PAKISTAN POVERTY ALLEVIATION FUND

Livelihood Support & Promotion of Small Community Infrastructure Project Phase II – (LACIP – II)

BMZ No. 2015 67 486

Project Completion Report

July 12, 2021

LACIP-II
Completion Report

Submitted to:
Elke Metzen
Senior Project Manager
LEe1 – Governance and Peace
Business Area KfW Development Bank
LEe – Afghanistan, Pakistan
Palmengartenstraße 5-9
D-60325 Frankfurt a.M.
Tel.: +49-69-7431-3645
Fax: +49-69-7431-2944
Email: elke.metzen@kfw.de

TABLE OF CONTENTS

1 PROGRAM IDENTIFICATION, PREPARATION AND DESIGN 9

1.1 INTRODUCTION 9
1.1.1 LACIP-II Objectives 9
1.2 PROJECT DESCRIPTION AND APPROACH 9
1.2.1 Components of LACIP-II 10
1.2.2 Outcome Indicators 11
1.3 PROJECT AREA 12
1.3.1 Selection of Project Area 13
1.4 INSTITUTIONAL ARRANGEMENTS 16
1.4.1 Pakistan Poverty Alleviation Fund 16
1.4.2 LACIP-II Partner Organizations 17
1.5 COMMENTARY ON PROJECT DESIGN 18

2 PROJECT IMPLEMENATION AND COST 20

2.1 IMPLEMENTATION SCHEDULE AND REVISIONS 20
2.2 PROJECT COST & FINANCING SOURCE 21
2.3 PHYSICAL RESULTS OF LACIP-II 21

3 OPERATIONAL PERFORMANCE 23

3.1 OUTPUTS OF THE INTERVENTIONS 23
3.1.1 Institutional Development 23
3.1.2 Livelihood Enhancement and Protection 26
3.1.3 Community Physical Infrastructure 29
3.1.4 Other Outputs 32
3.2 COMMENTARY ON LACIP-II OPERATIONAL PERFORMANCE 33
3.2.1 Institutional Model 33
3.2.2 Livelihood Interventions' Impact 34
3.2.3 Community Share for IAUPs 35
3.2.4 Gender Aspects 36
3.2.5 Prospects and Potential of Common Interest Groups 36

4 FINANCIAL PERFORMANCE 38

4.1 FINANCIAL PERFORMANCE OF THE LACIP 38
4.2 FINANCING TO POS 39

5 INSTITUTIONAL PERFORMANCE 40

5.1 FRAME CONDITIONS 40
5.2 ALIGNMENT WITH PPAF LONG-TERM STRATEGY 40
5.3 ENVIRONMENTAL SAFEGUARDS 40
5.4 MANAGEMENT AND ORGANIZATION OF LACIP-II 41
5.5 EXTERNAL MONITORING OF THE PROJECT 41

LIST OF TABLES

Table 1: Key Institutions in LACIP-II 16
Table 2: Key Administrative Milestones in the LACIP-II........ 21
Table 3: Summary of LACIP-II Progress (2018-2021)........ 22
Table 4: Project Activities Implemented under LACIP-II........ 23
Table 5: COs, VOs and their members, 2018-2019 23
Table 6: Community Institutions Engagement during Implementation Phase 24
Table 7: District Development Forum Meetings, 2018-2021 24
Table 8: ID Training Events Conducted in Design and Implementation Phase (2018-2021) 25
Table 9: Overview of the LEP Intervention, 2018-2021 27
Table 10: Gender Profile of the LEP Beneficiaries, 2018-2021........ 28
Table 11: KfW Selected Projects by Districts........ 30
Table 12: Project Outputs – Integrated Area Upgradation Projects, 2018-2021. 31
Table 13: Beneficiaries of the IAUPs Schemes, 2018-2021. 32
Table 14: LACIP-II Budget Utilization (EUR in million) as of Mar 2021. 38
Table 15: LACIP-II Financing to the POs: allocation and disbursement........ 39
Table 16:Financial Disbursements to POs 39
Table 17: Specific Scope of Work for M&E Consultants 42

LIST OF FIGURES

Figure 1: LACIP-I and II programme area and the KP Province. 13
Figure 2: Types of the Sub-Projects under IAUPs, 2018-2021........ 31

ABREVIATIONS

BTR(s)	Back to Office Report(s)
CIG	Common Interest Group
CIs	Community Institutions
COs	Community Organisations
CPI	Community Physical Infrastructure
CPM	Community Procurement Manual
DPM	Disaster Preparedness and Mitigation
DWSS	Drinking Water Scheme
ESMF	Environmental and Social Management Framework
H&E	Health and Education
ID	Institutional Development
KfW	German Development Bank
KP	Khyber Pakhtunkhwa Province
LACIP	Livelihood Support and Promotion of Small Community Infrastructure Project
LEP	Livelihood Enhancement and Protection
MIS	Management Information System
NRSP	National Rural Support Programme
P&D	Planning & Development Departments
PMU	Project Management Unit
POs	Partner Organizations
PPAF	Pakistan Poverty Alleviation Fund
SABAWON	Social Action Bureau for Assistance in Welfare and Organisation Network
SRSP	Sarhad Rural Support Programme
UCs	Union Councils
VO(s)	Village Organisation(s)
WB	The World Bank
WCO(s)	Women Community Organisation(s)

EXECUTIVE SUMMARY

This report presents the end-of-project status of LACIP-II implementation in terms of its outputs till June 2021.

The program "Livelihood Support & Promotion of Small Community Infrastructure Program (LACIP)" is one of the major programs of PPAF supported by KfW. Based upon the success and learnings of LACIP-I and its explicit pro-poor, community based and do-no-harm concept, a new commitment of EUR 10 million was granted for LACIP phase-II (LACIP-II). LACIP-II commenced in January 2018, aimed to contribute to the improvement of the general living conditions and quality of life of the poor population. It was originally planned for three years, culminating in December 2020.

The Program implementation was designed in two distinct phases i.e. (i) Preparatory/design phase, and (ii) Implementation phase with an intermediate phase of approval by PPAF and KfW. The Design phase was planned for one year, followed by two years' time for implementation. However, the project timelines needed to be extended till June 2021, mainly due to the following factors:

1. Some contracting issues in the beginning
2. Delay in award of NOC by the relevant government departments to the POs
3. COVID-19 pandemic spanning almost the entire implementation phase

The project had the following components:

(i) Component 1: Public physical infrastructure (CPI) schemes inclusive of disaster management and climate adaptation aspects.
(ii) Component 2: Livelihood development on individual/group-based approach inclusive of skills and enterprise development training and related asset transfer.
(iii) Component 3: Beneficiaries are mobilized and organized in a variety of groups.

LACIP-II was implemented in 12 union councils (UCs) of three selected districts (Buner, Lakki Marwat and Shangla) of Khyber Pakhtunkhwa (KP). The selection of districts and the target union councils was made following a carefully established criteria that took into account HDI scores, project synergies, existing PPAF / KfW footprint, rural or urban nature of the area, level of donor assistance penetration etc. Selected UCs in each district were endorsed by the district administration. One Partner Organization (PO) in each district was given the exclusive responsibility to implement project interventions in that district. Upon its final completion, LACIP-I & LACIP-II together will have supported eleven districts of KP.

The lead implementing agency of the Project is Pakistan Poverty Alleviation Fund (PPAF), the leading agency for poverty reduction and the largest source of pro-poor investment in Pakistan. Its role for LACIP-II encompassed identification and contracting POs; supervision of implementation activities; financial management; and internal monitoring. Three organizations i.e., NRSP, SRSP, and SABAWON were selected as Partner Organizations for Buner, Shangla and Lakki Marwat respectively. These were selected due to their performance in the previous phase and suitability for the selected districts. Each PO was responsible for execution of the project activities with required quality and within the given timeframe in the respective district. NEC Consultants (Private) Limited was hired to conduct regular LACIP-II performance monitoring and review in collaboration with LACIP-II team and the three POs. Based on the field findings, the M&E team provided relevant recommendations to PPAF and through PPAF to contracted POs. Besides these, LACIP-II had several institutional stakeholders which remained directly or indirectly involved with the project, including Economic Affairs Division, Local Governments, community organizations, M&E consultants etc.

LACIP-II project design is distinct than its preceding phases in the following:

1. Unlike its previous incarnations, LACIP-II adopted a two phased approach i.e., completely independent design and implementation phases, with an intermediary approval (by KfW) phase intertwining them. The chief advantages of the phased approach included resolution of any potential issues and challenges at the design level; and assuring a quality choice from the design level proposals for implementation. However, this approach required careful management of community expectations. It also affected the government NOC issuance process wherein two separate NOCs were needed for the project. PPAF and the POs also took some time in overcoming the teething problems of this arrangement.
2. LACIP-II strictly adopted on "One PO One District" approach. Besides its direct contribution to poverty alleviation by providing livelihood support and promoting small community infrastructure, LACIP-II was also expected to support the implementation of Pakistan's decentralization reform in KP. For this reason, only one PPAF partner organisation was selected to implement LACIP-II measures in one allocated district. This 'exclusive rights' approach served the purpose of consistency from the project side, despite frequent changes in the officials of the district administration.
3. LACIP-II tilted heavily towards integrated interventions (IAUPs), for reasons of visibility, efficiency and sustainable results. Project measures, including ID, IAUP and LEP were linked on the level of planning, impact and visibility. In the implementation phase, due to the higher cost, visibility potential and perceived impact, major CPI component of each IAUP became the pivot and the rest of the outputs grew around it. Whether this approach proved entirely successful in long run can only be established through a formal impact assessment exercise, preferably after the passage of some reasonable time post implementation. Nevertheless, for PPAF, the three partner organisations, and the monitoring consultants, the implementation management, progress monitoring and quality control became significantly easier due to the integrated approach combined with a regional focus.
4. LACIP-I had a small component of Health and Education, but it was dropped in LACIP-II because the provincial government was already prioritizing it and no acute need of immediate further support was felt.
5. Two tiers for community organization rather than previously used 3 tiers. This was done to align the project social structure with the devolved local government structure of KP.

The overall physical progress of LACIP-II for the period 2018-2021 is presented in Table-A. By the end of June 2021, all IAUPS have been completed. There were a few types of activities where the project was able to achieve much more than its planned targets, especially under the social mobilization component. During design phase, LIP development and IAUP design targets were also overachieved, without any cost implications for the project. It was essentially in line with the project approach of ensuring a larger menu to choose from for the implementation phase.

Table A: Summary of LACIP-II Progress (2018-2021)

Components	Indicators	Cumulative Project Targets	Achieved	%
Institutional Development (ID)	No. of COs, VOs, formed	924	1,276	137%
	COs formed	840	1,128	134%
	VOs formed	84	148	176%
	COs' members	_	17,115	_
	Men	_	10,896	_
	Women	_	6,219	_
Community Physical Infrastructure (CPI / IAUP)	IAUPs designed	135	138	102%
	IAUPs implemented	67	67	100%
	Beneficiaries of the implemented IAUPs		142,709	
	Men		74,716	
	Women		67,993	
Livelihood Enhancement & Protection (LEP)	LIPs developed	3,000	3,365	112%
	Households received vocational/skills training	1,250	1,228	98%
	Men	_	609	_
	Women	_	619	_
	Households received livelihood support	1,250	1,389	111%
	Men	_	629	_
	Women	_	760	_

In the course of LACIP-II, some 1,276 community institutions were established, organising around 17,000 beneficiaries (36% women), covering 60% of the population. The objective of the ID component was to empower poor and disadvantage communities, so they can run and sustain development interventions and initiatives of LACIP-II, and build the voice and the scale for an effective interface with the local government entities, other development programs and markets. Community organizations included separate female COs and VOs; Mixed COs and VOs were only possible in Buner in very small numbers. Considering the prevalent cultural norms of the three target areas, managing to get 36% female membership for these community organizations is considered a good achievement by the project.

Implementation phase activities under this component were focused on capacity building (training) of these organizations, various committees (e.g., O&M committees), and LEP beneficiaries. Over 13,373 CO members were trained including 7,997 men and 5,376 women which corresponds to more than 73% and 86% of the total membership for both genders respectively. Around two-third of the community organizations remained actively involved with the project till the very end.

LACIP-II continued to focus on exchange of information with the local government entities through quarterly meetings of the District Development Forums (DDF), though the efficacy of DDF remained sub-optimal as the DCs are frequently transferred and posted elsewhere, and every new incumbent had to be apprised of the project afresh. However, by engaging elected representatives in development planning process, capacity of village council also increased in identifying and prioritizing sectoral needs of the area. Some 20 interventions identified in the LACIP-II VDPs across the three districts have now been reported to be taken up in the respective ADPs.

Livelihood Enhancement & Protection remained an important intervention for LACIP-II, especially because of its direct and individual benefit. In the design phase, each PO was assigned a target of 1,000 LIP each. Cumulatively, they achieved 12% more than the target, making 3,365 LIPs by the end of design phase. LEP beneficiaries were selected following comprehensive criteria that covered PSC score, CIG / CO / VO membership, gender, age etc. There was a general tendency in the beneficiaries to opt for assets rather than training, probably due to immediate relief in the form of ready asset. However, the project was able to maintain a good balance. By the end of LACIP-II implementation phase, a total of 1,389 livelihood assets have been transferred to beneficiaries against the target of 1,250. In addition, 1,228 community members were provided with technical and vocational skill trainings. The Assets Transfers component supported the poorest community members with an aim of increasing their earning opportunities and provide sustainable livelihoods. Under the Skills Development component, technical and vocational training was conducted to equip the trainees with technical toolkits. Average value of support (asset / training) provided to a household remained between Rs. 50,000/- to Rs. 60,000/-. LACIP-II had kept its focus on engaging and benefitting women and youth from its outset. This aspect is most evident in case of LEP support, where around 53% beneficiaries were women.

