during implementation of PPAF III. PPAF is cognizant of the fact that policies, procedures and systems are there to facilitate rather than delay or hinder implementation. It is in this spirit that PPAF management is contemplating changing the procedure for submission of Statements of Expenditures (SEOs) which require the POs to submit copies of all vouchers and supporting documents. PPAF plans to reduce this paperwork to move to a system of categorization of POs, and development of different levels of verification through monitoring and audit based sampling techniques.

9.2.1 Internal Controls

339. Preparing reliable financial information is one of the key responsibilities of the F&A Unit. To fulfill its responsibility the Unit has developed appropriate formats, effective processes, and has put in place proper safeguards. Transparency of financial information for different stakeholders is another prime consideration of the Unit. In order to ensure this, the F&A Unit has developed accurate and reliable financial and other effective internal control principles.

9.2.2 Statutory Audit

340. PPAF annual financial statements are prepared in accordance with international financial reporting standards as applicable in Pakistan. The annual audited financial statements along with Directors' Report are forwarded for the review of the Audit Committee of the Board and the Board of Directors. On the recommendations of the Board of Directors, the General Body accords approval, after which the financial statements are published and circulated to stakeholders and also made available on the Company's website. Since inception till June 30, 2015 PPAF has received clean/un-qualified audit reports.

9.2.3 Donor Missions

341. The World Bank carried out bi-monthly fiduciary review of arrangements of PPAF-III project to assess whether the Bank's funds have been used for the intended purposes in

meeting the PDO efficiently, and that the entity has implemented adequate control and reporting systems including progress on actions agreed during the various missions held during the project period. The approach to the fiduciary systems of PPAF was entity-wide with particular focus on all three tiers of Bank-financed activities (PPAF, PO and COs). The financial management arrangements in place were rated by world Bank as "Satisfactory" throughout PPAF III project.

9.2.4 Third Party Assessments

342. Auditor General Pakistan (AGP) audited the financial statement of IDA CREDIT No. 4599 (PPAF-III project) for the year ended June 30, 2015. The AG Office issued a clean report and as per their opinion the financial statements present fairly, in all material respects the cash receipts and payments by the project for the year ended 30th June, 2015 in accordance with Cash Basis IPSAS Financial Reporting under the Cash Basis of Accounting Standard and the expenditures have been incurred in accordance with the requirements of legal agreements.

343. According to the new policies of Securities and Exchange Commission of Pakistan (SECP), all section 42 Not-for-Profit Companies are now required to be certified by Pakistan Centre for Philanthropy (PCP) in order to get their licences renewed by SECP. PPAF's performance during the last three years i.e. from 2012 to 2014 was evaluated in this regard. The PCP report examined PPAF's structure, finances, systems, procedures, processes and Programme during the period from 2012 to 2014 against standardized parameters. The relevant scores under the review were as follows:

Table 9.1: Score against Standardized Parameters

Evaluation Parameters	Total Score	Minimum Score Required	Score Obtained	Strength (%)	Remarks
	(A)	(B)	(C)	(C/A)	
Internal Governance	300	150	287	95.66	Qualified
Financial Management	300	150	290	96.66	Qualified
Programmeme Delivery	400	200	339	84.75	Qualified
Total	**1,000**	**500**	**916**	**91.60**	**Qualified**

9.3 Project Costs and Expenditures

344. The funding of PPAF I, II and III with project costs of US $ 107 million, US $ 323 million and US $ 250 million by the World Bank show the following:

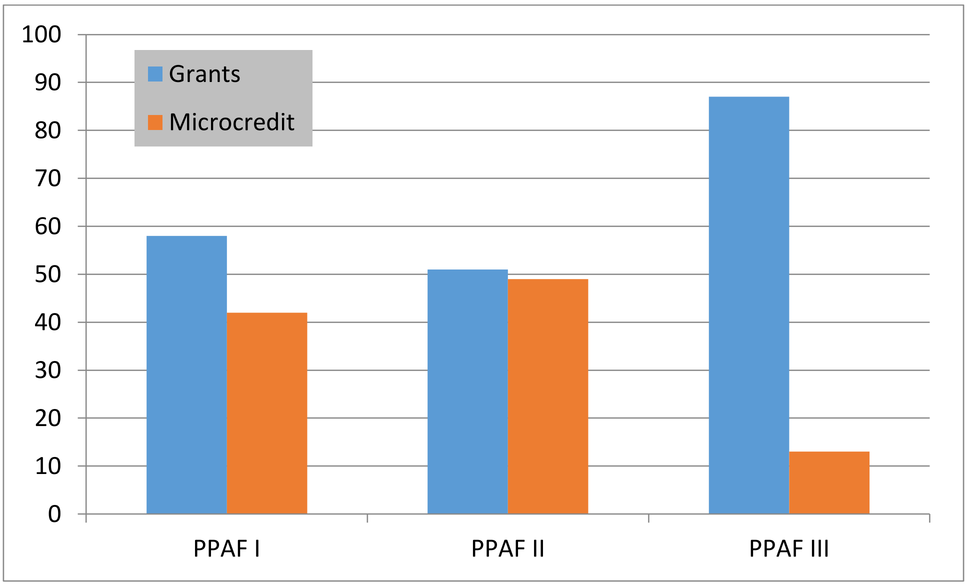
- PPAF has consistently increased its capacity of handling larger amounts of funds in a diligent and prudent manner;
- PPAF has developed sound financial policies, procedures and systems in accordance with International Accounting & Auditing Standards and Best Practices;

- PPAF has emerged as a reliable apex organization at the national level for handling and utilization of large sums of money through Partner Organizations and communities across the country.
- PPAF has successfully built the capacity of POs and Communities to share its responsibility to utilize the funds entrusted to them in a transparent manner;
- In view of above, PPAF has not only attracted more funds from the World Bank but many other donors, diversifying its portfolio at the same time.

345. Today the Government of Pakistan and many international donor agencies use PPAF as a reliable partner for utilizing funds meant for development and disaster relief activities.

346. The grant-based activities under PPAF increased from 58% and 17% in PPAF I and II respectively, to 87% in PPAF III. This meant more **procurement** activity mostly at the community level. The three-tier operations concept applies to procurement as well. Bulk of procurement takes place at the Community Institutions' (CIs) level while some procurement is necessary at the PPAF and PO level. "The World Bank Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 revised October 1, 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers'' dated May 2004 revised October 1 2006, and the provisions stipulated in the Legal Agreement".[155]

Figure 9.1: Ratio of funds for Grants and Microcredit in PPAF I, II & III



347. Livelihood Enhancement and Enterprise Development (LEED) was given the largest share of the resources in PPAF III, followed by Basic Services and Infrastructure, including Education and Health and social mobilization and Institutional Development. Micro-credit Access comprised of two sub-components which included US $ 33 million for micro-credit and US $ 7 million for the operational cost of existing and new branches

[155] WB Project Appraisal Document of PPAF III- July 2009 -Procurement

of MFIs. Project Implementation Support which includes the capital and operational costs of PPAF and Partner Organizations (POs) was only 2.4% of the total budget. The actual expenditure shows that of the total allocation 99.5% of the funds have been utilised until December, 2015.

348. There are two sources of micro-credit programme under PPAF III: (a) funds amounting to US $ 40 million provided by the World Bank under PPAF III, which included US $ 33 million (Rs.3.3 billion) for on-lending to the communities through MFIs, MFBs and POs and US $ 7 million for operational/ capital expenditures; (b) the reflow of funds against the recovery of loans provided under PPAF I and II. An amount of over Rs.5 billion has been disbursed from the reflow of funds. The total amount of funds disbursed under PPAF III for micro-credit is Rs.8.1 billion to 614,880 clients through 21 POs in 33 districts. The organizations are given funds / support cost for new branch offices for microcredit operations. The amount given under PPAF III for such support is around Rs. 700 million to 135 existing branches and 131 new branches.

349. Under the PPAF III project, PPAF disburses microcredit loans under respective FAs to MFIs/MFBs and POs at service charges based on a range of benchmarks including Kibor. These loans are secured through letter of hypothecation on receivables of POs and PPAF maintains a first charge on all assets/capital items created out of financing until full repayment of principal, service charges and other outstanding amounts payable to PPAF. POs on-lend to the beneficiaries at rates that fully cover their costs of capital, intermediation and bad debts.

350. PPAF’s recovery rate is around 99% and is the best record that any apex organization in the region has been able to achieve. Due to the legal structure of PPAF, it is not subject to SECP’s prudential regulations for Non-Banking Financial Institutions (NBFIs). However, on the basis of recommendations by the external auditors, the Board has approved the following loan loss provisioning and write-off policy:

- **General Provision:** 5% of the gross outstanding balance of loans to POs at the end of the financial year. Provision once made cannot be reduced with the reduction of outstanding balances in subsequent years;
- **Specific Provision:** On a case to case basis, a specific provision to be made at the end of each financial year based on “Loans in arrears (payments / installments overdue)”:
    - 60 days but less than 120 days - 25% of overdue amount
    - 120 days but less than 270 days - 50% of overdue amount
    - 270 days or more - 100% of overdue amount.
- **Write-offs:** Non-performing loans are reviewed by a committee comprising Chief Executive (CE), Group Heads (GH) Institutional Development, Finance, and Microcredit and recommended for write-off against loan loss provision.

9.4 Disbursements and Utilization of Funds

351. About 86.9 % of the original amount was allocated under PPAF III for grant based activities like Livelihood Enhancement & Protection (LEP), Community Productive Infrastructure Schemes (CPIs), Education, Health, Education, Institutional Development and Livelihood Employment & Enterprise Development. The Financial Management of all these components was initiated with appraisal and selection of POs to submit their proposals. These proposals besides the details about the grant-based activities also gave a

budget and cost estimates with an Indicative Plan of Implementation. The cost estimates for activities were an integral part of the agreements signed with the POs. Each PO opens a separate account for every agreement signed with PPAF.

352. At the time of actual implementation, the activities and cost estimates were finalized and revised Implementation Plan (IP) was submitted to PPAF for approval. On the basis of revised IPs, funds were transferred to POs for the first quarter in view of the Village Development Plans (VDP) and the activities identified at COs, VOs and LSOs level. In case of smaller POs or who had entered into first contracts, copies of the quotations and comparative statements are sent for approval and only then the POs can proceed with procurement and implementation. At the end of every quarter, a Statement of Expenditures (SOEs) is submitted by each PO with a break-up of all expenses on a format provided by PPAF on which allocation of different components is clearly done. The SEOs are accompanied by bank reconciliation of the respective account and copies of all vouchers along with invoices, goods received notes, comparative statements and quotations. The next quarter's advance is given after utilization of at least 80% of previous funds on the basis of next quarter's plan.

Table 9.2: Component wise Allocation and Expenditure

Components	Allocation US$	Percentage Share (%)	Expenditure US$	Share of Allocation Spent (%)
Social Mobilization	38,500,000	15.4	33,727,202	88%
Livelihood Enhancement & Protection	85,500,000	34.2	85,120,765	100%
Micro-credit Access	40,000,000	16	43,663,504	109%
Basic Services &Infrastructure	80,000,000	32	80,041,724	100%
Project Implementation Support	6,000,000	2.4	6,246,149	104%
Total	250,000,000	100%	248,799,344	99.50%

353. The utilization of the budget of US $ 250 million almost fully by PPAF under the PPAF III project in a transparent manner is the outcome of PPAF's diligent Financial Management System and practices. The priority in the last few months of the project was to ensure improved utilization rate of funds down to the community level. The focus was on disbursements and reallocations; 730 Financing Agreements were signed out of which 500 are financially closed as of February 28, 2016. The remaining SOEs are being reviewed and will be closed before the end project. PPAF is reviewing all assessments that have been completed to do a bigger report at the end of the project. A case study consultant will be developing about 10 case studies and Lahore School of Economics is doing research on 3rd tier organizations.

354. Funds for grant based activities are transferred to PPAF by the GoP while micro-credit funds are lent under a Subsidiary Financing Agreement between GoP and PPAF. PPAF was a pioneer in following the report-based disbursements mechanism. All

disbursements from the GoP to PPAF and PPAF to POs are based on quarterly un-audited reporting system i.e. SOEs from POs to PPAF and Interim Un-audited Financial Reports (IUFRs) from PPAF to the WB. PPAF has built its capacity and that of POs for timely disbursement of both grant and micro-credit funds. For this a sound cash management system is in place at the PPAF and PO level. All disbursements for grant based activities and microcredit are made by the POs from a designated bank account jointly operated by two authorized officials. The cash management system is supported by policies and procedures specifically developed for each activity like Assets Transfer, Community Infrastructure Schemes, micro-credit, trainings, health, education and social mobilization etc. The year wise expenditures given in Table annex- 8.1 shows the efficient manner in which funds have been disbursed.

Repayments of Loans Received from the Government of Pakistan

355. The Government of Pakistan (GoP) has provided loan to PPAF for on-lending as microcredit to the poor communities through POs. Up to December 31, 2015, the GoP has provided Rs.17.56 billion to PPAF (Rs.3.13 billion under PPAF III) since July 1999. According to the repayment terms, the loan has to be repaid over a period of 23 years with interest at the rate of three-fourths of one% (3/4 of 1%) per annum on the principal amount of the Credit withdrawn plus commitment charge on the principal amount of the Credit not withdrawn by PPAF including a grace period of eight (8) years. The repayment record of PPAF is flawless and extremely proficient. PPAF has been able to repay Rs.3.918 billion including interest of Rs.1 billion and commitment charge of Rs.59 million (PPAF III-Principal Nil, interest Rs.76 million and commitment charge Nil). The loans taken from GoP also include funds of MIOP and PRISM projects.

9.5 Treasury Management

356. The Board of PPAF has approved a Policy and Strategy for investment and use of surplus funds. The Strategy provides a detailed framework for the investment of liquidity and reserves maintained by PPAF. PPAF ensures deployment of all funds available for microcredit to the MFIs, MFBs and POs. PPAF's Board of Directors has since July 1, 2009 approved a policy under which out of the total amount of reserves created from interest earned from microcredit operations and income from investments, 15% of the total loan receivable from POs is held in investments to safeguard against defaults, 35% in excess of surplus funds would be deployed for micro-credit and enterprise development activities and the balance of 65% are held in investments as Grant Fund, the income from which will be used for grant based health, education, infrastructure, emergency and other activity that falls within the overall strategic framework of PPAF III.

357. Treasury Management at PPAF provides the strategic financial and economic policy advice with the aim to promote investments, available after financing its operations, to ensure that exposure of financial risks is minimized and adequate funding is available at all times for its operations. A portfolio of long and short term investments in top ranking profitable financial instruments and institutions is maintained in accordance with the decisions of the Board of Directors. These policies aim at ensuring security of capital and maintenance of liquidity for PPAF's operational and lending needs.

9.6 Financial Monitoring of Partner Organizations

358. The F&A unit's focus of financial monitoring is to assess the controls put in place to manage the relevant risks. A Monitoring Framework for the holistic overview of POs is

in place. The F&A unit follow a two pronged strategy for monitoring i.e. desk monitoring and field monitoring. The **desk monitoring** serves as a first line monitoring mechanism. The desk monitoring provides an oversight of the reports, financial statements of POs, and consolidated status of a PO with respect to all components. In desk monitoring F&A monitors the POs through statement of funds movement, statement of financial & physical progress, sustainability analysis, Portfolio at risk Analysis, and review of PPAF financed assets on balance sheets of partners. The **field monitoring** assists the findings that had previously been identified during the desk monitoring. The finance teams visits the field to physically recognize the progress of POs. The F&A Unit maintains a database of all observations highlighted during desk and field monitoring. Agreed action plans are shared with POs and responses are obtained as per the agreed timeframe. Moreover, follow-up visits are also carried out if required.

359. The role of different units in joint monitoring visits is clearly defined. The portfolio review is conducted quarterly at the Group Head level. A watch list with clearly defined quantitative and qualitative criteria, risk rating, and exit criteria is used to monitor potentially problematic relations with POs. These reviews provides following aspects:

Desk Monitoring

360. PPAF has established a system by which it assesses grants based POs and those to which it provides microcredit. It requires grants based POs to track financial flows and provide statements of financial and physical progress. In addition, for the microcredit organizations it requires a sustainability analysis, portfolio at risk analysis and financial statement analysis. PPAF also undertakes field monitoring jointly with the CQA Group for outcome level indicators and regular monitoring visits with other programme units. Triggered visits are undertaken based on the issues highlighted during desk monitoring and SOEs reviews. Agreed Action Plans are shared with POs and responses obtained accordingly. The role of different units in each of the above is clearly defined. The portfolio review is conducted quarterly at the Group Head level. Watch list with clearly defined quantitative and qualitative criteria, risk rating and exit criteria is being used to monitor potentially problematic relations with POs.

361. PPAF has an elaborate system of financial monitoring of POs in place. The Standard Operating Procedures Manual (SOPM) lays out in detail the criteria and processes for determining eligibility of organizations to become POs and subsequent monitoring. The POs are assigned to specific Management Executives (MEs) who are responsible for monitoring under the supervision and guidance of the Manager and Senior Manager. The monitoring activities currently include the following:

- Maintenance of permanent files which include legal agreements, correspondence and documentation regarding disbursements and repayments received;
- Tracking submission of annual audited financial statements that are due within six months of the close of the entity’s financial year. The data that is reviewed on monthly basis contains basic information regarding contents of the statements, auditors and nature of opinion. Follow-up actions are also summarized therein;
- Current and comparative figures are analyzed and the PO is asked to provide reasons for variances above a certain threshold;
- The Board has approved enhancing the reporting requirements for POs. For this purpose POs are categorized as follows;

  - Large: outstanding PPAF loan > Rs. 300 million - quarterly un-audited financial statements;
  - Medium: outstanding PPAF loan > Rs. 100 million but < Rs. 300 million – half yearly un-audited financial statements;
  - Small: outstanding PPAF loan up to Rs. 100 million.