Trading remained the most popular assets category; it included a number of sub-categories including cloth shops, poultry business, tuck shop, crockery, shoe store, general store, etc. Several existing small businesses were supported, besides some beneficiaries started businesses afresh altogether. More than 33% of the total female beneficiaries opted for assets under the category of Trading. In the small rural settlements targeted by the project, such businesses of basic nature are a tested way of supplementing the otherwise meagre incomes of the beneficiary households. To ensure that any market saturation does not arise, rapid market assessment studies were carried out during the design phase. Other categories for assets included: services (barber shops, electrical repair shops, shuttering, welding machines); production (snacks shops inventory, crockery items for roadside food stalls, small flour machine etc.); and transport (partial cost of auto rickshaws whereas beneficiaries managed the remaining amount on their own).

In the skills development, vocational trainings – primarily practical and not necessarily requiring formal institutes – were provided to a total 773 beneficiaries (20% men and 80% women), in which 593 beneficiaries opted for Tailoring skills (78% women, 22% men). Under technical training, auto electrician, building electrician, HTV and LTV driving, computer applications, plumbing and other courses were offered in three recognized Government run institutes. Length of these courses was 2 – 3 months. All the trainees were male; most of them stayed in hostels during the courses.

Stories of success are already emerging from these interventions: Zaroka Bibi (female beneficiary) in Lakki Marwat who received grocery shop has been able to save some money earned from the shop and purchase new productive assets. Salar (male beneficiary, Shangla) has been able to add one more sewing machine by his own savings and employs an additional tailor. He has also enrolled his four kids in a local private school with better education quality. LACIP-II is documenting a number of success stories and case studies through its POs.

The major portion of LACIP-II funds was allocated for the construction of needs-based, sustainable community-driven infrastructure schemes. LACIP-II implemented less but larger measures. The communities' members were fully involved in IAUP planning: Project Management Committee, Audit Committee and Operation & Maintenance (O&M) Committees were formed for IAUP implementation purpose. The IAUP typically involved construction and / or rehabilitation of following one or multiple infrastructure needs:

- Irrigation schemes,
- Link road and bridges,
- Drainage and sanitation,
- Drinking water supply schemes, and
- Flood protection works.

In the design phase, the number of intervention proposals was in excess to the available project budget for implementation. Accordingly, PPAF submitted a long list of eligible IAUP proposals. KfW applied comprehensive criteria for the selection of projects and issued corresponding no-objection letters. The criteria included population coverage and per capita investment besides technical requirements and conditions. Against 138 design phase proposals, 68 were selected for implementation (35 with conditions, 33 without conditions). One project in Lakki Marwat was later dropped due to environmental reasons, reducing the total implemented IAUPs to 67. These included 25 in Buner (corresponding to 31% of total IAUP funds), 28 in Lakki Marwat (corresponding to 45% of total IAUP funds) and 14 in Shangla (corresponding to 24% of total IAUP funds). The biggest category of the implemented schemes was drainage and sanitation (60%), disaster mitigation structures (57%), followed by roads and bridges (55%), drinking water (40%) and irrigation projects (4%). The sub-components within the IAUP schemes are aligned with the existing situation of the target areas, as incorporated in the respective VCDPs.

Each IAUP under the project benefited an average 314 household. Cumulatively, over 140,000 persons, including 48% females, directly benefited from the completed schemes. IAUPs under the project invested Rs 28,600/- on each household on an average.

Few other outputs were also produced in the course of the Project:

1. **LACIP MIS:** LACIP-II database is independent of any other databases but follows the same architecture that existed in the form of LACIP MIS. Improvements were brought about in the MIS to make it completely aligned with the LACIP-II design. Number of data forms, including those for PO QPR, VO data, and other MIS indicators were finalized to incorporate tracking of all relevant progress indicators. After these improvements, MIS system started to work satisfactorily for LACIP-II to generate various reports as required.

2. **Monitoring Mobile App:** Remote monitoring using latest technology is becoming increasingly relevant, as more far-flung areas are targeted for development projects. Under the COVID-19 situation, use of technology for monitoring purposes becomes more important. However, the NOCs issued by the Government put clear limitation on use of mobile applications in the project area.

3. **Baseline Study for LACIP-II:** The baseline survey provided carpet coverage in all three districts. It compiled the information for three selected districts and selected UCs in each district. Major areas covered by BS are: demography, livelihood assessment (poverty based on score card, access to basic services, housing, income and expenditure at the household level, skills training requirements etc.), access to CPIs (water, sanitation, streets, schools, dispensary, and priority for infrastructure etc.), institutional profile of districts and UCs, and women empowerment.

The unaudited financial figures of the project suggest that there is saving of around EUR 1.9 M, mostly on account of currency rates appreciation. As against the exchange rate when the Separate Agreement was signed, Pakistani Rupee stands depreciated by ~40% against EUR, despite some recent gains in the PKR value.

LACIP-II was managed by PPAF under a hybrid management model – a dedicated LACIP team headed by a LACIP coordinator was established. PPAF Head of Programs remained overall in-charge of LACIP-II, supported by a Senior General Manager and technical team. This management model stood the test of time, and the project was managed effectively and successfully.

1 PROGRAM IDENTIFICATION, PREPARATION AND DESIGN

This report presents the end-of-project status of LACIP-II implementation in terms of its outputs till June 2021. Though this report also touches upon the various impacts of the program, this should not be construed as an impact assessment exercise as such.

The report is based on data gathered from primary and secondary sources. The main source of data is LACIP-II MIS, as well as other relevant documents:

- LACIP-II Baseline Survey Report 2018,
- LACIP-II contract between KfW and PPAF,
- Financing Agreements between PPAF and POs,
- LACIP-II Quarterly Reports to KfW,
- NEC Quarterly Reports to KfW,
- Minutes of meetings and other such material.

1.1 Introduction

The program "Livelihood Support & Promotion of Small Community Infrastructure Program (LACIP)" is one of the major programs of PPAF supported by KfW. Based upon the success and learnings of LACIP-I, a new commitment of EUR 10 million was granted for LACIP phase-II (LACIP-II) following bilateral government consultations on development cooperation between the Islamic Republic of Pakistan and the Federal Republic of Germany held in September 2015. LACIP was an integrated poverty reduction Programme funded by KfW that aimed to develop disaster resilient public infrastructure (CPI) and provide Livelihood Enhancement & Protection (LEP) with Social Mobilization (SM) as the basis for all the Programme activities. Based upon the success and learnings of LACIP Phase-I (BMZ No. 2208 66 525/2008 66 533), a new commitment was granted for LACIP Phase-II (BMZ No. 2015 67 486) following bilateral government consultations on development cooperation between the Islamic Republic of Pakistan and the Federal Republic of Germany held in September 2015. During government negotiations, both sides acknowledged the work of PPAF and jointly decided to provide further support for the LACIP project and its explicit pro-poor, community based and do-no-harm concept. LACIP-II commenced in January 2018.

The project was implemented in 12 union councils (UCs) of three selected districts (Buner, Lakki Marwat and Shangla) of Khyber Pakhtunkhwa (KP). One Partner Organization (PO) is each district was given the exclusive responsibility to implement project interventions in that district.

1.1.1 LACIP-II Objectives

The objectives of LACIP-II were to contribute to the improvement of:

(i) Public infrastructure allowing for better access and sustainable usage by people living in selected project regions;
(ii) Access to income opportunities; and
(iii) Political participation in the project region and the stepping up of dialogue between government and citizens.

1.2 Project Description and Approach

LACIP-II aimed to contribute to the improvement of the general living conditions and quality of life of the poor population in the three selected project districts of the Khyber Pakhtunkhwa, focusing on the poorest population. The program followed an integrated and holistic approach to reduce poverty and increase economic opportunities for the beneficiaries.

The Program implementation was designed in two distinct phases i.e. (i) Preparatory/design phase, and (ii) Implementation phase with an intermediate phase of approval by PPAF and KfW.

(i) ***Preparatory/design (Design phase):*** NRSP, SRSP and SABAWON set-up Village Development Plans (VDP) in a participatory manner with beneficiaries and in consultation with village/neighbourhood councils on which basis specific projects (IAUPs) were identified and prioritized. In the next step, the three POs worked out a comprehensive list of IAUPs identified and prioritized, including corresponding cost estimates that clearly distinguish between implementation cost of the PO (considered as overhead) and the investment cost (considered benefit to local population). These lists of IAUPs for each district were submitted to PPAF for assessment of eligibility for financing through LACIP-II budget. LACIP and NEC M&E teams conducted detailed desk and field evaluations of IAUP proposals. Later the long list of eligible projects was submitted to KfW for the final selection of IAUP projects.

Approval by PPAF and KfW (Approval Phase): KfW had requested that number of projects (IAUPs) proposals should exceed the available budget, to enable a quality choice among proposed IAUPs. Accordingly, PPAF submitted a long list of eligible IAUP proposals. KfW applied comprehensive criteria for the selection of projects. KfW issued corresponding no-objection letters with completion date by end December 2020. The no-objection letters mentioned two sets i.e., “without conditions” and “with conditions”. The no-objection letter states that projects granted no-objection with conditions should comply with the conditions before the implementation phase Financing Agreement to be signed between PPAF and POs. The IAUPs for which KfW granted NOCs formed the basis for the corresponding Financing Agreements for the Implementation Phase between PPAF and the POs.

(ii) ***Implementation (Implementation phase):*** After successful completion of the preparatory / design phase, LACIP-II entered its Implementation Phase. Planning of implementation and the implementation itself was carried out by NRSP, SRSP and SABAWON respectively, together with the participating beneficiaries. PPAF was responsible that an adequate progress monitoring, documented in writing and through images, is carried out and documented in a way that offers a verified progress status at any time. POs submitted Implementation Plan (IPs) to LACIP team for approval. These IPs became part of the Financing Agreement-2 (FA-2) for the Implementation Phase.

1.2.1 Components of LACIP-II

(iv) Component 1: Public physical infrastructure (CPI) schemes inclusive of disaster management and climate adaptation aspects.

Related activities:

- Carry out need assessments in the three selected districts and define the project regions within the districts in consultation with district authorities.
- Assess the VDPs prepared by POs in synergy with the Annual Development Plan of one of the organizational levels of the local government (village council, tehsil council, and district council) in consultation with the communities.
- Identify specific measures together with local stakeholders and with explicit participation of the beneficiaries.
- Assess the identified measures concerning their technical, social and environmental feasibility.
- Plan and realize the implementation of the measures, assess their quality, hand over to beneficiaries and apply an appropriate operation and maintenance concept.
- Where possible, develop together with and apply standardizations among the three implementing PPAF POs selected for LACIP-II.

(v) Component 2: Livelihood development on individual/group-based approach inclusive of skills and enterprise development training and related asset transfer.

Related activities:

- Carry out need assessments in the project regions within the three selected districts and determine vocational skills training fields.
- Work out practical skills training programs and communicate them to potential beneficiaries.
- Conduct skills trainings in collaboration with recognized training institutes and where possible standardize content, training material and related asset transfers among the three implementing PPAF POs selected for LACIP-II.
- Obtain accredited certificates for beneficiaries participating in skills and enterprise development training courses.
- Observe and where possible support the access of beneficiaries to subsequent income generation and placement activities.

(vi) Component 3: Beneficiaries are mobilized and organized in a variety of groups.

Related activities:

- Establish beneficiary groups, community organizations and higher-level tiers.
- Provide necessary trainings for developing the managerial capacities of these beneficiary groups and COs etc.
- Integrate all measures identified with the beneficiaries into VDPs and communicate these plans to the district authorities.
- Develop sustainable operation and maintenance concepts (O&M), in particular for community physical infrastructure (CPI) financed by the project.
- Coordinate pro-actively all Projects activities with the elected representatives of village/neighbourhood councils.

1.2.2 Outcome Indicators

Following component specific Outcome Indicators (OIs) of the project were agreed between KfW, LACIP-II team, and POs:

COMPONENT 1: ***Public physical infrastructure (CPI) schemes inclusive of disaster management and climate adaptation aspects.***

Indicators
– At least 80% of CPIs financed by the project are utilized, operated and maintained by target beneficiaries and are sustainable. – Up to 20% of the project budget utilized for CPIs explicitly address disaster risk reduction (DRR) and climate protection/adaptation in the target communities. – 60% of the population in a project area have access to the services (CPIs) financed by the project.

COMPONENT 2: ***Livelihood development on individual/group-based approach inclusive of skills and enterprise development training and related asset transfer.***

Indicators
– 50% of families benefitting from skills training and related asset transfer increase their poverty score by at least 4 points. – 60% assets are transferred to beneficiaries who are members of common interest groups. – 50% of family members benefitting shall be women and/or youth.

COMPONENT 3: ***Beneficiaries are mobilized and organized in a variety of groups.***

Indicators
– 60% of community institutions are coordinating with village/neighbourhood council and have visibly established cooperation with tehsils and district councils. – At least 30% community projects prioritized and incorporated in Village Council Development Plans (VCDPs), are fed into the development planning on tehsil or district level (ADPs of tehsil or district). – The target village organizations are strengthened to resolve 50% community level conflicts registered with the respective Village Councils.

1.3 Project Area

The LACIP Programme overall focused on the poor districts of KP Province of Pakistan. KP is located in the north-western region of the country. By population, KP is the third largest province of Pakistan, while in terms of area, it is the smallest of the four provinces[1]. The population of KP is 30.5 million according to the 2017 Census, accounting for approximately 14.5% of the country's population[2]. KP's share of Pakistan's GDP has historically comprised 10.5%, amounting to over US$ 30 billion[3], with forestry, mining and agriculture being the most important sectors of the provincial economy. KP dominates other provinces in the forestry sector, with an average of 62% of the country's total wood production. Also mining and marble production are important sectors. Agriculture remains important for the inhabitants of the province, with production of wheat, corn, tobacco, rice, sugar and fruits being the main sources of income4. At the time of LACIP-II initiation, KP had a headcount poverty rate of 28%, being the second poorest province of Pakistan[5]. There were big differences between districts in terms of incidence of poverty, ranging from districts with less than 30% of poverty to districts with more than 70% of poverty[6].

LACIP-I was implemented in eight districts of KP, including Upper Dir where LACIP-I Extension was implemented. LACIP-II was implemented in three districts, namely: Lakki Marwat, Shangla and Buner. The program districts were selected by KfW and PPAF in joint project formulation meetings held during September 2016. The three districts are among the poorest districts of KP. The selected 3 districts cover an area of about 6,615 sq. km with a combined population of more than 2.5 million according to the 2017 census. All the three districts were sensitive due to recent history of violent conflict and a high risk of being engulfed with such troubles again. It was expected that a tangible improvement of the living conditions of the poor in these districts would help reduce the risk of further social and political unrest, instability, further marginalization of the poor and an exponential increase of poverty.