- In addition to un-audited financial statements, the Large and Medium POs are also required to provide information on a format developed by the F&A unit.
- A Financial Management Questionnaire that includes detailed information regarding the POs' systems and procedures on the basis of which a rating is assigned to each PO is maintained. The rating scale is: Highly Satisfactory, Satisfactory, Moderately Satisfactory and Not Satisfactory. Intensity of monitoring by F&A Unit is based on this rating.
- The new stand-alone monitoring module (software) produces a number of reports allowing analysis and monitoring of the micro-credit portfolio as well as grant interventions. Mark-up schedules of MFIs/MFBs/POs are system generated ensuring accuracy and completeness.
- In addition to visits by internal auditors, PPAF's external auditors are required to cover at least 30% POs. A follow-up mechanism is in place for audit observations. Monthly reports submitted by Unit Managers to the CEO, now include a report regarding the status of these observations. Clarifications are sought from the PO by the F&A unit as part of audited financial statement review.

9.7 Capacity Building of Partner Organizations

362. To inculcate PPAF's core values and to ensure improved Financial Management and Internal Control Systems at POs' level, the F&A unit in collaboration with ID unit started series of workshops on financial management, internal control systems and good governance. In this regard two types of trainings were designed:

- "**Financial Management Procedures and Internal Control Systems"** In these trainings, three executives from POs, one each from F&A, Social Mobilization and Programme units were invited to attend the above Workshop. Engineers and SOs being directly involved with COs are specially given orientation in best financial management practices at COs level. These workshops/trainings were delivered to all 90 POs under PPAF III project.
- "**Preparation of Financial Statements and SOEs"** This is the only type of training through which POs' F&A unit staff pen pictures were sought and then shortlisted for the said training on the basis of their qualification, experience and job description to make it a targeted and effective programme. Moreover, selection of the POs was also made on the basis of review of Statements of Expenditures (SOEs) and review of Audited Financial Statements. These workshops/trainings were delivered to all 70 medium and small POs under PPAF III project. The objectives, scope, contents, methodology and output of POs' trainings are given in the Table Annex 8.2.

Capacity Building of Community Instutions

363. Training for CIs (LSOs, VOs, and COs) covers Capacity building and creation of awareness about processes of registration, audit, PPAF policies and procedures, record keeping and fund management by CI members themselves, imparting of PPAF core values and preparation of village development plans.

364. The Finance & Accounts Unit in coordination with Institutional Development (ID) Unit adopted a two-pronged approach (direct and indirect) for training of CIs; under the **direct approach**, qualified and dedicated staff of F&A provided training to CI members on a pilot basis, while under the **indirect approach** POs' staff, i.e., two social organizers (one male and one female) per district, per PO, were trained as Certified Master Trainers (CMTs) who were required to train at least one member from each CO. The F&A Unit maintains complete database of all the training events conducted by CMTs. Trainings are planned jointly with ID, which is in charge of the capacity building initiative. 10 trainings were provided to LSO under direct method. In addition 23 master trainers and 64 CRPs trained under indirect method. The objectives, contents and output of CIs' trainings are given in Annex Table 8.3.

9.8 Safeguards and Fiduciary Compliance

365. Due to the good Financial Management Practices and stringent internal controls, financial monitoring, and internal and external audit, PPAF has been able to ensure safeguards and fiduciary compliance at the PO and community level. The microcredit programmes are generally prone to political sensitivities and shocks although the microcredit programme of PPAF has done very well in terms of repayments and has maintained a good rate of recovery from POs. Presently there is a portfolio of Rs.2.389 billion Portfolio At Risk (PAR) out of which Rs.215 million of the cumulative disbursements of Rs. 94.398 billion is at serious risk (0.23%) since inception to June 30, 2015 which is not significant.

9.9 Financial Sustainability

366. From inception PPAF has worked with the aim to achieve financial sustainability, whereby, the organization and its activities could continue unhindered. PPAF has developed into a viable organization due to the interest earned from its microcredit operations, the endowment invested in long-term Government securities, and new finances being sourced from donors and the private sector. PPAF has made commendable achievement by accumulating a substantial amount of reserves (US $ 133.4 million). PPAF has also been able leverage these funds by placing Rs.3.6 billion during 2015 (Rs.3.77 billion in 2014) as cash collaterals for providing partial guarantee to the banks to facilitate lending to MFIs. Several MFIs accessed this facility and borrowed Rs.6.18 billion during 2015 (Rs.6.12 billion in 2014).[156]

367. The reserves of PPAF will now be used for forming a separate for-profit company i.e. Pakistan Microfinance Investment Company (PMIC), thereby, separating the credit based activities from the grant based activities. With its own resources, PPAF has been able to attract funds from other sources also for this initiative to establish a sustainable entity to substantially increase financial sector penetration for the poor households in Pakistan. In terms of its financial sustainability, PPAF reports that it is has Rs.13 billion

[156] Note 9.1 of Audit Financial Statements for 2015

reserves and a Rs. 1 billion endowment. Its annual income from these reserves and endowment fund is approximately Rs. 2.5 billion, while expenses against this income are Rs. 600-700 million, leaving it an annual operating surplus of approximately Rs. 1.5-2 billion.

9.10 Procurement

9.10.1 Overview

368. Procurement at all three tiers i.e. PPAF, POs and Communities is carried out strictly following the policies, procedures and guidelines approved by the Board of Directors. Compliance by PPAF is checked by the WB and External Auditors and that of POs and Communities by the PPAF Procurement and FM staff as well as internal and external auditors. Some of the POs like National Rural Support Programme (NRSP) have development compliance facility for public to register a complaint regarding their activities and staff interaction with communities and vendors.

369. PPAF's Procurement Unit (PU) has developed its capacity over the last decade, and developed and implemented a Procurement Manual in accordance with WB's guidelines. This Procurement Manual, as with other policies of PPAF, is approved by the Board of Directors, with periodic amendments and updates. Procurement Manual for the POs on similar lines has been developed that covers procurement for CPI, assets' procurement, etc. According to design of the PPAF III, a significant portion of the procurement is carried out through POs. For this purpose, dedicated Procurement Staff is in place to the supervise procurement by POs. Further, a programmeme of post review of contracts awarded by POs is carried out under supervision of PPAF. Most of the procurement by POs (above 95%) is through communities. PPAF has developed Procurement Guidelines for procurement by the communities in Urdu in line with the requirements of World Bank (WB) for Community Driven Development (CDD).

9.10.2 Procurement functions during PPAF III

370. To ensure transparency in selection of Partner Organizations (POs), the Procurement Unit has developed a mechanism that allows open competition which provides organizations interested in becoming partners of PPAF, the opportunity to submit Expression of Interest (EOI). The POs which submit EOIs are evaluated by a third party consulting firm. The Procurement Unit is involved at all levels i.e. PPAF, POs and COs/VOs/LSOs to ensure transparency, economy and efficiency in procurement of goods and services. PPAF developed a procurement plan for project implementation which provides the basis for procurement. This plan was agreed between PPAF and the WB Project Team. The Procurement Plan is updated in agreement with the WB semi-annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The POs are also required to forward their consolidated procurement plans, including the procurement plans of COs/ VOs and LSOs to the PPAF prior to issuance of any invitations to bid for goods/works or initiating selection process of consultants' services for training. PPAF forwards the POs' procurement plans to IDA with their comments for IDA'S prior review and no objection. The procurement plans are prepared following the format given in the Procurement Manual. The procurement plans are updated annually and forwarded to the Bank for its prior review and no objection. PPAF maintains Vendor Registration through online registration by a link given on its website.

371. As mentioned earlier, over 95% procurement takes place in the field by the communities through COs, VOs and LSOs. The major part of procurements is for CPIs and assets transfer. For both these components, proper guidelines for procurement have been provided to the communities. Out of the total of Rs.23.22 billion expenditure Rs.8.18 billion (35.23%) has been spent on LEED activities and Rs.4.74 billion (20.41%) on CPIs. The utilization of over 55% of budget through procurement by the Communities is a significant achievement.

9.11 Lessons Learnt and Best Practices

372. Some lessons learnt are:

- PPAF is planning to review the policy of requiring break-up of operational costs from POs in their proposals and later receipts against 10-15% of the contract cost to cover operational expenditures is a good learning outcome.
- A mechanism of graduation to different levels of reliability in terms of requirement of documentation (copies of all vouchers and receipts) will help improve self-reliance of POs and at the same time develop modern techniques of verification by PPAF.
- Though requirements of PPAF have helped build capacities of POs but further training to have the POs in Balochistan and under-developed areas of Pakistan to bring them at par with rest of the country is essential.
- The FM Systems needs to have gender based reporting of budget and expenditure at the PPAF and POs' level.
- Policy of separate bank accounts for each project needs to be reviewed in view of the policy developed for graduation of POs.
- Different POs are at different stages of implementation of FM systems and SOPMs. This process needs to be monitored closely.
- Not having an account in the name of CO, VO or LSO (currently joint account in the name of community representatives / office bearers in number cases) can potentially pose problems for long-term sustainability of the organizations as well as interventions of PPAF.
- The shift to priority districts in 2012 has affected almost all POs, especially, the smaller ones. Some of the POs who were more dependent on PPAF for funding, had done social mobilization and made commitments with communities but due to change in policy they had to move to priority districts which affected their credibility. This also resulted in financial losses. Such changes may be avoided in future.
- Integration of monitoring and financial systems at the level of PPAF will make it more efficient to work with such a large number of POs all over the country and help relate physical and financial outputs.

Annexures

Annex 1.1 Progress against PPAF-III Results Framework

Project Development Objective (PDO)

Targeted poor are empowered with increased incomes, improved productive capacity and access to services to achieve sustainable livelihoods:

Indicator	Progress to date	End-of-project Target
PDO Indicators:		
At least 60% of community institutions are viable[157] and sustainable[158]	• 67% of community organizations are viable and sustainable[159]	60% community institutions are viable and sustainable
At least 60% of community members report a minimum of 20% increase in household incomes and/or assets	• 29% increase in average personal income and 22% increase in average household income of community institution members[160] • 21% increase in average annual household income of community members[161] • 19% increase in average household income in treatment group as compared to control group[162] • 26% households moved to upper levels those were in lowest three categories of the poverty scorecard[163]	20% increase in household incomes and/or assets.
At least 33% of targeted community groups/institutions report improved access to municipal/local services	• 76% community institutions reported to have improved access to municipal/local services[164]	33% access municipal/local services

157 Maturity Index will be used to identify and assess viable community institutions
158 Sustainability defined as being active, financially viable and having a good governance structure. Active being (e.g. regular attendance at meetings), financially viable being (e.g. taking and repaying loans) and having a governance structure that ensures independence, representation and operational sustainability – measures of these are detailed in PPAF's Operations Manual
159 Assessment of 1st and 2nd Tier Community Institutions of the Poor (External Study 2015, representative sample from Punjab, KPK, Balochistan and Sindh)
160 Assessment of Outcomes from PPAF Micro-financing Phase-IV 2013 (external study, sample size of 2,500 Borrowers and 2,500 Non-borrowers, 100% POs)
161 User/Beneficiary Assessment Survey-II 2014 (external study, 2,000 household sample)
162 SCAD Impact Assessment 2014 (external study, 2,250 household sample)
163 Assessment of Measuring Impact of PPAF Interventions Using Poverty Scorecard (internal study, 100% census of 4 UCs one from each province, [11,000 households surveyed]
164 Assessment of 1st and 2nd Tier Community Institutions of the Poor (External Study 2015, representative sample from Punjab, KPK, Balochistan and Sindh)

Component 1: Social Mobilization and Institution Building

Intermediate Outcome: Community institutions (COs, VOs and clustered bodies) mobilized, managing their own development and accessing services:

	Indicator	Progress to Date	End-of-project Target
	Intermediate Results Indicators:		
1.1	At least 60% of targeted poor[165] and 60% of poorest households are members of community organizations	• 86% of the households earned less than PKR 10,000 per month (1/3 of the amount required to be above the poverty line for a household of 7 members). Using literacy as a proxy indicator for poverty confirms that 62% of members (82% women) were illiterate. The PSC data shows that 68% of the members were either in the lower bands of poverty or transitory vulnerable[166] • 68% of the targeted poor and 82% of poorest households are member of community organizations[167]	60% inclusive community institutions formed and 55% sustained and functioning effectively
1.2	At least 30% of all CO members are women	• 64% of CO members are women	
1.3	At least 60% of COs clustered into Village level Organizations (VO) and 25% of these clustered at Union Council level	• 69% of COs clustered into VOs and 80% of these (VOs) clustered at Union Council level	
1.4	At least 55% of Community Institutions are performing satisfactorily in terms of effectiveness, transparency and accountability	• 57% CIs are performing satisfactorily in terms of effectiveness, transparency and accountability[168]	

165 Poor and poorest households will be identified using the National Poverty Scorecard or any other objective measure
166 On the basis of PSC data, members were either in the lower bands of poverty or transitory vulnerable - Assessment of 1st and 2nd Tier Community Institutions of the Poor (external study, representative sample from Punjab, KPK, Balochistan and Sindh)
167 SCAD Impact Assessment- Poverty Quartiles/Bands and Targeting Status in SCAD Program Areas (External Study 2014, 2,250 household sample)
168 Assessment of 1st and 2nd Tier Community Institutions of the Poor (external study, representative sample from Punjab, KPK, Balochistan and Sindh)

Component 2: Livelihoods, Employment and Enterprise Development

Intermediate Outcome: Improved livelihood opportunities, tools and capacities for addressing unemployment or underemployment at the community level, contributing towards the eradication of extreme hunger and poverty in Pakistan:

	Indicator	Progress to Date	End-of-project Target
	Intermediate Results Indicators:		
2.1	At least 70% of those who have received skills training; and/or Community Livelihood Fund (CLF); and/or assets - are using them productively	• 97% of skills training recipients are using the trainings productively[169] • Skills trainings are helpful in increasing incomes of 93% of the respondents[170] • 94% of the productive assets recipients are using them productively[171] • 52% increase in monthly income of vocational and skill training beneficiaries [172] • 120 Community Institutions are productively using an amount of PKR 366 million as CLF grant	70% trained COs, VOs and LSOs 50% livelihood plans in place
2.2	At least 20% of federated organizations report effective linkages with markets and private sector built.	• Around 50% of the federated organizations (Common Interest Groups) have created effective linkages with market and private sector[173] • 41% of livelihood intervention beneficiaries have created profitable linkages with markets and other organization[174]	20% with effective linkages
2.3	At least 50% of the new livelihood platforms[175] formed have develop productive linkages[176] with market, input/service provider, service/product buyer, or technology provider- measured in terms of at least one transaction/contract	• 10 MoUs with NyK Council representing all 77 NyKs. All 80 digital hubs are trained and linked to Enclude for digital market research (a project funded by WB). 40 production centers participated in Pakistan Arts and Craft Mela in Islamabad (sales of more than 10 lac) and linked to Mohenjoz, an online platform[18]	

169 User/Beneficiary Assessment Survey-II 2014 (external study, 2,000 household sample).
170 SCAD Impact Assessment 2014 (external study, 2,250 household sample)
171 User/Beneficiary Assessment Survey-II 2014 (external study, 2,000 household sample).
172 Findings from Impact Assessment of Community and Skill Training 2015
173 PPAF internal monitoring and reporting mechanism
174 User/Beneficiary Assessment Survey-II 2014 (external study, 2,000 household sample)
175 Common Interest Groups, Youth Centers, Naukri ya Karobar Center, Loan Centers
176 At least one transaction/contract/ MOU

	Indicator	Progress to Date	End-of-project Target
	concluded		
2.4	Communities involved in Community Livelihood Fund (CLF) revolve savings with at least 95% repayment rates.	‣ All the Loan Centers where CLF has been given revolves the savings/principle amount and recovery rate is 98%[177]	95% repayments from internal savings and lending
2.5	At least 60% of the targeted households where LEED programming/ investment has taken place have developed livelihood plans and mobilized resources for enhanced income and quality of life.	‣ LIPs of 89% of targeted households have been developed to mobilized resources for enhanced income and quality of life[178]. ‣	
2.6	At least 50% of the livelihoods grant recipients are women.	‣ 47% of the livelihood grant recipients are women	

[177] PPAF internal monitoring and reporting mechanism
[178] ibid

Component 3: Access to Micro-finance

Intermediate Outcome: Increased access of poor (especially women) to microcredit, particularly in remote districts:

	Indicator	Progress to Date (December 2015)	End-of-project Target
	Intermediate Results Indicators:		
3.1	Microcredit outreach increased to 8.80% from 6.0% average in PPAF-III served districts areas, with 230,000 new borrowers;	▸ The average microcredit penetration has increased to 13%[179] in PPAF-III served districts. New borrowers were recorded 376,532 as on December 2015.	230,000 new borrowers
3.2	A minimum annual growth rate of 20% in microcredit loans maintained in one-fourth of PPAF-III served areas	▸ 11 out of 37 districts have shown growth of 20% and above in active borrowers on cumulative basis[180].	20% annual growth rate in quarter of all areas covered
3.3	Average repayments of micro-credit loans to POs at least 95% and at least 98% from POs to PPAF;	▸ As on December 2015, average repayments of microcredit loans to PO and PPAF is maintained at 97% and 100% respectively	95% repayment to POs and 98% to PPAF
3.4	At least 25% of all micro-credit loans received by women in PPAF-III targeted districts	▸ More than 70% of all loans are served to women in PPAF-III served districts.	25% women borrowers
3.5	Institutional review of PPAF microfinance portfolio, management and governance structure completed and agreed by mid-term of PPAF-III and made operational by end of project	▸ After approval of the board in April 2014, to create a new wholesale microfinance entity in partnership with DFID and KfW, the establishment of PMIC is in process. ▸ Meanwhile, earlier during the year Goodwell BV were contracted to commence the pre-incorporation activities. Consultants from the firm visited Pakistan for their first field trip from June 30, 2015 till July 3, 2015. Second field trip for Goodwell took place from September 07, 2015 till September 10, 2015. The agenda of their meetings included discussions on various manuals including	Separate governance structure for microfinance portfolio functional

[179] PMN Micro watch September 2015
[180] PMN Micro watch September 2015

Indicator	Progress to Date (December 2015)	End-of-project Target
	ESG framework, transition plan, business plan and financial model for a smooth transformation to PMIC. ▸ An investor's workshop was held on September 7, 2015 and September 8, 2015 in Islamabad from 7th till 8th of September 2015. The workshop agenda included discussion on the next steps regarding PMIC approval by MoF, PMIC's strategic choices, vision, mission, core values, strategic objectives of PMIC, sub targets under each strategic objective and the term sheet. ▸ As of 21 September, 2015; Minister of Finance has agreed in principle to establish PMIC. The decision was intimated through a letter sent to Qazi Azmat Isa from Dr. Hira Anwaar – Section Officer (Eur-I) EAD. PPAF in coordination with the shareholders & consultants is currently in the process of taking necessary actions in order to complete all legal and procedural formalities for the formation of the new entity.	

…Continued, Component 3

Indicator	Progress to Date (December 2015)	End-of-project Target
	▸ Following the government's approval for creation of PMIC, shareholders (PPAF, DFID and KfW) have held extensive discussions to finalize the Term Sheet, Shareholders Agreements and the Business Plan along with Financial Projections for the first 5 years of PMIC operations. Detailed transition plan has been chalked out to ensure minimum disruption of lending operations of PPAF and a smooth transition of staff and microfinance portfolio to the new entity. PMIC shareholders' meetings were held in Frankfurt, Germany from November 3, 2015 to November 5, 2015 and in Islamabad from December 3, 2015 to December 4, 2015.	

Component 4: Basic Services & Infrastructure

Intermediate Outcome: Increased access of poor communities to infrastructure, and health and education services

	Indicator	Progress to Date	End-of-project Target
	Intermediate Results Indicators:		
4.1	At least 50% of COs are benefiting from improved infrastructure and 30% have accessed other sources of funding for infrastructure/local services	‣ 42% of the COs reported improved infrastructure and 24% have accessed other sources of funding for infrastructure/local services[181] ‣ LSOs have generated 29% from other donors, (10%) from Government sources, (8%), donations and (4%) from members[182]	50% direct beneficiaries and 30% accessing other services
4.2	Minimum ERR of 20% and FRR of 25% of investment in Water and infrastructure	‣ An EIRR of 36.1% and FIRR of 33.8% calculated for water and infrastructure projects[183]	20% ERR and 25% FRR
4.3	At least 60% of the beneficiaries report satisfaction with the PPAF supported health and education facilities	‣ 93% of the respondents reported satisfaction with PPAF supported education facilities while 79% of the HHs reported an improvement in the quality of their lives as a direct result of PPAF supported health interventions[184]	60% satisfaction rate
4.4	Net enrollment growth rate of 7.5% per annum maintained over the project period.	‣ The total enrolment in schools supported by the project was 63% for Government schools and 28% for community schools[185]	7.5% net annual enrolment growth rate
4.5	At least 40% of beneficiaries of infrastructure, health and education interventions are women	‣ 55% beneficiaries of infrastructure, health and education intervention are women	40% women beneficiaries

[181] W&I and ID data processed and reported
[182] Findings from 3rd Party Research Study Baseline - Incentivizing Development: A Field Experiment with LSOs in Pakistan
[183] External Study: Impact Assessment of Basic Services & Infrastructure Component
[184] User/Beneficiary Assessment Survey-II 2014 (external study, 2,000 household sample).
[185] Based on an analysis of community and Government school data provided by POs.

Component 5: Project Implementation Support

Intermediate Outcome: Effective and transparent project management established for coordination, learning and impact evaluation, and quality enhancement.

	Indicator	Progress to Date	End-of-project Target
	Intermediate Results Indicators:		
5.1	Project management has satisfactorily addressed statutory audit findings;	▸ Satisfactory financial management and audit findings.	Statutory audit findings satisfactorily addressed
5.2	PPAF takes necessary actions related to findings of regular Monitoring, Evaluation and Learning reports;	▸ Key learnings and lessons learnt from various operational and outcome monitoring, and internal and 3rd party assessments are being considered to improve specific areas of change like focus on inclusion, poverty targeting, deepening and integration. ▸ An outcome monitoring mechanism has been established to assess progress on outcomes and to identify areas for improvements to achieve overall program results .So far joint outcome monitoring visits have been carried out across the four provinces and one region.	Effective functional systems in place
5.3	Complaints received by the grievance system have been addressed, according to agreed PPAF business standards	▸ All external (POs and communities) complaints are being handled and investigated under the external grievance mechanism that is in place. ▸ PPAF Internal Grievance Redressal Mechanism (GRM) is working smoothly since March 20, 2012 headed by a full time GRO. Recently, elections have been held in November 12, 2015 to elect GRO and Grievance Committee.	

Annex 2.1 Internal Rate of Return and Net Present Value of Community Institutions

	Unit		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Community Organizations[K]	No.			1,988	9,124	43,624	8,195	2,342	175				65,448
Linkages with Marketsa	COs					577	2,646	12,651	2,377	679	51	-	18,980
Linkages with Tehsil Government[b]	COs												
Links with municipal services[c]	COs												
Links with District Government[d]	COs				298	1,369	6,544	1,229	351	26	-	-	9,817
Linkages with Other NGOs/Donorse	COs				457	2,099	10,034	1,885	539	40	-	-	15,053
LSO[K]	No.		81	1	18	97	172	69	23				
Beneficiaries of Market Linkagesh	HHs					2,883	16,112	79,367	91,250	94,646	94,900	94,900	474,057
Beneficiaries of Government Linkages[j]	HHs				2,982	16,668	82,104	94,397	97,910	98,172	98,172	98,172	588,576
Beneficiaries of NGO/Donor initiative[i]	HHs				1,372	7,667	37,768	43,422	45,038	45,159	45,159	45,159	270,745
CLF Lending[L]	$					2,711,600	103,100	839,100					3,653,800
Benefits of Market Linkages	$	120			-	345,912	1,933,488	9,524,064	10,949,994	11,357,502	11,387,952	11,387,952	56,886,864
Benefits of Government	$	50			149,100	833,400	4,105,20	4,719,82	4,895,47	4,908,60	4,908,60	4,908,60	29,428,8

Linkages							0	5	5	0	0	0	00
Benefits of NGO/Donor initiative	$	50			68,586	383,364	1,888,392	2,171,120	2,251,919	2,257,956	2,257,956	2,257,956	13,537,248
Benefits CLF Lending	$	20%			-	542,320	20,620	167,820	-	-	-	-	730,760
LSO Resource generation	$	2,530			204,930	207,460	253,000	498,410	933,570	1,108,140	1,166,330	1,166,330	5,538,170
Total Benefits					422,616	2,104,996	7,947,700	16,582,829	18,097,388	18,524,058	18,554,508	18,554,508	100,788,602
Total Cost			-	561,981	3,940,677	8,841,855	6,963,250	6,431,399	5,822,123	1,165,917			33,727,202
Net Benefits				(561,981)	(3,518,061)	(6,736,859)	984,450	10,151,430	12,275,265	17,358,141	18,554,508	18,554,508	67,061,400
IRR	58 percent												
NPV	$30,857,025												
Benefit Cost Ratio	2.99												

Annex 3.1 Changes in Intermediate Outcomes and Indicators under Component 2

Intermediate Outcome under Component 2:	Livelihoods Enhancement and Protection
Original Intermediate Outcome (PAD pg.32)	Revised Intermediate Outcome
Livelihoods opportunities for targeted households improved with reduced vulnerability to shocks.	Improved livelihood opportunities, tools and capacities for addressing unemployment or underemployment at the community level, contributing towards the eradication of extreme hunger and poverty in Pakistan.
Intermediate Outcome Indicators	
Original Intermediate Outcome Indicators (PAD pg.32)	Original Intermediate Outcome Indicators (PAD pg.32)
2.1 At least 70% of the CO, VO and UC level organizations formed have received the requested skills training and/or livelihood grants.	2.1 At least 70% of the CO, VO and UC level organizations formed have received the requested skills training and/or livelihood grants.
2.2 At least 20% of federated organizations report effective linkages with markets and private sector built.	2.2 At least 20% of federated organizations report effective linkages with markets and private sector built.
2.3 At least 50% of the new livelihood platforms formed have developed productive linkages with market, input/service supplier, service/product buyer, or technology provider - measured in terms of at least one transaction/contract concluded.	
2.4 Communities revolve savings with at least 95% repayment rates.	2.4 Communities involved in CLF revolve savings with at least 95% repayment rates.
2.5 At least 50% of communities have developed livelihood plans and received the livelihood grants for their CLF (with at least 50%for women groups).	2.5 At least 60% of the targeted households where Livelihoods, Employment, and Enterprise Development (LEED) programming/ investment has taken place have developed livelihood plans and mobilized other resources for enhanced income and quality of life.
	2.6 At least 50% of the livelihoods grant recipients are women.