Upon its final completion, LACIP-I & LACIP-II together will have supported eleven districts of KP as depicted in Figure1 below:

[1] https://en.wikipedia.org/wiki/.
[2] http://www.pbs.gov.pk/sites/default/files//PAKISTAN%20TEHSIL%20WISE%20FOR%20WEB%20CENSUS_2017.pdf, sources on 20.02.2018
[3] https://www.kpezdmc.org.pk/node/74#:~:text=Khyber%20Pakhtunkhwa's%20share%20of%20Pakistan's,11.9%25%20of%20Pakistan's%20total%20population. Sourced on 7th June 2021
[4] https://en.wikipedia.org/wiki/Khyber_Pakhtunkhwa#Economy, sourced on 07.06.2021.
[5] https://www.adb.org/sites/default/files/linked-documents/cps-pak-2015-2019-pa.pdf.
[6] *Multidimensional Poverty in Pakistan,* Planning Commission of Pakistan, UNDP and OPHI, p. 48.

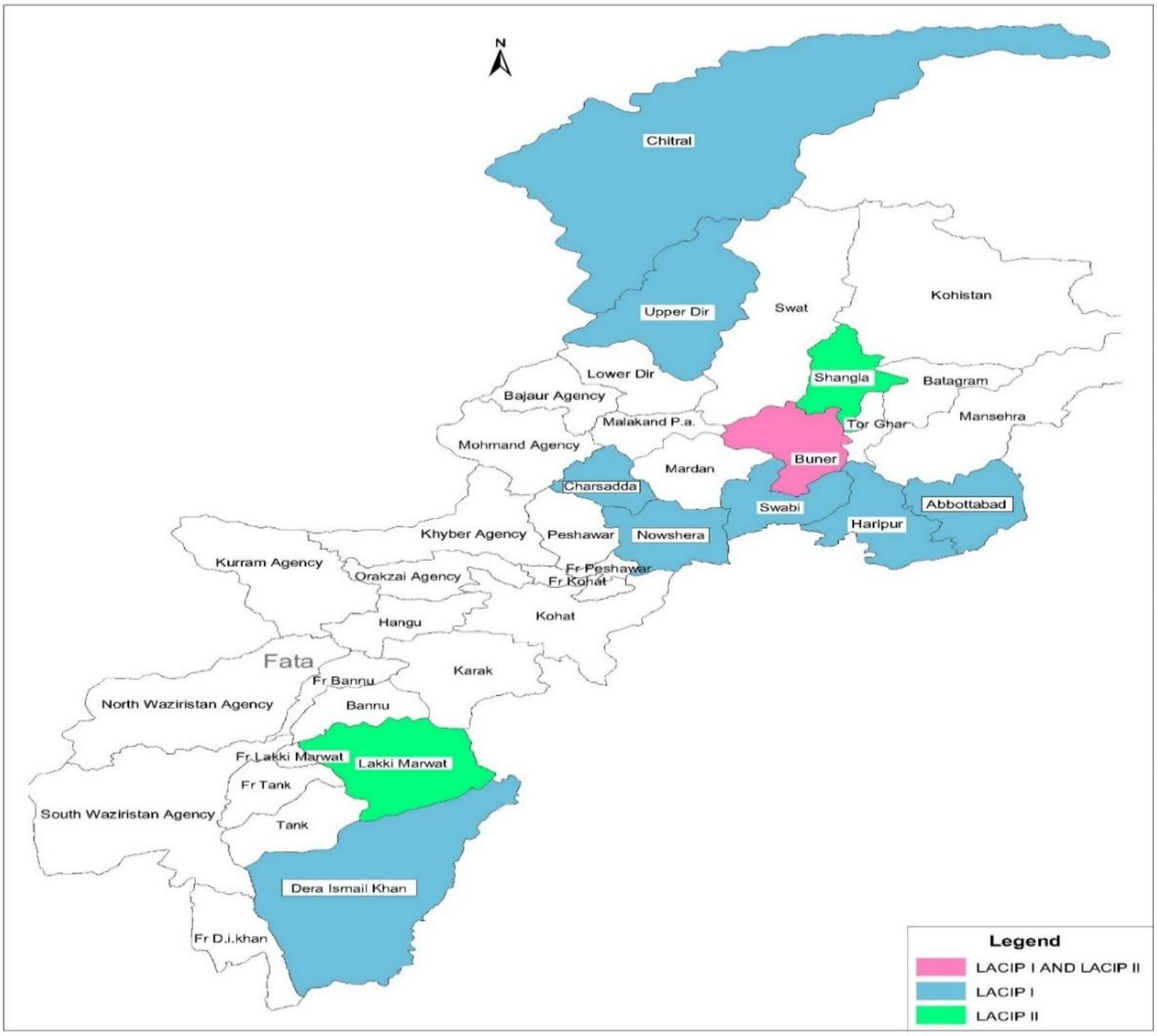


Figure 1: LACIP-I and II programme area and the KP Province.

In order to establish programme performance benchmarks and identify the potential beneficiary households for LACIP-II interventions, a baseline survey was carried out in the target districts with carpet coverage of all the households in the identified VCs by PPAF. Accordingly, the "Baseline Survey of LACIP Phase II" in selected VCs of target districts was carried out by M/S Cynosure Consultants (Pvt.) Ltd. Below is a brief overview of the main findings of the survey[7]:

1.3.1 Selection of Project Area

The LACIP Programme overall focused on the poor districts of KP Province of Pakistan. LACIP-I was implemented in eight districts of KP, including Upper Dir where LACIP-I Extension was implemented.

For LACIP-II, district selection took place along the following considerations:

- Prioritize districts with lowest and low Human Development Index (HDI/UNDP) and food security (equivalent to 'PPAF Priority I & II).
- Use synergies with KfW/PPAF Renewable Energy project in 2 out of 3 LACIP-ll districts (off-grid communities).

[7] All baseline information for the selected districts is sourced from the *LACIP Baseline Survey Report 2018*, PPAF

- Add two new districts to the LACIP program.
- Project districts shall be accessible and reasonably secure.

Following these criteria, KfW and PPAF have agreed that the geographical outreach of the project covers the following districts of KP:

- Lakki Marwat
- Shangla
- Buner

The program districts were selected by KfW and PPAF in joint project formulation meetings held during September 2016. The three districts are among the poorest districts of KP (Priority-I or II list) as identified in 'Feasibility Assessment of LACIP-II', a study commissioned by KfW in August 2016 and carried out by Dr. Nikolaus Schall. The districts of Shangla and Lakki Marwat were categorized in Priority-I districts along with Torgar, Kohistan and Dir Upper and were shortlisted based on past engagement and status of current and future funding of PPAF. Buner was also a beneficiary district under LACIP-I. Its re-selection was made owing to two reasons: firstly, Buner is the most deprived of the 8 districts of LACIP-I; and secondly, the district is part of program area of KfW funded HRE project. The continuous engagement with the beneficiary community would help in preparing the stakeholders for the O&M responsibility of expensive energy investment of micro-hydel.

Number and names of 12 union councils, and corresponding 36 village councils, were finalized in three steps as explained below:

a) Initial working by PPAF (MER and LACIP units) based on secondary data. It included setting criteria based on rural union councils, common union councils with KfW funded HRE Project, low penetration of development assistance by government or other NGOs in last five years, past PPAF presence and areas with zero footprint of PPAF.
b) Deliberations made in consultative workshop organized on December 12-13, 2017; it was attended by three POs (NRSP, SRSP and SABAWON), representatives of KfW and NEC, teams of LACIP and MER units of PPAF. After filtering through the above - mentioned criteria, an average of 8 – 12 UCs in each district emerged to be meeting the criteria. The group further shortlisted four union councils in each district based on criteria of geographical proximity, possibility of forming cluster of UCs, local political economy and administrative divisions like Tehsils, etc.
c) As final step of UCs selection, PPAF team comprising LACIP and MER units along with representatives of NEC and POs held separate meetings with Deputy Commissioners and District Nazims of the three districts. The district authorities were briefed about LACIP-II program objectives, design, major components, and duration. They were also apprised of the district and UC selection criteria and process. The officials gave their consent to the process and names of UCs.

a. District Profile of Lakki Marwat

Lakki Marwat is the eighth largest district of KP with a total area of 3164 sq. km, and the 16th most populated district of the province[8]. Located in southern KP, it had a total population of 876,182 with majority (90%) residing in rural areas, as per 2017 census. According to the (MDPI) Multi-Dimensional Poverty Index report (2016)[9], Lakki Marwat has a very high incidence of poverty at 62.7%.

Being a patriarchal society, only 2.5% households in Lakki Marwat were reported to be headed by women, while the remaining 97.5% were male headed.

According to the survey, more than half of the surveyed residents were daily wagers. There is no TVET institution in Lakki Marwat. Around a third reported regular jobs, but only a limited number of

[8] http://kpbos.gov.pk/prd_images/1399372174.pdf

[9] http://www.pk.undp.org/content/pakistan/en/home/library/hiv_aids/Multidimensional-Poverty-in-Pakistan.html
The MPI uses a broader concept of poverty than income and wealth alone. It captures severe deprivations that each person experiences with respect to education, health and standard of living.

individuals were employed in government jobs. Only 17% had agricultural income, with or without supplementary income from other sources. This could be attributed to most land being desert, and even from the cultivable land, 74% is rain-fed. With this status of agriculture and almost no industrial base, poverty is a natural outcome for the district. Nearly half the population falls in the Poor category, the majority (27%) being Chronically Poor, followed by 12% Extremely Poor, and 10% as Transitory Poor. Moreover, 18% of the surveyed households were 'Transitory Vulnerable'.

In the surveyed areas of Lakki Marwat, only 77% households were reported with a water source available at home. Most common water source was rain water (35%) followed by piped water (18%). Other sources of water include; hand pump (3%), personal motor pump (8%), protected well (5%), unprotected well (2%), and underground tube well (6%). In the available water sources, problems were reported regarding regularity, quality, and quantity.

b. District Profile of Buner

Geographically, Buner is the 11th largest district of KP in terms of size. The district covers an area of 1,865 sq. km and has three main rivers namely Barandu, Chamla and Budal[10]. According to the 2017 census, Buner has a total population of 897,319 and an average household size of 9.5[11]. Buner has no urban centers and the whole district was categorized as a rural area. As a large number of men migrate to other parts of Pakistan or even other countries, e.g., the Middle East, among the interviewed households 7% in Buner reported to be women headed, while the remaining 93% were male headed households.

According to the (MDPI) Multi-Dimensional Poverty Index report (2016)[12], at 71.6%, the incidence of poverty in Buner is almost twice the national poverty index (39%). The baseline survey results indicate the poverty levels to be slightly better; but still 61%, despite most households having more than one income source. Most people worked as daily wagers or laborers (41%). Almost a quarter was engaged with agriculture, and a similar number of households benefited from remittances. Still, there were 19% Extremely Poor, 29% Chronically Poor, and 13% Transitory Poor households. Moreover, 15% of the surveyed population was Transitory Vulnerable. Few key reasons for this high incidence of poverty could be lack of gainful employment opportunities locally, lack of irrigated agriculture, low literacy rate, and lack of meaningful vocational training.

In the LACIP-II target areas of Buner, only 65% households had a water source available at home. Nearly half of them received piped water and 10% use personal motor pump. Other sources, such as wells of different types, were used in much less proportion. Quantity and regularity of water supply remained the major issues.

c. District Profile of Shangla

Shangla covers an area of 1,586 sq. and consists of small valleys. According to the 2017 census, Shangla has a total population of 757,810 and an average household size of 8.45[13]. It has no urban centers and the whole district is categorized as a rural area. According to the (MDPI) Multi-Dimensional Poverty Index report (2016)[14], Shangla has one of the highest incidence of poverty in KP (80.2%).

---

[10] District Profile: Buner by SMEDA (available at https://smeda.org/index.php?option=com_phocadownload&view=category&id=1:district-profiles&Itemid=563)

[11] http://www.pbscensus.gov.pk/sites/default/files/bwpsr/kp/BUNNER_BLOCKWISE.pdf

[12] http://www.pk.undp.org/content/pakistan/en/home/library/hiv_aids/Multidimensional-Poverty-in-Pakistan.html
The MPI uses a broader concept of poverty than income and wealth alone. It captures severe deprivations that each person experiences with respect to education, health and standard of living

[13] Census Data, 2017, Bureau of Statistics, Government of Pakistan

[14] http://www.pk.undp.org/content/pakistan/en/home/library/hiv_aids/Multidimensional-Poverty-in-Pakistan.html
The MPI uses a broader concept of poverty than income and wealth alone. It captures severe deprivations that each person experiences with respect to education, health and standard of living

Being a patriarchal society, only 3% households in Shangla were reported to be headed by women, while the remaining 97% were male headed.

Land distribution is highly skewed, a vast majority of the farms (90%) are less than two hectare in size and account for 59% of the farm area. In the LACIP-II target area, only around one third of the households own any agricultural land. These small farms in single or double cropping zone cannot provide subsistence for the household; therefore, agriculture is their marginal economic activity. Daily wages remained the highest contributor to a household's monthly income. Given that there is no industrial base and minimal tourism activities in the district, the income levels remain low. As a result, the majority (58%) surveyed households in district Shangla were classified as Poor, including 12% Extremely Poor, 30% Chronically Poor, and 16% Transitory Poor. In addition, 20% surveyed in the district were Transitory Vulnerable.

In District Shangla, less than half the population (45%) has access to water supply at home.[15] However, the LACIP-II target areas had a slightly better ratio as almost 52% households receive piped water at home, and another 1% had some other water source available at home. Insufficient supply, irregular supply, and quality issues were the major concerns.

1.4 Institutional Arrangements

LACIP-II has several institutional stakeholders which remained directly or indirectly involved with the project, including Economic Affairs Division, Local Governments, community organizations etc. However, the core execution and operational responsibilities had been vested in the form of contractual obligations as per the following table:

Table 1: Key Institutions in LACIP-II

S. #	Name of Entity	Title	Major Responsibilities
1.	KFW	Funding Agency	Provision of funds; NOC / consent for project activities; Monitoring
2.	PPAF	Implementing Agency	Identification and contracting POs; supervision of implementation activities; financial management; internal monitoring
3.	NEC Consultants	M&E Consultants	Implementation support in both phases; monitoring and evaluation on behalf of KfW
4.	NRSP	Partner Organization	Execution of project activities with required quality and within the given time frame in District Buner
5.	SRSP	Partner Organization	Execution of project activities with required quality and within the given time frame in District Shangla
6.	SABAWON	Partner Organization	Execution of project activities with required quality and within the given time frame in District Lakki Marwat

1.4.1 Pakistan Poverty Alleviation Fund

The lead implementing agency of the Project is Pakistan Poverty Alleviation Fund (PPAF). It is the leading agency for poverty reduction and the largest sources of pro-poor investment in Pakistan. To address the multi-dimensional issues of poverty with prospect to accomplishing social and economic change, community institutions (CIs) lie at the heart of all PPAF interventions. PPAF adopts a model-neutral approach that is not prescriptive. The spirit of PPAF's work is to support and strengthen institutions for the poor. PPAF's partner organizations (POs) facilitate the process of community institutions formation that is well governed, responsible, transparent, democratic, and accountable both upwards and downwards. LACIP-II is one of the major projects of PPAF supported by KfW.

[15] ibid

Set up by the Government of Pakistan as an autonomous not-for-profit company, PPAF was registered in February 1997 and its operations commenced in the year 2000. PPAF works as a private sector organization in support of the public policy to serve the poorest and most marginalized rural households and communities across the country providing them with an array of financial and non-financial services.

PPAF has an outreach across Pakistan supporting (144 districts, including Gilgit Baltistan and Azad Jammu and Kashmir) communities to access improved infrastructure, water, energy, health, education, livelihoods, finance, and develop resilience to disasters. PPAF has invested in developing the capacities of 130 implementing partners (civil society organizations), around 141,000 organized Community Organizations (COs), 440,000 credit/common interest groups, 8.4 million microcredit loans (60% loans to women), 1,488,400 interest-free loans provided under the Interest-Free Loan Programme (53% loans to women), productive assets to over 143,400 ultra and vulnerable poor (55% women), 1,140,000 skills and managerial training beneficiaries (49% women), and over 38,600 health, education and infrastructure projects completed to date and facilitated 1.8 million households affected by natural disasters under relief and early recovery projects[16].

1.4.2 LACIP-II Partner Organizations

LACIP-I was initially implemented by 23 POs, but as the programme progressed, this number reduced to 13 and later to 5 based on 'POs Ranking Criteria' considering their Programme performance, available funds, geographical coverage, and assessment by KfW Monitoring Consultant. Out of five organizations that implemented the Programme during 2017, three organizations i.e., NRSP, SRSP, and SABAWON were shortlisted for LACIP-II. The decision was founded on their better performance in the previous phase and suitability for the selected districts.

In view of the devolved local government system and the resulting decentralization of decision making, PPAF and KfW decided that one PO for each selected district should be responsible for the implementation of the Programme. Accordingly, three POs (one for each district) were selected for the programme implementation in Shangla, Buner, and Lakki Marwat.

National Rural Support Programme (NRSP) was selected for Buner district. It is registered under Section 42 of the Companies Ordinance 1984 and has been in partnership with PPAF since 2000. It is a major provider of financial and non-financial services in the rural and semi-urban areas of Pakistan, having presence in 72 districts in the country. NRSP has actively been involved in addressing the poverty in its operational areas, which has contributed to facilitating the poor for the creation of community-based organizations while empowering them to address their needs.

Sarhad Rural Support Programme (SRSP) was selected to implement LACIP-II in Shangla district. Established in 1989, SRSP has been partnering with PPAF since 2000 and is registered under the Companies Ordinance 1984. It has a mandate for poverty reduction and sustainable development by harnessing people's potential through its inclusive social mobilization process in the settled districts of KP. SRSP has been operating in 24 districts and two Frontier Regions; Peshawar and Kurram Agency of Ex-FATA area with the funding of more than 22 national and international donors for livelihood improvement and poverty reduction.

Social Action Bureau for Assistance in Welfare & Organizational Networking (SABAWON) was the partner organization tasked with implementing LACIP-II in Lakki Marwat. SABAWON is a partner of PPAF since 2005 and is registered under the Societies Act of 1860. It is one of the key service providers of development and non-financial services in the rural areas of KP. Its operational area extends to 15 districts of KP and three in Punjab. SABAWON is a fully diversified institution active in the areas of

[16] *Source: PPAF Fact File – September 2020 (Numbers are rounded off)*

community physical infrastructure, natural resource management, human resource development as well as social sectors of health, education disaster management, and livelihood enhancement.

1.5 Commentary on Project Design

A brief commentary on the LACIP-II project design is warranted because it is distinct than its preceding phases in the following:

6. Unlike its previous incarnations, LACIP-II adopted a two phased approach i.e., completely independent design and implementation phases, with an intermediary approval (by KfW) phase intertwining them.
7. LACIP-II strictly adopted on “One PO One District” approach
8. LACIP-II tilted heavily towards integrated interventions (IAUPs).
9. LACIP-I had a small component of Health and Education, but it was dropped in LACIP-II
10. Two tiers for community organization rather than previously used 3 tiers

The design of the Project is based on the Feasibility Study carried out in July 2016 as well as on the agreements signed between KfW and PPAF during the KfW project appraisal mission carried out in September 2016. Furthermore, the Project concept for LACIP-II builds on lessons learned from LACIP-I. Building on LACIP-I's positive developments, LACIP-II continued to pay attention to efficiency in implementation, and further increase the impact and visibility of the program. LACIP-II was planned in two stages: design and implementation. The Programme planning and proposal designing was completed in the design phase that ended in June 2019. From July 2019, the implementation phase commenced in which physical execution of infrastructure sub-projects, transfer of assets/skill trainings, and capacity building events of community institutions was undertaken. The chief advantage of the phased approach was that any potential issues and challenges could be tackled at the design level only, thereby reducing any chances of hampering implementation progress. Furthermore, the number of intervention proposals envisaged in the design phase was in excess to the available project budget for implementation. This helped in making a quality choice from the design level proposals. However, this approach also had its limitations. Since this was a new approach, POs and community did not grasp it fully at the outset. As is customary in these areas, once the PO staff went to the community for identifying potential interventions (in case of IAUPs) and potential beneficiaries (in the case of LEP), it raised undue and unfounded expectations. Such expectations further enhanced when the actual survey for design schemes was conducted. POs were repeatedly advised to manage such expectations through extensive community engagement, but it still created minor issues every now and then. Secondly, especially for LEP, many identified beneficiaries had either died, moved elsewhere, or lost interest in the project services during the time lapse between design and implementation phases. Furthermore, the executing agency (PPAF) and the POs took some time in overcoming the teething problems of this arrangement. It specially affected the government NOC issuance process wherein two separate NOCs were needed for the project.

Besides its direct contribution to poverty alleviation by providing livelihood support and promoting small community infrastructure, LACIP-II was also expected to support the implementation of Pakistan's decentralization reform in KP. To this end, LACIP-II intensified its cooperation and exchange of information with the new local government entities in the three project districts. The three partner organisations closely liaised with district authorities and village/neighbourhood councils of the selected project areas within the districts. For this reason, only one PPAF partner organisation was selected to implement LACIP-II measures in one allocated district. While on the one hand, change of guards from the district government side was observed quite often, this ‘exclusive rights’ approach served the purpose of consistency at least from the project side.

For reasons of visibility, efficiency and sustainable results, LACIP-II realized less but larger measures than LACIP-I under Village Development Plan. The purpose was to strive for a cluster of integrated multi sector measures in the selected project regions in order to address the multi-level needs usually seen among the poor. Whether this approach proved entirely successful in long run can only be established through a formal impact assessment exercise, preferably after the passage of some reasonable time post implementation. Nevertheless, for PPAF, the three partner organisations, and the monitoring consultants, the implementation management, progress monitoring and quality control became significantly easier due to the integrated approach combined with a regional focus.

LACIP-II also ensured the combination of project schemes and livelihood/skills development measures in a multi-sector integrated approach. Project measures, including ID, IAUP and LEP were linked on the level of planning, impact and visibility. Such combination allowed for an integrated package of single project activities leading to an area development with an expected high level of impact, sustainability and visibility. During the design phase, identification of CPI schemes and LEP beneficiaries could not be strictly linked, and remained largely independent. In the implementation phase, due to the higher cost, visibility potential and perceived impact, major CPI component of each IAUP became the pivot and the rest of the outputs grew around it. However, this led to a minor complication in the case of LEP, because wherever an IAUP from the design menu was not selected for implementation, the project could not accommodate pre-identified LEP beneficiaries from that area either. Therefore, to a minor scale, some new LEP beneficiaries had to be identified from the selected IAUP areas during the implementation phase – while this is essentially a design phase output. Given that sufficient numbers of eligible LEP beneficiaries based on Cynosure data were not necessarily available in each selected IAUP area, new beneficiary identification proved a little more difficult.

LACIP-I had a small component of Health and Education. Under this component missing facilities in health centres and public schools such as furniture, toilets, safe drinking water were provided. The budget allocated for the health and education component was EUR 2 million. The overall commitment under the component was downward revised to EUR 1.78 million and had been utilized by December 2016. The POs utilised EUR 1.64 million (92%) of the EUR 1.78 million disbursed. In LACIP-II, Health & education as a separate component was not included chiefly because the provincial government was already prioritizing it and no acute need of immediate further support was felt. Nevertheless, infrastructure rehabilitation or construction support could be provided to health and / or education facilities under LACIP-II. However, it would have required NOC from the relevant government department, thus adding an additional layer of administrative requirements. The project design also did not include any specific indicator in this respect. Therefore, support to health and education infrastructure went almost off-radar during the project, though it seemingly did not affect the project performance or impacts in any way.

Another difference between LACIP-II and its predecessor projects was that LACIP-II focused on community mobilization on two tiers: community organization (CO) at the neighbourhood (Muhalla) level; and then a village organization (VO) at the village level combining multiple COs. The third tier (LSO) was not invoked under LACIP-II. This was done to align the project social structure with the devolved local government structure of KP, wherein the UC level was done away with. Since the LSO was at the UC level, LACIP-II also did not opt for the LSO level and kept itself to the two levels. Village Development Plans (VDPs) were developed at the VO level. Based on a combination of VDPs, Village Council Development Plans (VCDP) were also prepared, and their custodianship was vested with the elected representatives of the village councils.

2 PROJECT IMPLEMENATION AND COST

2.1 Implementation Schedule and Revisions

Separate Agreement between PPAF and KfW had been signed in August 2017. LACIP-II was originally planned for three years, commencing in January 2018 and culminating in December 2020. The Design phase was planned for one year, followed by two years' time for implementation. However, the project timelines needed to be extended till June 2021, mainly due to the following factors:

4. Some contracting issues in the beginning
5. Delay in award of NOC by the relevant government departments to the POs
6. COVID-19 pandemic spanning almost the entire implementation phase

As has been discussed previously, the two-phased implementation arrangement was a new concept for most entities involved. PPAF standardized on-grant agreement did not suffice the requirements of this arrangement; therefore, KfW and NEC M&E demanded specific Grant Agreement with POs of LACIP-II in alignment with PPAF & KfW Separate Agreement. Transition from PPAF standard on-grant agreement to specific Grant Agreement took a lot of effort from LACIP-II, Activity Monitoring Unit, and NEC M&E teams.

As the new financing agreement was under preparation, PPAF signed agreements with POs on old formats, to enable them apply for the NOC from provincial government. However, SABAWON FA (old format) was signed with a delay of four months. For reasons related to some other project, agreement with NRSP was also delayed, whereas PPAF Board did not allow an agreement with SRSP till September 2018. In all cases, these contracts were signed for government NOC purposes, with an understanding that these will be replaced with the new agreement once its draft is finalized by all parties.

No NOC was issued till July 2018 due to confusion of mandate between the provincial Home Department, Law Department, and Provincial Disaster Management Authority (PDMA). In July 2018, it was clarified that the development project NOC is the domain of Home Department, while disaster prevention / climate projects NOC is the domain of PDMA. For practical purposes, LACIP could fit the definition of both types of projects. Getting an NOC from the PDMA had been proved to be easier than the Home Department – NRSP submitted application to PDMA on 4th July and got the NOC on 27th July after rigorous follow-up. SABAWON were also granted NOC in August 2018. SRSP needed signed agreement needed for NOC, which was provided in mid-September. It secured the NOC on November 26, 2018.

A version of FA acceptable to all the parties i.e., KfW, PPAF, and POs, was finalized and signed on September 28, 2018. As the project had been delayed, design phase deadline in this FA was kept at March 31, 2019 – providing a space of a quarter.

KfW representative Ms. Elke Metzen-Senior Project Manager visited PPAF office on October 09, 2018 for meeting with PPAF and LACIP POs. The meeting was also attended by NEC M&E team. The meeting decided to substantially increase targets of sub-projects for each PO, and extend the timeline for design phase till April 30, 2019. This necessitated revision in financial volume of the FA for design phase. The financial value of the agreements was enhanced under Supplementary Grant Agreement signed on November 14, 2018. PPAF Board endorsed to increase the LACIP design phase funds for POs ranging from 90–97%.

October to March are harsh winter months especially for Shangla. However, all the POs were able to complete their IAUP design targets within the timelines. These proposals were reviewed by LACIP and NEC teams and their suggestions were duly incorporated. For ID (including training) and LEP outputs, LACIP asked POs to ensure optimum quality, even if the progress is slower. By March 31, 2019, entire operational budget of POs could not be consumed. Therefore, the POs were allowed to use the remaining operational budget from April to June 2019 to ensure the acceptable quality of mentioned outputs.

Financing Agreements (FA) for Implementation Phase between the POs and PPAF were signed in July 2019 with a deadline of September 2020. Due to COVID-19, PPAF awarded first extension in PO FAs till December 31, 2020.