Annex 3.2 Changes proposed in the Outputs under the Livelihoods Component

Outputs	Targets as per PAD	Revised Targets
Livelihood Trainings to individuals	460,000	320,000
Ultra poor persons given wage compensation to facilitate training	142,857	54,315
Community groups formed around productive activities	2300	2300
Assets transfers to ultra-poor and vulnerable poor	57,413	79,756
Assistive devices to individuals	11,500	11,500
Skills training for disabled	2875	2875
Home improvements to provide access to disabled	4600	4600

SCAD

Rural Growth Center projects	10	Total Infrastructure schemes provided	1406
Integrated Infrastructure Upgrading projects (IIUP)	30	Asset Transfers	8475
Technological Innovations projects	350	Number of Livelihoods Skills trainings provided	45848
Conventional CPI projects	1090	Community Interest Groups (CIGs) formed	570
Community Livelihood Fund (CLF) - total value (USD mill)		Approx. 0.11	
Community Resource Persons (CRPs) trained		2730	
Number of community members being given Institutional Development trainings		20812	
Number of PO staff given Institutional Development trainings		299	

Annex 3.3 Livelihood Enhancement & Protection – Internal Rate of Return

	Unit	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Total
Assets[a]			1.03%	4.77%	30.52%	16.40%	24.04%	23.24%				
Livestock	no.		507	2,352	15,053	8,089	11,859	11,463	-			49,323
Donkey Cart	no.		19	87	556	299	438	423	-			1,822
Retail shops	no.		300	1,394	8,921	4,794	7,028	6,793	-			29,231
Auto Rickshaw	no.		9	44	281	151	221	214	-			920
Transportation	no.		4	20	127	68	100	97	-			417
Workshop tool and equipment	no.		55	256	1,636	879	1,289	1,246	-			5,360
Agriculture input	no.		13	61	392	211	309	298	-			1,284
Technical & Vocational Trainings (TVT)[b]	no.			3,379	10,475	12,096	11,417	22,686				60,053
Livestock[c]	$			267,451	1,508,387	9,451,205	13,719,520	19,977,221	26,025,498	26,025,498	26,025,498	123,000,279
Donkey Cart[c]	$			10,915	61,559	385,714	559,909	815,293	1,062,130	1,062,130	1,062,130	5,019,781
Retail shops[c]	$			178,313	1,005,663	6,301,252	9,146,997	13,319,095	17,351,566	17,351,566	17,351,566	82,006,017
Auto Rickshaw[c]	$			12,139	68,465	428,984	622,720	906,753	1,181,280	1,181,280	1,181,280	5,582,901
Transportation[c]	$			-	-	-	-	-	-	-	-	-
Workshop tool and	$			39,659	223,672	1,401,47	2,034,40	2,962,32	3,859,20	3,859,20	3,859,20	18,239,1

equipment[c]						5	4	9	0	0	0	39
Agriculture input[c]	$			7,125	40,186	251,795	365,509	532,224	693,360	693,360	693,360	3,276,920
Vocational Training[d]	$			-	2,825,719	11,585,530	21,700,916	31,248,483	50,219,851	50,219,851	50,219,851	218,020,202
Total Benefits				515,603	5,733,650	29,805,955	48,149,976	69,761,399	100,392,885	100,392,885	100,392,885	455,145,238
Total Cost		-	89,561	5,000,083	12,612,581	16,911,980	24,406,755	21,585,258	4,514,547			85,120,765
Net Benefits			(89,561)	(4,484,481)	(6,878,930)	12,893,976	23,743,221	48,176,141	95,878,338	100,392,885	100,392,885	370,024,473

IRR 138 percent

NPV $180,398,916

Benefit Cost Ratio 5.35

Annex 3.4 Detailed cost of Technical and Vocational Training

Technical & Vocational Trainings (TVT)	No of Beneficiary	Unit Cost of Training
AC & Refrigeration	494	34,310
Artificial Insemination	36	30,000
Artificial Jewlery	42	40,548
Auto Electrician	132	35,345
Auto Mechanic	411	19,177
Bangles making	5	500
Barber	198	10,961
Basic House Keeping	24	3,000
Beautician	1,880	21,133
Bio Gas	308	3,938
Birth Attendent Training	520	23,888
Boat Engine Making	15	30,000
Book Binding	4	2,800
BORNING MACHINE	64	10,640
Brick & BLOCK Making	22	20,286
Building Painter	105	20,681
Candle Making	156	4,011
Carpenter	247	31,989
Carpet Weaving	20	62,450
Cart Making	80	4,284
Chatai Making Training	20	1,085
Chick Making	10	9,800
CIG Skill Training	30	24,400
Civil Surveyer	4	29,700
Cobbler Training	262	10,125
Computer (Advance, Basic, S/W, A+) + Languages	4,235	21,742
Cooking	76	87,070
Cycle Repairing & Puncture	166	14,373

Decoration	83	704
Digital Photography & Movie Making	78	12,404
Dispenser Training	216	27,329
Drafting & Tracing	10	9,560
Dress Making/Designing	1,309	16,202

…Continued, Annex 3.4

Technical & Vocational Trainings (TVT)	No of Beneficiary	Unit Cost of Training
Driving	3,073	23,190
Electrician- Building	3,178	20,117
Embroidery and Handicarft (Multiple Trads e.g Appliqa work,Adda Work,Arc Work,Changairee Work,Chunry work	15,169	16,277
ENERGY SAVER Making	10	36,000
Excavator/ Heavy Machinery	1,629	37,714
Fabric Printing	139	14,058
Fall Celling	45	33,697
Fashion Designing	35	30,411
Fiber Optical	2	4,487
File Making	95	12,301
Fridge/Deep Freezer Repair	33	43,243
Fruit Processing Training	218	15,167
Furniture work	10	20,685
Gaj Making	8	
Generator Repairing	266	9,884
HANDLOOM WEAVING	57	22,022
Honey Beekeeping Training	202	8,691
Hotel Management	210	45,399
Improve artisans skill in Color quailty and design	1,308	5,208
Lab Technician	64	22,234
Land Surveyor	198	14,858
Masonry	385	19,209
Mobile Repairing	2,060	23,550
Motor Bike Repairing	1,885	23,221
Motor Winding	225	17,885
Office Automation	180	18,301
Packing , Packaging , Branding and	110	5,814

Brand Registration		
Peter Engine Mechanic	252	18,775
Photocopier work	5	12,000
Plumbing	1,318	20,435
Product Development	502	9,056
product screening	14	30,900

…Continued, Annex 3.4

Technical & Vocational Trainings (TVT)	No of Beneficiary	Unit Cost of Training
Quantity Surveyor	179	14,987
Rickshaw Mechanic	103	
Salesman as a bussiness	75	17,667
Salesman as a job	20	
Security Guard	78	23,482
Service Vehicle Washing	1	12,000
Shittering carpainter	36	
Show Piece designing & Manufactruing Products	55	8,011
Silage, Hey, Wanda Making & Urea Treatment	185	2,500
Smokeless Stove	33	6,000
Solar Energy	1,136	14,375
Steam Pressing of Readymade Cloth	44	250
Steel Fixing	27	17,667
Surf & Soap Making	720	962
Sweet Making	37	27,048
Tailoring	10,936	14,785
Tent and Catering Service	327	18,424
Trace Work	179	800
Tractor Mechanic	27	33,240
Trunk Marchant	1	13,500
UPS & TV Making and Repairing	846	12,026
Vale Stone work	27	11,925
Welding	532	29,981
Wood Craft	134	7,401
Wool Processing Techinques	130	13,651

Annex 4.1 List of Partners under PPAF III

No.	Partner Organization	Province			
		Punjab	Sindh	KP	Balochistan
1.	National Rural Support Program	•	•		
2.	ASA Pakistan	•	•		
3.	Kashf Foundation	•	•	•	•
4.	Thardeep Rural Development Program		•		
5.	SAFCO Support Foundation		•		
6.	BRAC Pakistan	•			•
7.	Sindh Rural Support Organization		•		
8.	Soon Valley Development Program	•			
9.	Punjab Rural Support Program	•			
10.	Baidarie	•			
11.	Women Support Organization	•			
12.	Badban Enterprise Development Forum			•	
13.	Bunyad Literacy Community Council	•			
14.	Ghazi Barotha Taraqiati Idara			•	
15.	Sayya Foundation	•			
16.	Shadab Rural Development Organization		•		
17.	Rural Community Development Society	•			
18.	Mojaz Foundation	•			
19.	Farmers Friends Organization	•			
20.	AGAHE	•			
21.	Village Development Organization		•		
22.	Chenab Development Foundation	•			
23.	NRSP Bank*	•			
24.	Orangi Charitable Trust*		•		
25.	Jinnah Welfare Society*	•			
26.	Save the Poor*				•
27.	Support With Working Solutions*			•	
28.	Khwendo Kor*			•	
29.	Shah Sachal Sami Foundation*		•		
30.	Mehran Education Society*		•		
31.	Sarhad Rural Support Program*			•	
32.	TIPU Foundation*	•			

* Only grant was provided to expand financial infrastructure under PPAF while funds for on-lending were made available through PPAF reflows, PRISM and PPAF's own sources.