Separate Agreement between PPAF and KfW was valid till December 31, 2020. LACIP (PPAF) submitted a detailed extension request to KfW in November 2020, founded on the unforeseen delays caused due to the COVID-19 pandemic. No cost extension to the Separate Agreement was signed on December 16, 2020. The extension is till June 2021. Once this extension is granted, PPAF extended the PO FAs till June 2021 accordingly, also allowing cost adjustments based on detailed estimations of the program costs (including any savings and their proposed utilization) and operations costs.

Table 2: Key Administrative Milestones in the LACIP-II

No.	Date	Key administrative milestones
1	April 18, 2018	Financing agreement signed with SABAWON for design phase
2	June 12, 2018	Financing agreement signed with NRSP for design phase
3	September 14, 2018	Financing agreement of SRSP for design phase
4	September 28, 2018	Revised financing agreement signed
5	November 14, 2018	Supplementary grant agreement with all three POs
6	May 9, 2019	Time extension for design phase activities of LEP and ID
7	July 29, 2019	Financing agreement signed for implementation phase
8	October 2, 2020	No-cost time extension to all three POs till December 2020
9	December 16, 2020	No-cost Extension in Separate Agreement between PPAF and KfW
10	January 11, 2021	Second supplementary agreement signed till June 2021 with all POs with cost adjustments

Source: LACIP QPRs.

2.2 Project Cost & Financing Source

As mentioned above, the KfW commitment for LACIP-II was EUR 10 million. It contained EUR 1.07 M for third party monitoring consultants, to be paid directly by KfW. It further contained EUR 800,000/- for PPAF overheads. Total funds allocated for investment and POs operational costs amounted to EUR 8.13 M.

By 31st March, PPAF had received EUR 6.29 M, and disbursed EUR 6.06 M to the POs. The PPAF foreign currency bank account has encountered some technical issues, therefore, the remaining amount could not be received and utilized. The issues are being resolved currently.

The audited financial figures for LACIP-II are pending. It is envisaged that there is saving of around EUR 1.9 M, mostly on account of currency rates appreciation.

2.3 Physical Results of LACIP-II

The overall physical progress of LACIP-II for the period 2018-2021 is presented in Table 3. By the end of June 2021, all IAUPS have been completed. The progress was paced in a manner that most physical work was finished by March 31, 2021, so that the last quarter could be used for any troubleshooting, fine-tuning, and / or financial closure. Until March 31, 2021, the Project had completed 57 IAUPs, showing 85% completion status.

There were a few types of activities where the project was able to achieve much more than its planned targets, especially under the social mobilization component. Owing to scattered population, number of CO / VO formation exceeded the target. POs raised this issue in the beginning of the design phase, conveying that the numbers given in the implementation plan have been set keeping in view the total population, however, density of the population is thinly spread and a higher number of CO / VO need to be formed to properly achieve 60% coverage. It was more relevant for the hilly areas, and accordingly, almost the entire additional community organizations were formed in Buner and Shangla.

Similarly, during design phase, LIP development and IAUP design targets were also overachieved, without any cost implications for the project. Each PO developed some additional LIPs, while the three additional IAUP designs were submitted by SRSP only. It was essentially in line with the project approach of ensuring a larger menu to choose from for the implementation phase. The POs also intended to ensure that their targets do not fall short even if some cases are rejected after LACIP and / or M&E review.

Table 3: Summary of LACIP-II Progress (2018-2021)

Components	Indicators	Cumulative Project Targets	Achieved	%
Institutional Development (ID)	No. of COs, VOs, formed	924	1,276	137%
	COs formed	840	1,128	134%
	VOs formed	84	148	176%
	COs' members	_	17,115	_
	Men	_	10,896	_
	Women	_	6,219	_
Community Physical Infrastructure (CPI / IAUP)	IAUPs designed	135	138	102%
	IAUPs implemented	67	67	100%
	Beneficiaries of the implemented IAUPs		142,709	
	Men		74,716	
	Women		67,993	
Livelihood Enhancement & Protection (LEP)	LIPs developed	3,000	3,365	112%
	Households received vocational/skills training	1,250	1,228	98%
	Men	_	609	_
	Women	_	619	_
	Households received livelihood support	1,250	1,389	111%
	Men	_	629	_
	Women	_	760	_

Source: LACIP MIS & LACIP QPRs.

3 OPERATIONAL PERFORMANCE

3.1 Outputs of the Interventions

The Project activities were divided into three types of interventions:

- Institutional Development,
- Livelihoods Enhancement and Protection,
- Community physical infrastructure.

Table 4 presents number of projects completed by the POs yearly with sectoral distribution.

Table 4: Project Activities Implemented under LACIP-II

Description		Design Phase			Implementation Phase		
Component	Activities	As of June 2019			As of June 2021		
		Targets	Achieved	%	Targets	Achieved	%
Institutional Development	No of COs / VOs formed	924	1,276	138%	-	-	-
Livelihoods Enhancement & Protection	No. of LIPs developed	3,000	3,365	112%	_	650	-
	Assets trans.	-	-	-	1,250	1,389	111%
	Training	-	-	-	1,250	1,228	98%
Community Physical Infrastructure	IAUP designed	135	138	102%	-	-	-
	IAUP Implemented	-	-	-	67	67	100%

Source: LACIP MIS

3.1.1 Institutional Development

In the institutional development process, community organizations (both male and female) were formed covering 60% of the population. The objective of the ID component was to empower poor and disadvantage communities, so they can run and sustain development interventions and initiatives of LACIP-II and build the voice and the scale for an effective interface with the local government entities, other development programs and markets. Beneficiaries were organized into two tiers, namely: (i) Community Organizations (COs) and; (ii) Village Organizations (VOs).

The formation of community organizations had completed during the design phase (by year 2019). Cumulatively, 1,276 community institutions across the two tiers (1,128 COs, 148 VOs) were formed, organising over 17 thousand beneficiaries, including around 11 thousand men and more than six thousand women. It included separate female COs and VOs; 485 and 52 respectively. Mixed COs and VOs were only possible in Buner in very small numbers – 2 COs and 10 VOs. Summary of the outcomes is presented in table 5.

Table 5: COs, VOs and their members, 2018-2019

Year	Details of organisation	Total
2018-2019	Organisations established	1,276
	Total members	17,115
	Men	10,896
	Women	6,219
	Members trained:	13,373
	Men	7,997
	Women	5,376

Source: LACIP MIS

Implementation phase activities under this component were focused on capacity building (training) of these organizations, various committees (e.g., O&M committees), and LEP beneficiaries. All planned activities had been completed by the year 2021. Over 13,373 CO members were trained including 7,997 men and 5,376 women which corresponds to more than 73% and 86% of the total membership for both genders respectively.

At the start of the implementation phase, the criteria emerged that all project activities will focus only on areas where IAUPs has been granted NOC. It meant that project engagement became more focused on the community organizations of those areas where the 67[17] IAUPs were to be implemented. A total of 58 VOs (covering 405 COs) had been established and operating in these areas. PO relationship with the remaining 90 VOs (covering 723 COs) gradually became infrequent; however, the project still succeeded in engaging some of them in the areas adjoining the IAUPs areas through ID training and LEP activities.

Table 6: Community Institutions Engagement during Implementation Phase

Gender	ID - Training		LEP-Asset		LEP-Skill Trainings		IAUPs*	
	COs	VOs	COs	VOs	COs	VOs	Cos	VOs
Male	391	74	258	61	192	55	301	44
Female	205	34	160	32	134	30	104	9
Mix	0	10	0	10	0	10	0	5
Total	**596**	**118**	**418**	**103**	**326**	**95**	**405**	**58**

*From all 67 IAUPs in Implementation Phase

LACIP-II continued to focus on exchange of information with the local government entities in the project districts, establishing relations between village councils and community institutions so that community needs articulated in Village Development Plans could be reflected and budgeted under governmental annual development plans (ADP). The most formal arrangement for interacting with the local governments remained the District Development Forum (DDF). The DDF continued as a regular quarterly meeting during the implementation phase of the project. By engaging elected representatives in development planning process, capacity of village council also increased in identifying and prioritizing sectoral needs of the area. Some 20 interventions identified in the LACIP-II VDPs across the three districts have now been reported to be taken up in the respective ADPs. The relevant authorities committed to take the VDPs into account for development schemes in the area, whenever the government funds are available.

Table 7: District Development Forum Meetings, 2018-2021

Year / Name of the district	2018	2019	2020	2021	Total
Buner	0	0	2	1	3
Lakki Marwat	0	0	3	1	4
Shangla	0	1	2	1	4
Total	**0**	**1**	**7**	**3**	**11**

Source: LACIP MIS & LACIP QPRs.

[17] The target was initially 68 IAUPs, but later reduced to 67 after one IAUP was dropped for technical reasons

Building capacities of the Community Institutions is an ongoing effort of the PPAF, essential for the long-term sustainability of the interventions. Table 8 presents overview of the community training provided in the course of the Project. Large number of training sessions was dedicated to community management and provided new skills to the beneficiaries (40% women). An encouraging aspect is that 48 women also received O&M training, despite a general perception that managing and maintaining infrastructure is purely male domain.

Table 8: ID Training Events Conducted in Design and Implementation Phase (2018-2021)

No.	Title of the Community Training	No of Training Events in Design Phase	No of Trained Persons in Design Phase		Total Persons	No of Training Events in Imp. Phase	No of Trained Persons in Imp. Phase		Total Persons
			Men	Women			Men	Women	
1	Community Exposure Visit	21	401	20	421	24	477	0	477
2	CIG Formation & Its Role in Business Growth	-	-	-	-	51	409	630	1039
3	Community Management Skills	83	907	769	1676	-	-	-	-
4	Disaster Risk Management	-	-	-	-	37	759	104	863
5	Updation Of VDPs/ VCDPs	-	-	-	-	30	559	32	591
6	Training on O & M	-	-	-	-	24	331	48	379
7	Environmental and Social Management	-	-	-	-	37	490	244	756
8	Value Governance & Management	31	387	233	620	-	-	-	-
9	Peace, Pluralism & Inter Provincial Harmony	50	442	594	1036	33	308	495	803
10	Conflict Resolution & Negotiation Skills	48	533	450	983	31	287	450	737
11	Basic Civic and Constitutional Rights	60	826	423	1249	-	-	-	-
12	MDGs/SDGs	43	459	417	876	-	-	-	-
13	Youth Engagement*	56	0	0	0	-	-	-	-
14	Gender Mainstreaming	46	422	467	889	-	-	-	-
Total		**438**	**4,377**	**3,373**	**7,750**	**267**	**3,620**	**2,003**	**5,623**

Source: LACIP MIS & LACIP QPRs.

**Under Youth Engagement, the targets are set for overall events not for participants.*

Taking the nominees of various community institutions to other parts of the province, or even outside the province, to provide them exposure of how similar institutions are working there, proved a good idea. It was initially planned mostly during the design phase, but later, when formal registration of VOs became impractical within the project, some funds from this head were also redirected to exposure visits. Typically, each visit consisted of 3-5 days (including traveling). However, exposure visits only involved male members of the community institutions. Only one exposure visit for female community members could be arranged – in UC Malak Khel (Shangla). Even this one visit was also only a daylong affair to a nearby area. Some 5-6 male family members of the participating women also went along. It was a good step towards women emancipation, but could not be repeated due to stiff social resistance towards the concept as well as owing to logistical challenges involved.

3.1.2 Livelihood Enhancement and Protection

Livelihood Enhancement & Protection remained an important intervention for LACIP-II, especially because of its perceived direct and individual benefit. In the design phase, the LEP component was independent of the other components; it involved identification of potential beneficiaries throughout the selected UCs and developing their Livelihood Investment Plans. Each PO was assigned a target of 1,000 LIP each. Cumulatively, they achieved 12% more than the target, making 3,365 LIPs by the end of design phase.

LACIP and NEC M&E teams defined the following criteria for identification and finalization of LEP beneficiaries:

a) PSC 0-18 for Assets and 0-23 for skill Trainings as per baseline data presented in the Cynosure report
b) 60% assets will be transferred to beneficiaries who are members of common interest groups (CIGs).
c) 50% of beneficiaries shall be women and/or youth.
d) Every beneficiary of LEP should be member of community organizations (CO / VO)
e) In a VC at least 20% eligible households (0-23) should be considered.
f) All the identified beneficiaries for proposed assets and trainings should be align to Rapid Market Assessment report and there should be no saturation of any specific sector in a particular area.
g) Trade specific target numbers as given below:
    - Livestock (Goats are not allowed as asset; only cows for up to 50% of female beneficiaries)
    - Production (not less than 10% of total assets)
    - Services (not less than 10% of total assets)
    - Trading (not less than 10% of total assets)
    - Transportation (not less than 10% of total assets)
h) Suitable age limit for skill training is 20 – 40 years and for asset transfer 20 to 55 years
i) Past experience in particular sector for asset beneficiary
j) Feasibility of particular asset should be ensured.
k) EDT along with asset is mandatory for asset beneficiary and toolkits along with skill training is mandatory for training beneficiary.

In the implementation phase, another criterion – that the beneficiary must belong to the VO where an IAUP is being implemented was applied.

In the design phase, the POs had developed 3,365 LIPs for all (138) proposed IAUPs. Overall LEP target for the implementation phase was 2,500; a good notch lesser than the LIPs prepared during the design phase. However, even the lesser target could not be fully covered by the available LIPs due to the following reasons:

- The number of IAUPs reduced in case of all three POs after final approval by KfW. The identified LEP beneficiaries aligned with the dropped IAUPs could not be considered.
- In approved IAUPs, some of the beneficiaries either became physically unavailable, or unwilling for interventions, or ineligible according to the selection criteria during the time lapse between the design and implementation phases.

In the light of the above, POs identified alternate 650 beneficiaries, mostly from the same households. In all cases, such alternate beneficiaries fulfilled the LEP criteria set out by LACIP. Ultimately, SRSP and SABAWON successfully achieved their LEP targets aligned with IAUP. In case of NRSP, 650 beneficiaries were within the same villages where IAUP were implemented. The remaining target was achieved by adding 117 beneficiaries (17 more than the required target) from adjacent villages with 54% female ratio.

The Assets Transfers component supported the poorest community members with an aim of increasing their earning opportunities and provide sustainable livelihoods.

Under the Skills Development component, technical and vocational training was conducted to equip the trainees with technical toolkits to start their businesses. The needs assessments were conducted for this purpose, with participation of the community institutions members, including the most vulnerable groups.

Formation of Common Interest Groups (CIGs) was a new initiative of LACIP. Though the assets were transferred to individual beneficiaries, organizing them in CIGs was aimed to increase bargaining power of the beneficiaries and to provide common platform for a higher positive impact and profitability.

By the end of LACIP-II implementation phase, a total of 1,389 livelihood assets have been transferred to beneficiaries against the target of 1,250. In addition, 1,228 community members were provided with technical and vocational skill trainings against the target of 1,250. In Buner and Shangla, 22 pre-identified skills beneficiaries were no more available for several reasons. Therefore, this number was adjusted in the asset transfer side, where eligible beneficiaries were available. During the design phase, a range of financial value was agreed for the assets to be transferred, i.e., average value of assets provided to a household will be Rs. 50,000 per household; minimum limit is Rs. 40,000/- and maximum limit will be Rs. 80,000/-. However, the POs did not use the range and kept the asset values almost fixed. Their perception was that providing variable value assets to different beneficiaries might cause social issues for them. This resulted in savings in the LEP budget. These savings were used to provide assets to a further 117 eligible beneficiaries beyond the project targets.

Table 9 presents an overview of targets and achievements of the LEP interventions.

Table 9: Overview of the LEP Intervention, 2018-2021

Indicators	Overall Targets	Achieved	
		Number	%
No. of LIPs developed	3,000	3,365	112%
No. of individuals received skills training	1,250	1,228	98%
No. of assets transfers	1,250	1,389	111%
No. of Common Interest Groups (CIG) formed	_	84	_

Source: LACIP MIS & LACIP QPRs.

LACIP-II had kept its focus on engaging and benefitting women and youth from its outset. This aspect is most evident in case of LEP support, where around 53% beneficiaries were women.

Table 10: Gender Profile of the LEP Beneficiaries, 2018-2021

Output / Gender	**No of Beneficiaries**	**Proportion in total (%)**	**Men**		**Women**	
	2018-2021		Number	%	Number	%
Assets Transfers						
Livestock	286	10.9	11	4 %	275	96%
Trading	1,013	38.7	552	54%	461	46%
Services	49	1.9	41	84%	8	16%
Production	30	1.1	14	47%	16	53%
Transport	11	0.4	11	100%	0	0
SUB-TOTAL	1,389	53.1	629	45%	760	55%
Skills Development						
Technical Training	455	17.4	455	100%	0	0
Vocational Training	773	29.5	154	20%	619	80%
SUB-TOTAL	1,228	46.9	609	50%	619	50%
Total	2,617	100.0	1,238	47%	1,379	53%

Source: LACIP MIS.

Based on previous experience, LACIP-II discouraged livestock distribution to beneficiaries; it was only allowed for up to 50% of women beneficiaries was allowed. The few male beneficiaries getting assets in the livestock category received donkey, horse or camel, mainly for transportation purposes.

Trading category remained the most popular assets category; it included a number of sub-categories including cloth shops, poultry business, tuck shop, crockery, shoe store, general store, etc. Under this category, several existing small businesses were supported by providing them basic business training and additional inventory. Besides, some beneficiaries started businesses afresh altogether. More than 33% of the total female beneficiaries opted for assets under the category of Trading.

Support provided under the services category included barber shops, electrical repair shops, shuttering, welding machines etc. In the category of production, most beneficiaries opted for support around food related businesses like snacks shops inventory, crockery items for roadside food stalls, small flour machine etc. In case of transport, the project did not have enough budget for an individual to cover the total cost of any vehicle; the beneficiaries were provided with partial cost of auto rickshaws whereas they managed the remaining amount on their own.

In the skills development, vocational trainings were provided to a total 773 beneficiaries (20% men and 80% women), in which 593 beneficiaries opted for Tailoring skills (78% women, 22% men). Women of the area are more comfortable with in-house income opportunities. On their part, the POs ensured that the trainees learn to tailor local costumes, so that the skills are locally usable.

Under technical training, auto electrician, building electrician, HTV and LTV driving, computer applications, plumbing and other courses were offered. MOU were signed with Government Technical & Vocational Centre in Swat, Government Polytechnic Institute Lakki Marwat, and Government Polytechnic Institute in Buner to provide these specialized training courses. These institutes had all the required facilities including labs in-house, and their certificates are readily acceptable in the job market. Length of these courses was 2 – 3 months. All the trainees were male; most of them stayed in hostels during the courses.

3.1.3 Community Physical Infrastructure

The main focus area of LACIP-II was the construction of needs-based, sustainable community-driven infrastructure schemes for which major portion of the funds (40% of total funds; 63.5% of investment cost) was allocated. In order to maximize the outcomes of the infrastructure interventions, an integrated approach to construction of the CPIs was adopted (IAUP). For reasons of visibility, efficiency and sustainable results, LACIP-II implemented less but larger measures under Village Development Plan. The purpose was to strive for a cluster of integrated multi sector measures in the selected project regions in order to address the multi-level needs usually seen among the poor.

The communities' members were fully mobilised and involved in IAUP planning, to ensure that their needs are included and prioritized in these plans. At the planning stage, three committees: Project Management Committee, Audit Committee and Operation & Maintenance (O&M) Committees were formed for IAUP implementation purpose. During this process, the POs were acting as facilitators and guiding the communities on day-to-day basis. The communities were also trained in O&M of the projects to gain skills required for proper maintenance of the schemes.

The IAUP typically involved construction and / or rehabilitation of following one or multiple infrastructure needs:

- Irrigation schemes,
- Link road and bridges,
- Drainage and sanitation,
- Drinking water supply schemes, and
- Flood protection works.

In the design phase, the number of intervention proposals was in excess to the available project budget for implementation. This helped in making a quality choice from the design level proposals. Accordingly, PPAF submitted a long list of eligible IAUP proposals. KfW applied comprehensive criteria for the selection of projects and issued corresponding no-objection letters. The criteria are presented in Box:[18]

Box-1: KfW Project Selection Criteria

(1) CPI Outcome Indicator form LACIP-II Project Result Matrix-60% of the population in a project area have access to the services (CPIs) financed by the project".

The criteria had been relaxed in some cases by up to 15% if the development impact expected from the proposed project was convincing.

(2) The exchange rate applied is the average of the current exchange rate (09.05.2019 – EUR = 158 PKR) and the exchange rate from the date of the Separate Agreement (27.07.2017 – 1 EUR = 117 PKR): 1 EUR = 137.5 PKR.

(3) The cost per beneficiary household was calculated to establish an applied cost-benefit-ratio of the proposed investment. To this end, the standard expense per person/household accordingly to PPAF standards (PKR 5,000/EUR 36), the average number of persons in a household of district according to the last census, and the total number of beneficiary households identified for the proposed project were taken into account. This resulted in project cost per household ideally not to exceed in:

Lakki Marwat: PKR 35,000/ EUR 255;

[18] The criteria is presented in No-Objection letters issued by KfW for each district and Partner Organizations to PPAF on June 3, 2019.

Buner: PKR 37,500/ EUR 273;

Shangal: PKR 40,500/ EUR 295

If proposed projects will benefit an entire village with a basic service not available so far or are expected to have exceptional positive development impact, a moderately higher cost per beneficiary household has been accepted. On the other hand, proposed projects with low cost per beneficiary household were not automatically selected for this reason, but likewise dropped, if the development impact did not convince.

(4) The proposed projects had to qualify the technical requirements and conditions set by the field team carrying out the feasibility assessments of the proposed projects. There are cases in which certain conditions have yet to be fulfilled, before the implementation of such proposed projects can be initiated. The conditions are to be met before these proposed projects can be included in the Financing Agreement for the implementation of the projects, which PPAF will conclude with the respective Partner Organization. In these cases, KfW will issue its conditional no-objection expecting the Monitoring Consultant to confirm, that conditions have been met, thereby clearing their inclusion into the Financing Agreement.

(5) In addition to the assessment of the project proposal and related documents made available to KfW, the Monitoring Consultant has been consulted for his views on the proposed selection tapping his solid field experience from the feasibility assessments of the proposed projects.

The no-objection letters mentioned two sets i.e., “without conditions” and “with conditions”. The projects granted no-objection with conditions were required to comply with the conditions before the implementation phase Financing Agreement is signed between PPAF and POs.

Table-11 presents the numerical summary of proposed and approved IAUP proposals by districts.

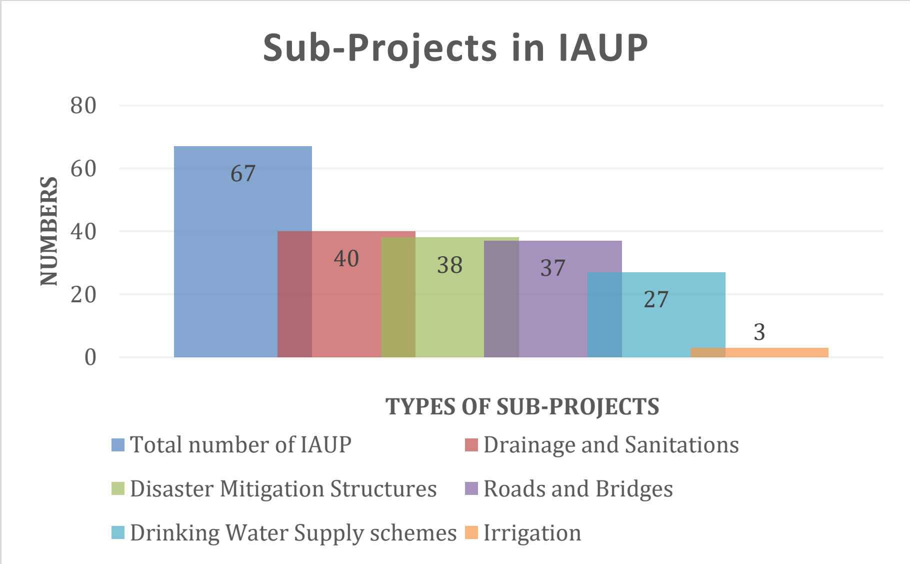
Table 11: KfW Selected Projects by Districts

Districts	Numbers of IAUP Proposals Submitted by PPAF to KfW	Number of IAUP NOCs granted by KfW	Number of IAUP NOCs by KfW Without Condition	Number of IAUP NOCs by KfW with Conditions
Lakki Marwat	44	29	17	12
Buner	56	25	8	17
Shangla	38	14	10	4
Total	**138**	**68***	**35**	**33**

Source: KfW no-objection letters for IAUPs for each district

** One project in Lakki Marwat was later dropped due to environmental reasons, reducing the total implemented IAUPs to 67*

The IAUPs were implemented in 12 union councils across the 3 project districts. The district spread of the IAUPs shows 37% in Buner (corresponding to 31% of total IAUP funds), 42% in Lakki Marwat (corresponding to 45% of total IAUP funds) and 21% in Shangla (corresponding to 24% of total IAUP funds). The biggest category of the implemented schemes was drainage and sanitation (60%), disaster mitigation structures (57%), followed by roads and bridges (55%), drinking water (40%) and irrigation projects (4%). (See Figure 2). The sub-components within the IAUP schemes are aligned with the existing situation of the target areas, as incorporated in the respective VCDPs.



Source: LACIP QPRs and MIS.

Figure 2: Types of the Sub-Projects under IAUPs, 2018-2021.

Table 12: Project Outputs – Integrated Area Upgradation Projects, 2018-2021.

District	PO	Completed IAUP	Cost of Implemented IAUPs (PKR)	Types of Sub-Project/Schemes	Number of Sub-Projects
Buner	NRSP	25	187,411,727/-	Disaster Mitigation Structures	24
				Drainage and Sanitation	23
				Drinking Water Supply	14
				Irrigation	0
				Roads and Bridges	19
				Sub-total	**80**
Lakki Marwat	SABAWON	28	270,103,367/-	Disaster Mitigation Structures	4
				Drainage and Sanitation	13
				Drinking Water Supply	9
				Irrigation	0
				Roads and Bridges	6
				Sub-total	**32**
Shangla	SRSP	14	144,779,643/-	Disaster Mitigation Structures	10
				Drainage and Sanitation	4
				Drinking Water Supply	4
				Irrigation	3
				Roads and Bridges	12
				Sub-total	**33**
Total		**67**	**602,294,737/-**		**145**

Source: LACIP data and MIS

Cumulatively, over 140 thousand persons, including 48% females, directly benefited from the completed schemes (see table 13). It is to be noted that the Census 2017 reports higher female population ratio compared to female beneficiary ratio for the LACIP-II IAUP, for all three districts[19] – even more than male population in case of Buner. This anomaly between the census figures and the baseline figures[20] might be attributed to the general propensity in the rural areas of KP towards under-reporting the female population. It is also to be noted that water supply related interventions tend to benefit women more, because domestic water management, including fetching potable water from outside sources, is generally the responsibility of women in the project area.

Table 13: Beneficiaries of the IAUPs Schemes, 2018-2021.

Item	Buner	Lakki Marwat	Shangla	Total
Beneficiary HH	5,814	9,401	5,844	21,059
Beneficiary Persons	44,591	60,061	38,057	142,709
Male (number)	23,323	31,174	20,219	74,716
Male (%)	52.3%	51.9%	53.1%	52.3%
Women (number)	21,268	28,884	17,838	67,990
Women (%)	47.7%	48.1%	46.9%	47.7%

Source: LACIP MIS.

Each IAUP under the project benefited an average 314 household. Average number of households benefiting from an IAUP was highest in Shangla, followed by Lakki Marwat and Buner respectively. This indicates that IAUPs in Shangla were executed in more densely populated areas. Similarly, IAUPs under the project invested Rs 28,600/- on each household on an average. This figure also remained highest for District Buner and lowest for Shangla.