Annex 4.2 PAF-III Loan Disbursement as of December 2015

NO	PO	Loan Disbursed	Grant Disbursed	PMN Membership	(%) Share Loan	(%) Share Grant
1	NRSP	1,800,000,000	70,193,767	Yes	21%	11%
2	ASA Pakisan	711,400,000	22,077,000	Yes	8%	4%
3	Kashf Foundation	674,000,000	116,771,117	Yes	8%	19%
4	TRDP	1,092,500,000	62,683,418	Yes	13%	10%
5	SAFCO	827,000,000	4,614,500	Yes	10%	1%
6	BRAC Pakistan	180,000,000	41,822,777	Yes	2%	7%
7	SRSO	669,500,000	23,901,421	Yes	8%	4%
8	SVDP	551,570,000	11,264,482	Yes	7%	2%
9	PRSP	430,000,000	1,100,000	Yes	5%	0%
10	Baidarie	242,500,000	16,297,224	Yes	3%	3%
11	WSO	92,500,000	19,441,992	Yes	1%	3%
12	BEDF	149,500,000	19,801,615	Yes	2%	3%
13	BLCC	51,500,000	7,211,328	Yes	1%	1%
14	CDF	7,125,000	6,648,597	No	0%	1%
15	GBTI	127,500,000	4,002,602	Yes	2%	1%
16	SAYYA	102,000,000	4,015,819	Yes	1%	1%
17	SRDO	280,000,000	16,216,525	Yes	3%	3%
18	VDO	9,000,000	20,615,925	Yes	0%	3%
19	RCDS	190,000,000	8,677,567	Yes	2%	1%
20	Mojaz Foundation	49,000,000	7,399,050	Yes	1%	1%
21	FFO	90,500,000	12,194,910	Yes	1%	2%
22	AGAHE	60,500,000	8,287,918	Yes	1%	1%
23	NRSP Bank	-	63,608,850	Yes		10%
24	SRSP	-	16,180,696	Yes		3%
26	JWS	-	2,399,160	Yes		0%
27	STP	-	2,974,500	No		0%

28	SWWS	-	650,000	Yes		0%
29	KK	-	2,865,000	No		0%
30	SSSF	-	5,461,500	Yes		1%
31	MES	-	15,264,000	Yes		2%
Total		**8,387,595,000**	**614,643,260**		**100%**	**100%**

Annex 5.1 Basis and Assumptions for IRR Calculations of CPIs

The financial and economic analysis of 87 schemes from all the four provinces was conducted using Internal Rates of Return (IRR) analytical tool. Out of the 87 schemes; 28 were irrigation, 21 Drinking Water Supply (DWSS), 23 Roads and Bridges, 13 Drainage and Sanitation and 2 Renewable Energy.

The data for deriving IRRs was collected during FGDs conducted by the consultants and the field team supervisors. The schemes chosen for IRRs were those that were completed prior to 30 June 2014. Further, IRRs were calculated with the assumption that benefits and cost streams taper off after 10 years. The data relating to FIRRs and EIRRS included: development costs, O&M costs, and incremental benefits derived by the communities on completion of the schemes. Assumptions included: schemes continue to remain productive during the calculation period, benefits and recurring cost remain constant over 10 years and prices of input/output also remain constant. Also, that the completed schemes would continue to have streams of benefits and costs over a period of ten years.

During analysis, the field team supervisors were referred back the data for re-verification and/or for obtaining any additional information/data required for analysis.

At the sector level, the schemes specific basis/assumptions are presented below:

1. Irrigation Water Schemes
   - i. Increase in yield per acre
   - ii. Area increased under cultivation
   - iii. Increase/decrease in cost of production per acre
   - iv. Output prices per kg at farm gate
   - v. Well maintained schemes
   - vi. Input and output prices remain constant over the calculation period
   - vii. FIRRs calculated through FGDs undertaken for individual schemes
   - viii. Province level EIRRs calculated based on respective FIRRs in conjunction with conversion factors provided in ADB and World Bank Guidelines.
2. Roads and Bridges Schemes

   Costs savings per year for:
   - i. Education related travelling
   - ii. Health related travelling
   - iii. Job related travelling
   - iv. Social activities related travelling
   - v. Bringing household item
   - vi. Bringing agricultural inputs
   - vii. Transportation of Agricultural output
   - viii. Calculations incorporate direct costs and direct/indirect benefits.
   - ix. Province level EIRRs calculated based on respective FIRRs in conjunction with conversion factors provided in ADB and World Bank Guidelines.
3. Drinking Water Supply Schemes
   - i. Monetized value of time saving of men/women per year using Rs.62.5 per hour (wage rate Rs.13000/pm working 8 hours for 26 days)
   - ii. Money value of time saving of children or other means such as animals per year using Rs.50 per hours.
   - iii. Saving due to reduction in health expenditure per year.

iv. Time saving calculated above would have been utilized for some other productive activities but values have been used for time saving only to avoid double counting.
v. Used direct costs and direct/indirect benefits.
vi. FIRR calculated on FGDs based individual schemes
vii. Province level EIRRs calculated based on respective FIRRs in conjunction with conversion factors provided in ADB and World Bank Guidelines.

4. Drainage and Sanitation Schemes

i. Saving in health expenditure of women per year (imputed value in rupees provided by interviewees.
ii. Saving in health expenditure of children per year
iii. Saving in health expenditure of other household members per year
iv. Saving in expenditure pertaining to hygiene/mosquito control expenditure per year
v. Used direct costs and direct/indirect benefits.
vi. FIRR calculated on FGDs conducted for individual schemes
vii. Province level EIRRs calculated based on respective FIRRs in conjunction with conversion factors provided in ADB and World Bank Guidelines.

5. Renewable Energy Schemes

i. Saving in replacing old light system (non electric sources) to energy savers/lights per year
ii. Income generation from extended shops opening time per year
iii. Income generation from technician service provision per year
iv. Used direct costs and direct/indirect benefits.
v. FIRR calculated on FGDs undertaken for individual schemes
vi. EIRRs calculated based on respective FIRRs in conjunction with conversion factors provided in ADB and World Bank Guidelines.

FIRRs were calculated based on individual schemes which were then aggregated at provincial level and finally at the country level. All Sector schemes were also aggregated at country level to obtain overall IRR of schemes pertaining to all the five sectors covered in the impact evaluation.

Annex 6.1 Financial Analysis of Education Investments

	Unit	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015	Year 8 2016	Year 9 2017	Year 10 2018	Year 11	Year 12	Year 13	Year 14	Year 15	Total
No. of community Schools[a]			98	145	210	204	206	206									
Assume % of students passed year wise			0%	5%	10%	30%	40%	15%									
Completed Primary[b]	**no.**		-	516.80	1,033.60	3,100.80	4,134.40	1,550.40									**10,336**
Completed Middle[c]	**no.**		-	313.05	626.10	1,878.30	2,504.40	939.15									**6,261**
Completed Matric[d]	**no.**		-	172.35	344.70	1,034.10	1,378.80	517.05									**3,447**
Labour force participation (Male)	**no.**		**-**	**376**	**722**	**2,165**	**2,886**	**1,082**									**7,216**
Completed Primary			-	186	372	1,116	1,488	558									
Completed Middle			-	113	225	676	902	338									
Completed Matric			-	62	124	372	496	186									
Labour force participation (Female)	**no.**		**-**	**149**	**298**	**893**	**1,191**	**446**									**2,977**
Completed Primary	**no.**		-	77	153	460	614	230									**1,535**
Completed Middle	**no.**		-	46	93	279	372	139									**930**