3.1.4 Other Outputs

In the course of the Project several other outputs were produced, which did not result from activities under any specific intervention. These are:

1. **LACIP MIS:** It was decided from the beginning that LACIP-II database will remain independent of any other databases, but will follow the same architecture that existed in the form of LACIP MIS. However, the exiting MIS was not serving the core purposes, i.e., automatic generation of tables for QPR and other reports for management. Therefore, improvements were needed in the MIS to make it completely aligned with the LACIP-II design. KfW approved the short-term engagement of an MIS Expert by NEC M&E with comprehensive TORs. The MIS Expert worked alongside the PPAF MIS team and supported in bringing the MIS utility up to the required level. A number of data forms, including those for PO QPR, VO data, and other MIS indicators were finalized with MER and LACIP teams. The implementation phase requirements for QPR also necessitated some modifications in the MIS to incorporate tracking of all relevant progress indicators. After these improvements, MIS system started to work satisfactorily for LACIP-II and the NEC M&E and LACIP teams were able to generate various reports as required. The MIS is capable of storing any data and pictorial records collected through the use of Distance Monitoring Tools.

[19] The gender ratio reported in Census 2017 is 50.8% male vs 49.2% females in Shangla; 50.4% males vs 49.6% females in Lakki Marwat; 49.8% males vs 50.2% females in Buner

[20] LACIP-II database draws the number of beneficiaries from the Baseline Study conducted by Cynosure

2. **Monitoring Mobile App:** Remote monitoring using latest technology is becoming increasingly relevant in Pakistan, as more far-flung areas come under the ambit of development projects. Under the COVID-19 situation, use of technology for monitoring purposes becomes more important. PPAF previously had procured and used a specific Mobile Application for such purposes. The licence of this application later expired. The app meets the survey requirements for the LACIP projects on ground. However, since this is a third-party app, the number of user licenses required by LACIP is to be determined. Any LACIP specific customizations also need to be determined. NEC M&E had noted the increasing importance of remote monitoring with the aid of technology, and recommended licence renewal of MobileApp previously procured by PPAF. However, the NOCs issued by the Government put clear limitation on use of mobile applications in the project area. Therefore, PPAF did not follow this recommendation.

3. **Baseline Study for LACIP-II:** In order to conduct situation analysis and baseline survey for LACIP-II, consulting firm (M/S Cynosure) was hired. The baseline survey provided carpet coverage in all three districts. The process was closely supervised by MER unit of PPAF. Joint teams of LACIP and MER carried out spot checking. The Baseline Study was completed in June, 2018. It compiled the information for three selected districts and selected UCs in each district. Major areas covered by BS are: demography, livelihood assessment (poverty based on score card, access to basic services, housing, income and expenditure at the household level, skills training requirements etc.), access to CPIs (water, sanitation, streets, schools, dispensary, and priority for infrastructure etc.), institutional profile of districts and UCs, and women empowerment. As a whole the study is of good quality. It documented most of the relevant information required for initiating the work in the selected districts and UCs. It proved to be a useful document for benchmarking and implementation of LACIP-II.

3.2 Commentary on LACIP-II Operational Performance

3.2.1 Institutional Model

One of the strategic goals of PPAF is community empowerment supported through building and strengthening different types of the Community Institutions. In the course of LACIP-II, some 1,276 community institutions were established, organising around 17,000 beneficiaries (36% women). Considering the prevalent cultural norms of the three target areas, managing to get 36% female membership for these community organizations is considered a good achievement by the project. The POs managed it through formulation of separate female COs and VOs; 485 and 52 respectively. Mixed COs and VOs were only possible in Buner in very small numbers – 2 COs and 10 VOs.

With Community Institutions gaining maturity and sustainability there was more attention paid by LACIP-II to build vertical links between these institutions and the Local Governments. One aspect that LACIP-II continued from its previous phases was the focus on exchange of information with the local government entities in the project districts, so that community needs articulated in Village Development Plans could be reflected and budgeted under governmental annual development plans (ADP). By engaging elected representatives in development planning process, capacity of village council also increased in identifying and prioritizing sectoral needs of the area. During the previous LACIP phases, the provincial P&D department had advised the respective DCs of the target districts to conduct regular meetings involving the LACIP and representatives from the relevant Line Departments, so that the development planning is done in an integrated manner, and any duplication could be avoided. These meetings were termed District Development Forum. The efficacy of this forum is based on the tenet of a long- term local government, which is generally in the form of elected local bodies. During the project implementation phase, the local bodies in the districts dissolved after completing their tenures and the new elections could not be held. Hence, the reign of local government remained with the administrative officials (DCs mostly). The efficacy of DDF remained sub-optimal as the DCs are frequently transferred and posted elsewhere, and every new incumbent had to be apprised of the project afresh.

3.2.2 Livelihood Interventions' Impact

The Assets Transfers component supported the poorest community members increasing their earning opportunities. The Skills Development component provided technical and vocational training. There was a general tendency in the beneficiaries to opt for assets rather than training; it is probably due to the abject state of poverty they are in, where they see some immediate relief in the form of ready asset. Further, training courses required lengthier engagement of beneficiaries in terms of time, often impacting their already limited gainful employment activities in the immediate term. However, the project was able to maintain a good balance through consistent interaction with the potential beneficiaries right through the project in both phases.

Based on previous experience, LACIP-II discouraged livestock distribution as it is often difficult for the beneficiary to manage and guard, and difficult to keep track by the project. However, livestock distribution to a limited number of women beneficiaries was allowed, because it adds nutritional value to the household. Usually the livestock with immediate benefits (where gestation period has started and milking becomes possible soon) was not available within the limited amount per beneficiary. In some cases where beneficiaries could put in some amount on their own, in addition to the amount provided by LACIP-II, they opted for livestock with immediate gestation. Others who could not afford to complement the LACIP-II amount, could get livestock where gestation would take longer.

Trading category remained the most popular assets category. In the small rural settlements targeted by the project, such businesses of basic nature are a tested way of supplementing the otherwise meagre incomes of the beneficiary households. To ensure that any market saturation does not arise, rapid market assessment studies were carried out during the design phase.

The miniscule uptake of support in the services and production categories is reflective of the overall economic conditions of the area, the demand for services and the resulting returns are limited.

The difference between technical and vocational training in the context of LACIP-II is that the former was provided in a formal institute with focus on both theory and practical, while the latter was primarily practical and did not necessarily require a formal institute. In neither of the three districts, women could attend technical training, because a) there are very few facilities providing training to females in the target districts, b) enrolling with a formal institute would require staying in its hostel as daily commute from their respective villages in neither practically possible nor financially viable, and c) most women in any case opted for vocational courses (tailoring and related skills mostly) which have more earning potential in the target areas. To give some formality to the vocational training, and also to ensure consistent quality, the project ensured that the trainers are from the Social Welfare Department.

In this respect, the case of female training beneficiaries of VO Hosla Committee is a very good example of project adaptability to the local needs. These beneficiaries belonged to VC Wanda Kutana, UC Ahmed Khel in Lakki Marwat. This place is famous for making a special kind of rope made from locally existing wild grasses that is used in weaving charpoys. The women go and collect the grass from the wild and convert it into rope, using a manual labor intensive traditional process. Interestingly, this product is also still used in the area for barter trade. The project trained 20 women in this skill, reducing the intensity of labour involvement by mechanizing some process steps through a locally available machine. At the end of the training, each participant received a machine of her own as the toolkit.

In the skills development, vocational trainings were provided to a total 773 beneficiaries (20% men and 80% women), in which 593 beneficiaries opted for Tailoring skills (78% women, 22% men). Women of the area are more comfortable with in-house income opportunities but they could not develop their linkages with the big market in the cities due to social and cultural barriers. It remains to be seen how much supplementary income is generated by them through this newly acquired skill. However, some indirect benefits (savings) were already reported as they are now able to sew clothes for their immediate and extended family members without incurring tailoring costs.

Stories of success are already emerging from these interventions: Zaroka Bibi (female beneficiary) in Lakki Marwat (UC Dara Tang, VO Itifaq) who received grocery shop has been able to save some money earned from the shop. She purchased a Pico machine as an additional asset and now earning money from both assets. She also added some more items to her shop inventory e.g., threads, mehndi and solar clips etc. according to the customer demand. Salar (male beneficiary, VO Gulab Falahi Tanzeem, UC Malak Khel, Shangla) had a small tailoring shop. The project supported him to procure a good inventory of cloth. This increased the foot traffic to his shop and also increased business volume for his tailoring services. He has since been able to add one more sewing machine by his own savings and employs an additional tailor. He claims that the project support has greatly improved his lifestyle. He has also enrolled his four kids in a local private school, claiming that the education quality is better there as compared to the local government school.

LACIP-II is documenting number of success stories and case studies through its POs. Therefore, this report does not go into further details about the success stories.

3.2.3 Community Share for IAUPs

As its internal policy, PPAF binds the community organizations to contribute up to 15% in the cost of any infrastructure interventions under all its projects. The contribution can be made in the form of labor, material or cash. This condition is put to ensure ownership and sustainability of the interventions. This tenet was also applied to LACIP-II in the beginning. KfW remained neutral about this condition and approved its funds for the entire cost of IAUPs. Later the POs informed that collecting the required contribution was proving to be a major hurdle in IAUP progress. This was due to the relatively high costs of IAUPs – in other projects, infrastructure investments are much smaller – and because of the economic downturn caused by COVID-19 pandemic. Therefore, PPAF first decided to reduce the community share from 15% average to 7%, and later scrapped this contribution altogether. Since KfW had already committed the entire cost of IAUPs, it did not affect the financial outlay of the project. Before this condition was removed, the POs had collected community share for a few of their IAUPs. To ensure equitability across the board, SRSP returned the amount to the contributors in cash. NRSP had already collected and utilized some funds in community contribution by the time the waiver was applied. It could not return the amount due to restrictions on financial transactions with individuals or VOs. Therefore, NRSP utilized all this amount in managing the cost implications incurred due to minor design adjustments, taxes and inflation. The total amount of community contribution collected by NRSP was ~ Rs. 4.4 M. The case of SABAWON was unique in the sense that they received in kind contribution (mostly in the form of labour and local material) worth around Rs. 12 M. However, this could not be returned as it was not in the form of cash. The PO claims to have paid the community for their labour services. However, it needs to be verified by the PPAF finance team.

3.2.4 Gender Aspects

Engaging women of the area in the entire process of LACIP-II remained a key focus of the project. Considering the prevalent cultural norms of the three target areas, managing to get 37% female membership for community organizations is considered a good achievement by the project.

A limited range of assets and livelihood supporting activities was proposed to the female beneficiaries under LACIP-II. Livestock, sewing machines and shops constitute around 55% of all transfers to women, which shows a low level of innovativeness. The choice of assets seems to be driven by the ideas proposed by the beneficiaries, not by the pro-active assessment of the market demand and local opportunities. To improve asset transfers impact on women the POs could use more systematic methods to work out business ideas and the most suitable assets with the female COs' members. It is justified to assume that individuals who benefited from LACIP have varying degrees of control over resources and decision-making. Gender is a key factor that affects these levels of control. More than 33% of the total female beneficiaries opted for assets under the category of Trading. However, in the prevailing social and cultural context it will be managed by other male family members, and it shifts the control of the asset from female beneficiary to male members of her household. This is an observation for future projects that females should be provided such assets that they could manage themselves.

There is also an anomaly in the number of IAUPs proposed by female VOs that could fulfil the selection criteria. There were 52 female VOs (out of the total 148), but only 09 IAUPs proposed by female VOs could be selected for implementation. It means that despite constituting around 35% of community institutions, only 13% of their design proposals complied with the project requirements. A further 5 IAUPs were implemented by mix VOs. In view of the fact that the selection criteria were strictly technical and had no gender inclination, it needs to be explored as to why this disproportionate number of proposals could meet the quality criteria. However, it must be noted that for IAUPs by male VOs also, endorsement from the female population of the area was obtained. Furthermore, the implemented schemes are equally beneficial for all area residents, irrespective of their gender. In fact, water supply schemes could be considered as more beneficial for women because they decrease the daily work load of women.

3.2.5 Prospects and Potential of Common Interest Groups

One of the mandates of the LEP component was to organize groups having common economic interests and activities under one platform. In one way this is re-orientation of community institutions from focusing on the public goods towards enhancing economic gains by creating a tangible and critical mass to improve negotiating powers. The project, however, did not opt to transfer assets to a group. Rather, all assets were transferred to individuals.

Primarily, a CIG comprises of members that are involved in the same business enterprise and related activities that support these or/and are part of the supply/value chain of an enterprise. After identifying those households that deserve support, the CIGs are expected to contribute towards increasing the bargaining power of the poor; creating economies of scale through collective purchases and coordinated marketing; developing linkages with the markets and public sector service providers and reducing vulnerability of the poor through support mechanism and making these small enterprises part of the larger supply/value chain.

Following steps are involved in CIG formation:

1. Identification of resources (in addition to existing CIGs) around which CIGs can be formed, i.e.: tourism, major market available in the area, etc. Once a listing is made a market assessment for each proposed area is performed.

2. Identification of 10 – 15 members (male and female) willing to work together on a single trade (must be LEP beneficiary group with Poverty Score Card: 0-18-23). CIGs' viability and practicability must be assessed before the intervention including:
    a. Needs of the area,
    b. The local skill set available, and
    c. The product demand in local, national and international markets,
    d. Facilitate in the selection of trades.
3. Assess training requirement of beneficiary; linkages to trainers (individuals or organizations).
4. Provision of Skills Training and Enterprise Development Training.
5. Design of the complete value chain; production process and cycle.
    a. Setup an input supply shop (where appropriate),
    b. Setup marketplace (where appropriate),
    c. Produce Social Entrepreneurs for linking products and services to local, national and international markets.
6. Provision of assets during the training program (if eligible).

Once CIGs are strengthened and mature, they should be able to access financial recourses through commercial and financial institutions, including MFIs, independently and directly. Maturity means that a CIG is fulfilling the following indicators:

- CIG is having regular meetings with 70% attendance rate and the proceedings of the meetings are documented.
- All members are participating in saving and record of saving is available.
- CIGs are registered /affiliated with some institutions like, trade unions, PPAF partner organizations, etc.
- Bank account is open for financial transactions of CIGs.
- Practice of internal lending exists, and repayment rate is not less than 95%.
- Group structure is available e.g., finance person, marketing etc. and their roles and responsibilities are well defined.
- Future plan (for the next two years) is available.