Completed Matric		-	26	51	154	205	77									
Increase in wages of men with Primary	$	-	27,907	83,917	251,948	476,969	564,029	567,977	571,953	575,957	597,989	584,049	588,137	592,254	596,400	**3,120,657**
Increase in wages of women with Primary	$	-	8,634	25,962	77,946	147,562	174,497	175,718	176,948	178,187	179,434	180,690	181,955	183,229	184,511	**965,453**
Increase in wages of men with Middle	$	-	22,483	67,607	202,980	384,267	454,406	457,587	460,790	464,016	467,264	470,535	473,829	477,145	480,485	**2,514,137**
Increase in wages of women with Middle	$	-	6,973	20,968	62,954	119,180	140,934	141,921	142,914	143,915	144,922	145,937	146,958	147,987	149,023	**779,760**
Increase in wages of men with Matric	$	-	14,854	44,665	134,101	253,870	300,209	302,310	304,426	306,557	308,703	310,864	313,040	315,231	317,438	**1,660,993**
Increase in wages of women with Matric	$	-	4,607	13,853	41,591	78,738	93,110	93,762	94,418	95,079	95,744	96,415	97,090	97,769	98,454	**515,158**
Quality Premium		-	19,111	51,779	155,459	326,626	386,244	388,948	391,671	394,412	397,173	399,953	402,753	405,572	408,411	**2,137,009**
reduction in future health expenditures for girls beyond middle and matric	$	-	17,220	51,779	155,459	294,304	348,023	350,459	352,912	355,382	357,870	360,375	362,898	365,438	367,996	**1,925,537**
Total Benefits		**-**	**121,788**	**366,218**	**1,099,512**	**2,081,516**	**2,461,452**	**2,478,682**	**2,496,003**	**2,513,505**	**2,531,009**	**2,548,817**	**2,566,659**	**2,584,625**	**2,602,718**	**13,618,705**
Total Cost		980,000	1,450,000	2,100,000	2,040,000	2,060,000	2,060,000	-	-	-	-	-	-	-	-	**10,690,000**
Net Benefits		(980,000)	(1,328,212)	(1,733,782)	(940,488)	21,516	401,452	2,478,682	2,496,033	2,513,505	2,531,009	2,548,817	2,566,659	2,584,625	2,602,718	**2,928,705**

IRR: 21% NPV: $3,929,787 Benefit Cost Ratio: 1.27

Annex 6.2 Financial Analysis of Health Investments

	Unit	Year 1 2009	Year 2 2010	Year 3 2011	Year 4 2012	Year 5 2013	Year 6 2014	Year 7 2015
No. of Health Centers[a]	**no.**		54	106	144	143	143	143
Total Male Beneficiaries[b]	**no.**		**12,149**	**32,797**	**15,180**	**747,397**	**143,693**	**-**
Male (General OPD)			8,207	19,392	9,517	476,446	90,107	-
Boys OPD			3,942	13,405	5,663	270,951	53,586	-
Total Female Beneficiaries[c]	**no.**		**27,855**	**117,984**	**25,969**	**806,207**	**177,691**	**-**
Female General OPD			14,893	70,213	21,384	435,231	94,252	-
Antenatal			5,926	16,528	1,982	76,294	18,215	-
Post Natal			1,852	12,342	-	106,238	24,377	-
Girls OPD			5,184	18,901	8,785	188,444	40,847	-
Proportion of Patients who save time	**no.**		16,002	60,312	16,460	621,442	128,554	-
Proportion of Patients who save transport	**no.**		16,002	60,312	16,460	621,442	128,554	-
Value of time saved	**$**		32,003	120,625	32,919	1,242,883	257,107	-
Value of transportation cost saved	**$**		240,024	904,686	246,894	9,321,624	1,928,304	-
Total Benefits			272,027	1,025,311	279,813	10,564,507	2,185,411	-
Total Cost			810,000	1,590,000	2,160,000	2,145,000	2,145,000	2,145,000
Net Benefits			(537,973)	(564,689)	(1,880,187)	8,419,507	40,411	(2,145,000)

IRR	73%
NPV	$2,196,569
Benefit Cost Ratio	1.30

Annex 8.1 Year Wise Disbursements

Activities	Budget	2010 July 09 to June 10	2011 July 10 to June 11	2012 July 11 to June 12	2013 July 12 to June 13	2014 July 13 to June 14	2015 July 14 to June 15	2016 July 15 to Dec. 15	Total Expenditure	Percentage
		Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure	Expenditure		
Social Mobilization & Institutional Building	38,490,000	561,981	3,940,677	8,841,855	6,963,250	6,431,399	5,822,123	1,165,917	33,727,202	13.56
Livelihood Enhancement & Protection	85,300,000	89,561	5,000,083	12,612,581	16,911,980	24,406,755	21,585,258	4,514,547	85,120,765	34.21
Microcredit Access	40,120,000	3,411,248	10,587,224	17,479,934	3,399,098	3,343,884	1,733,785	3,708,331	43,663,504	17.55
Basic Services & Infrastructure	79,840,000	4,092,081	8,891,151	20,412,586	19,032,875	9,060,935	15,861,781	2,690,315	80,041,724	32.17
Project Implementation Support	6,250,000	354,960	644,057	649,369	539,033	578,023	3,480,707	-	6,246,149	2.51
Total	**250,000,000**	**8,509,830.79**	**29,063,192.09**	**59,996,324.55**	**46,846,235.52**	**43,820,996.02**	**48,483,654.37**	**12,079,110.31**	**248,799,343.65**	

Annex 8.2 Objectives, Scope, Contents, Methodology and Output of POs' Training

	Financial Management Procedures and Internal Control Systems	Preparation of Financial Statements and SOEs
Objectives	• Equip POs staff with PPAF policies, recommended documentation and international best practice. • Good Governance and Financial Management both POs and CIs level	• Improvement in the quality of PO's Financial Statements. • Understanding about relevant International Financial Reporting Standards (IFRS). • Sharing of SOEs formats and related issues.
Scope	• Cover all PPAF POs	• Specifically designed for (small & medium) POs
Methodology	• Province wise workshops. • It is Continued Professional Development Program (CPD) • Three Executive (Finance officer, Engineer an Social Organizer) per POs	• Province wise workshops conduction. • Selection of PO's on the basis of Review of Financial Statements (FS) & SOEs • Selection of participants on the basis of their pen picture. • Assessment of Training on the basis of participants feedback.
Contents	• Financial Management & Accounting Concepts • Good Governance System • Concept of PAR, Provision and Bad debts. • Standard record keeping at CIs level. • PPAF Procurement guidelines. • Financing Agreement key requirements • Working Capital Management. • Audit and Kits of Audit.	• Accounting Cycle. • Basis of Accounting • Minimum Disclosure requirements in FS as per IFRS. • Audit and kinds of Audits • Preparation and Submission of SOEs. • Recognition and Disclosure of Grants.
Output	• Transformation in POs financial management and internal control system systems. • Up gradation and improvements in SOPs • Effective tool to improve quality of record keeping at CIs level. • Improve quality in maintaining overall records specially related to lending activities.	• Improvement in Financial Statements disclosure and presentations . • External Auditor Changed in case Non-QCR firm. • Difficulties and errors in submission of SOEs reduced.

Annex 8.3 Objectives, Contents and Output of CIs' Trainings

Tiers	Third Tier Organizations (LSOs)	Second Tier Organizations (VOs)	First Tier Organizations (COs)
Objectives	Awareness about; • registration and audit, • PPAF policies and procedures • Record keeping and Core Values.	Awareness about; • PPAF Core Values • Record keeping and its importance. • Preparation and availability of village development plan at VOs level.	• Ability to keep the basic record by COs members themselves. • Inculcation of PPAF Core Values. • Awareness about roles and importance of various committees.
Contents	• Process and importance of Registration. • Audit and Kinds of Audit • Good Governance • PPAF Core Values • Basic Accounting and Financial Management • Procurement procedures • Internal Control Systems • Integration of VDPs at UC level. • Linkages and its importance	• Good Governance • Basic Accounting and Financial Management • Procurement procedures • Internal Control Systems • Role and responsibilities of Various committees. • How to prepare Village Development Plan (VDP) and its importance at VOs level	• Good Governance • Basic Accounting and Financial Management • Procurement procedures • Internal Control Systems • Role and responsibilities of Various committees. • Types of meetings and how to prepare agenda and minutes. • Pictorial record keeping for illiterate communities.
Output	• Registration of LSOs • Audit • Union Council Development plan • Inculcation of PPAF Core Values • Linkages	• Good Governance • Inculcation of PPAF Core Values • Existence of various committees. • VDP	• Self reliance for financial record keeping. • Inculcation of PPAF Core Values. • Maintenance of appropriate record of various meeting and their resolution.

عشق، علم، عمل پی پی اے ایف کی بنیادی اقدار اور اس کے کام کی اصل روح ہیں۔

The emblem denotes three words: ***Ishq, Ilm, Aml***
meaning profound love, knowledge and action - the virtuous circle that drives PPAF.

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