CIG offers co-operation opportunities to beneficiaries in several aspects e.g., sharing of experience, collective bargaining from wholesalers, combined transportation etc. During the monitoring visits it was observed that CIG members are focusing only on combined transportation. Increased scope of cooperation in CIG was missing.

Geographical non-proximity in CIG members especially in case of female CIGs was observed in some cases which might hinder their frequent interaction. The initial identification of beneficiaries was based on Cynosure data, and it was essentially aimed at individual beneficiaries. The condition that only people included in the Cynosure database could be provided assets under LACIP-II funding, has been a major limiting factor in CIG formation.

4 FINANCIAL PERFORMANCE

4.1 Financial Performance of the LACIP

The Separate Agreement between KfW and PPAF was in EUR, while the financing agreements between PPAF and the respective POs were in PKR. When the local currency depareciated against EUR during the course of project life, the EUR equivalent of committed amounts between PPAF and POs automatically decreased.

The Financials and Budgeting for Design and Implementation Phase is given in Table 14 below. The figures are as of March 31, 2021. The audited financial figures for LACIP-II are pending. It is to be noted that these figures are liable to minor adjustments, after the financial audit is completed. However, no major changes are envisaged. Further, it should also be noted that no further disbursements to POs against investment costs are due. PPAF retained a minor portion of the POs' operational costs; this will be cleared based on the Summary of Expenses (SOEs). It is envisaged that there is saving of around EUR 1.9 M, mostly on account of currency rates appreciation. As against the exchange rate when the Separate Agreement was signed, Pakistani Rupee stands depreciated by ~40% against EUR, despite some recent gains in the PKR value.

The table below provides two separate columns: one for the total allocation as given in the Separate Agreement; and the other for the EUR equivalent of the total committed amount. The given figures are cumulative utilization of design and implementation phases. Hence this does not follow one specific exchange rate.

Table 14: LACIP-II Budget Utilization (EUR in million) as of Mar 2021.

Budget Head		Total Allocation	Total Committed	Cumulative as of March 2021			
				Total Disbursed by PPAF	% Disbursed of Total Committed	Total Utilized by PO	% Utilized of Total Disbursed
1	Investments Costs						
	CPI	4.24	3.46	3.46	100%	2.7	78%
	LEP	1.06	0.83	0.83	100%	0.6	72%
	ID	0.94	0.87	0.8	92%	0.6	75%
	Sub-Total	**6.24**	**5.16**	**5.09**	**99%**	**3.9**	**77%**
2	Implementation Costs						
	CPI	1.2	0.51	0.47	92%	0.44	94%
	LEP	0.39	0.21	0.2	94%	0.2	100%
	ID	0.3	0.31	0.3	94%	0.3	100%
	Sub-Total	**1.89**	**1.04**	**0.97**	**93%**	**0.94**	**98%**
Sub-total Investments & Operational Cost		8.13	6.2	6.06	98%	4.85	80%
3	Overhead PPAF	0.8	0.5				
4	M&E Consultant cost*	1.07	-	-	-	-	-
Total Project Cost		**10**	**6.7**				

** Consultants are paid directly by the KfW.*
Source: LACIP QPR January-March 2021.

4.2 Financing to POs

Table 15: LACIP-II Financing to the POs: allocation and disbursement

(All amounts in Million Rs.)

PO Name	Agreement Amount	Disbursed Amount	%	Balance Amount	%
NRSP	282.50	274.43	97.1	8.07	2.9
SABAWON	409.56	404.39	98.7	5.17	1.3
SRSP	231.26	225.97	97.7	5.29	2.3
Grand Total	**923.32**	**904.79**	**98.0**	**18.53**	**2.0**

Source: LACIP QPR January-March 2021.

PPAF has an internal policy whereby limits are put on financial tranches to be paid to any POs. Under this policy, next tranche could only be released after a certain percentage of the previous tranche is verifiably utilized in the field. For this reason, four tranches each of SABAWON and SRSP funds have been paid; while three tranches have been paid to NRSP.

Table 16:Financial Disbursements to POs

No.	Date	Disbursement Details
1	May 23, 2018	1st instalment to SABAWON for design phase.
2	August 28, 2018	1st instalment to NRSP for design phase.
3	November 28, 2018	2nd instalment to NRSP for design phase.
4	November 16, 2018	2nd instalment to SABAWON for design phase.
5	December 5, 2018	3rd instalment to SABAWON for design phase.
6	February 21, 2019	1st instalment to SRSP for design phase.
7	March 13, 2019	2nd instalment to SRSP for design phase.
8	March 26, 2019	3rd instalment to SRSP for design phase.
9	September 4, 2019	1st instalment to NRSP for implementation phase
10	September 17, 2019	1st instalment to SABAWON for implementation phase
11	September 13, 2019	1st instalment to SRSP for implementation phase
12	November 12, 2020	2nd instalment to NRSP for implementation phase.
13	October 02, 2020	2nd instalment to SABAWON for implementation phase.
14	November 12, 2020	2nd instalment to SRSP for implementation phase.
15	March 30, 2021	3rd instalment to NRSP for implementation phase.
16	January 21, 2021	3rd instalment to SABAWON for implementation phase.
17	February 08, 2021	3rd instalment to SRSP for implementation phase
18	March 30, 2021	4th instalment to SABAWON and SRSP for implementation phase.

Source: LACIP QPRs.

5 INSTITUTIONAL PERFORMANCE

5.1 Frame Conditions

The general frame conditions for the Program remained relatively stable over the Program tenure. Law and order situation remained satisfactory and has greatly improved in the KP province recently, making the environment conducive to engage with the deprived communities for development work. However, POs faced problems to some extent in the issuance, and later on, renewal of NOCs to keep on working in the respective districts. Timely initiation of NOC renewal process by POs and close coordination of PPAF and POs with the provincial government avoided any discontinuity in smooth execution of the Programme.

The first COVID cases started to emerge in Pakistan in March 2020. By the end of the project, there had been an outbreak of third wave of COVID-19 across the country. The measures enforced to control the spread of the Coronavirus adversely impacted the lives and livelihoods of vulnerable communities in the country including LACIP-II's intervention districts. The COVID related restrictions and strict SOPs also affected the pace of work for LACIP-II. By and large, markets and economy struggled to recover from debilitating economic downturn caused by the COVID-19 pandemic. As part of the GoP's COVID Relief Response, huge amounts were disbursed to large number of beneficiaries across Pakistan under Ehsaas Emergency Cash Programme.

5.2 Alignment with PPAF Long-term Strategy

PPAF was the Executing Agency for the Program. PPAF activities are focused on social mobilization, institution building, enhancement and protection of livelihood, access to microcredit, basic services and infrastructure. LACIP-II activities were implemented in close coordination and complimentary to other initiatives of PPAF. Where appropriate, the PPAF had coordinated activities with the operations of other ongoing projects to ensure that the proposed standards, systems, methods, etc. are compatible and complementary as much as possible and to avoid duplication of efforts or inconsistencies of the approach. Implementation of LACIP-II required PPAF to adjust and develop its management systems and structures to suit the implementation of the Program.

5.3 Environmental Safeguards

In line with the Environmental and Social Management Framework (ESMF) of the PPAF, social and environmental safeguards are mainstreamed in the programmes to ensure that the interventions do not have any significant negative environmental and social impacts. During the desk review of projects' proposals and the field monitoring visits of the completed projects, interventions are found to be either environment friendly or having no negative impact, thus environmental impacts of the projects are acceptable and have no cause of concern.

Partners and community institutions took guidance from the PPAF's Environmental and Social Management Framework[21] which is a comprehensive document providing guidelines in this regard. Meeting the environmental and social requirements of the PPAF is a fundamental part of all financing agreements and its compliance was strictly adhered during planning and implementation stages. The ESM unit of the PPAF remained continuously involved in orientating POs' staff on the ESMF guidelines.

[21] http://www.ppaf.org.pk/ESMF.pdf

During projects' appraisal and implementation, the POs used two types of forms – 'A' and 'B' – that contain environmental and social guidelines specific to the type of infrastructure project or intervention. Along with the project proposal, the POs fill Form-A and submit it to the LACIP. Form-B is filled at the completion stage.

Adhering to strict environmental standards, the NOC conditions for the IAUPs also included environmental aspects, including water quality testing and effluent disposal. In one case in Lakki Marwat, one drinking water supply scheme was dropped after initial selection due to the potential excessive drawdown of groundwater.

The project also encouraged environmental improvement activities by its partners. For example, SRSP Shangla in collaboration with Watershed Division Besham, District Shangla, carried out tree plantation in LACIP-II project area in February 2021. The plantation activity covered 12 villages of four UCs where IAUPs were implemented. The watershed division provided 15,000 saplings including 5,000 Poplar and 10,000 Robinia. The communities of the target UCs actively participated in spring plantation event. The plantation of trees will add positive impact to the climate and would also reduce the hazards i.e., soil erosion by flash floods and land sliding which are most prevalent in the area.

5.4 Management and Organization of LACIP-II

LACIP-II was managed by PPAF under a hybrid management model – a dedicated LACIP team headed by a LACIP coordinator was established. PPAF Head of Programs remained overall in-charge of LACIP-II, supported by a Senior General Manager and technical team. LACIP team also participated in technical discussions and exchange of experience with the respective unit members within the PPAF. This model was accepted by the PPAF and formed the basis for the secondment and recruitment of the required staff. In March 2020, PPAF Head of Program Ms Simi Kamal resigned from her post in PPAF, and became unavailable to the project from April 2020 onwards. Her departure necessitated a change of management for LACIP at the PPAF end. After the departure of Ms Simi Kamal from PPAF in April 2020, Mr Muhammad Nadeem also left the organization by the end of August 2020. As the Senior General Manger, Mr. Nadeem had remained the most senior PPAF official engaged with the LACIP operations. These management changes, if not managed properly, were likely to affect the program progress. Mr. Nadeem was replaced for a brief period by Mr. Nafees Ahmed Khan who was also looking after another KfW funded project at the PPAF. Later, Mr. Asadullah Saleem was made the fulltime Project Coordinator for LACIP, after consultations with KfW. Mr. Saleem had previously remained associated with LACIP as a Senior Manager. Notification for Mr Saleem to work as Project Coordinator was issued on September 04, 2020. He had complete knowledge of the project and understood the dynamics, targets, outputs, and planning of the project. These changes in the LACIP team stood the test of time, and the project was managed effectively and successfully.

5.5 External Monitoring of the Project

KfW Development Bank (KfW) and Pakistan Poverty Alleviation Fund (PPAF) hired the services of NEC Consultants (Private) Limited (NEC) for the monitoring of LACIP-II for 36 months starting from February 1, 2018 and ending on March 31, 2021 under a contract signed dated 12-02-2018. NEC M&E conducted review of NEC and KfW contract in the light of extension of project till June 30, 2021. It was agreed that KfW will issue budget neutral extension till June 30, 2021 to NEC-KfW contract. Later KfW issued the budget neutral extension to the contract.

The overall objective of the NEC M&E services was to conduct regular LACIP-II performance monitoring and review in collaboration with LACIP-II team and the three POs. The M&E's core activity was to carry out quality monitoring in the field, including comprehensive documentation of findings. Based on the field findings, the M&E team provided relevant recommendations to PPAF and through PPAF to contracted POs. The aim of the monitoring was to verify the realization of individual interventions under best practices and identify any issues and challenges. Verifications and findings were clearly communicated to PPAF and the contracted POs.

The M&E did not get involved in implementation of the project or parts of the project in order to keep the necessary distance ensuring objectivity in the monitoring. Although supporting PPAF and the LACIP-II team in certain aspects, the M&E did not accept implementation tasks, neither from PPAF nor from any of the POs.

Table-18 summarizes the specific scope of work (SOW) for NEC M&E for LACIP-II, as independent monitoring consultants.

Table 17: Specific Scope of Work for M&E Consultants

SOW Activity	Relevant LACIP-II Phase
Provide support to LACIP-II team in contract management of KfW and PPAF, and PPAF and POs; overall project planning; consultation and facilitation with SRSP, NRSP and SABAWON; and reporting to KfW and PPAF top managements.	Both design and implementation phases – Completed
Review the LACIP-II Baseline Study for the selected three districts, including its methodology, indicators, and final report.	Design phase – Completed
Review of contracts between PPAF and NRSP, SRSP and SABAWON for LACIP-II, confirming that contracts comply with all the requirements established by KfW.	Both design and implementation phases – Completed
Review proposals submitted by NRSP, SRSP and SABAWON to assist the LACIP-II team, in particular the review of VDPs, design of IAUP, skills training and related asset transfer according to the criteria established by KfW and PPAF.	Design phase-Completed
Review of reporting information/indicators for each component (ID, CPI & LEP) to ensure it is aligned with the outcome indicators.	Both design and implementation phases – Completed
Support the LACIP-II team in addressing possible gaps in the PPAF's CPI Manual, and LEP & ID guidelines.	Design phase-Completed
Field Appraisal of all the proposed measures for which designs have been approved.	Design phase-Completed
Field Monitoring (50% of) after the completion of projects, including consultations with NRSP, SRSP, SABAWON, community-based organizations and interest groups, and beneficiaries.	Implementation phase – Completed
Assist PPAF in updating and aligning the management information system (MIS) and Android application for LACIP-II, and support PPAF's quarterly progress reporting to KfW.	Both design and implementation phases – Completed
Preparation of the completion report expected to be submitted three months after the completion of the project (i.e., June 30, 2021).	After implementation phase – Completed

The M&E team remained open for PPAF, POs, district, and tehsil representatives to join their field missions with the objective to provide hands-on capacity building opportunities and field monitoring. NEC M&E team leader and KfW remained in contact through emails and conference calls about the planning and strategic decision making for the project in coordination with LACIP Project Co-ordinator. As a whole, KfW, PPAF, and NEC M&E worked in coordinated and cooperative environment and decisions were taken under consultations and consensus framework.

Annexure 1: List of Projects – Lakki Marwat

Annexure 2: List of Projects – Buner

Annexure 3: List of Projects – Shangla

Annexures are attached as independent document