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**AND**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**AND**

**INTERNATIONAL FINANCE CORPORATION**

**COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT**

**FOR THE**

**ISLAMIC REPUBLIC OF PAKISTAN**

**FOR THE PERIOD FY2010-14**

**November 16, 2011**

**Pakistan Country Management Unit  
South Asia Region**

**International Finance Corporation  
South Asia Department**

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**CURRENCY AND EQUIVALENTS**  
(Exchange Rate as of 7 October, 2011)

**Currency Unit = Pakistan Rupee (PKRs)**  
**US\$1 = 87.3**

**FISCAL YEAR**  
**July 1 to June 30**

**ABBREVIATIONS AND ACRONYMS**

<b>AAA</b>	Analytical and Advisory Activities	<b>IFC</b>	International Finance Corporation
<b>ADB</b>	Asian Development Bank	<b>IMF</b>	International Monetary Fund
<b>AIDS</b>	Acquired Immunodeficiency Syndrome	<b>IRS</b>	Internationally Recruited Staff
<b>AF</b>	Additional Financing	<b>KP</b>	Khyber-Pakhtunkhwa
<b>BISP</b>	Benazir Income Support Program	<b>KPT</b>	Karachi Port Trust
<b>CAS</b>	Country Assistance Strategy	<b>MDG</b>	Millennium Development Goals
<b>CASCR</b>	Country Assistance Strategy Completion Report	<b>MDTF</b>	Multi-Donor Trust Fund
<b>CBR</b>	Central Board of Revenue	<b>MEF</b>	Multi-Tranche Financing Facilities
<b>CFAA</b>	Country Financial Accountability Assessment	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>CGA</b>	Controller General of Accounts	<b>MTBF</b>	Medium-Term Budget Framework
<b>CPS</b>	Country Partnership Strategy	<b>MTDF</b>	Medium Term Development Framework
<b>CPI</b>	Consumer Price Index	<b>NEP</b>	National Environmental Policy
<b>DFID</b>	Department for International Development (UK)	<b>NFC</b>	National Finance Commission
<b>DPC</b>	Development Policy Credit	<b>NFGS</b>	New Framework for Growth Strategy
<b>DNA</b>	Damage and Needs Assessment	<b>NLTA</b>	Non-Lending Technical Assistance
<b>DPL</b>	Development Policy Loan	<b>NGOs</b>	Non-Governmental Organizations
<b>DRM</b>	Disaster Risk Management	<b>NTCIP</b>	National Trade Corridor Improvement Program
<b>EAD</b>	Economic Affairs Division	<b>NWFP</b>	North West Frontier Province
<b>EU</b>	European Union	<b>PCNA</b>	Post Crisis Needs Assessment
<b>FATA</b>	Federally Administered Tribal Areas	<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>FBR</b>	Federal Bureau of Revenue	<b>PEPA</b>	Pakistan Environment Protection Act
<b>FESCO</b>	Faisalabad Electricity Board	<b>PER</b>	Public Expenditure Review
<b>FM</b>	Financial Management	<b>PIFRA</b>	Project to Improve Financial Reporting and Auditing
<b>FY</b>	Fiscal Year	<b>PLC</b>	Punjab Large Cities
<b>FMIS</b>	Financial management Information System	<b>PLGF</b>	Punjab Local Governance Framework
<b>FRDLA</b>	Fiscal Responsibility and Debt Limitation Act	<b>PMSIP</b>	Punjab Municipal Services Improvement Project
<b>GDP</b>	Gross Domestic Product	<b>PPAF</b>	Pakistan Poverty Alleviation Fund
<b>GEF</b>	Global Environment Facility	<b>PPPS</b>	Public-Private Partnerships
<b>GFDRR</b>	Global Fund for Disaster Risk Reduction	<b>PRSC</b>	Poverty Reduction Support Credit
<b>GoP</b>	Government of Pakistan	<b>PSD</b>	Private Sector Development
<b>HEC</b>	Higher Education Commission	<b>QAG</b>	Quality Assurance Group
<b>HIV</b>	Human Immunodeficiency Virus	<b>SBA</b>	Stand-by Arrangement
<b>IBRD</b>	International Bank for Reconstruction and Development	<b>SBP</b>	State Bank of Pakistan
<b>ICA</b>	Investment Climate Assessment	<b>SME</b>	Small- and Medium-Scale Enterprise
<b>ICR</b>	Implementation Completion Report	<b>TARP</b>	Tax Administration Reform Project
<b>IDA</b>	International Development Association	<b>TA</b>	Technical Assistance
<b>IDB</b>	Islamic Development Bank	<b>UN</b>	United Nations
<b>IEG</b>	Independent Evaluation Group	<b>WDR</b>	World Development Report

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**PAKISTAN**  
**COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT**

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## PAKISTAN COUNTRY PARTNERSHIP STRATEGY – PROGRESS REPORT

### I. INTRODUCTION

1. This Progress Report is a mid-term implementation assessment of the Country Partnership Strategy (CPS) for Pakistan (Report No. 53553-PK). The Pakistan CPS was discussed by the World Bank's Board of Executive Directors on July 8, 2010 and covers the period FY10-FY13. Recognizing the challenges facing Pakistan, the CPS was kept flexible by design. The economic, political and security challenges Pakistan has gone through over the past two years have validated this approach. This Report assesses changes in the program during the past two years and proposes adjustments for the remaining CPS period.

2. Unprecedented floods in 2010 and 2011, coupled with continuing security issues and slow economic reform, as well as increased devolution of responsibilities to the Provinces, posed critical challenges, which required an adjustment to the Bank's program involving an emergency response to floods and a deepened engagement with the provinces. Shifting the focus and resources in response to the floods led to a delay in infrastructure investments. In addition, the scheduled policy lending could not materialize, though the Bank remained engaged in key economic issues such as revenue mobilization and power reforms through non-lending technical assistance. The Bank has also worked with the Government to operationalize a Multi-Donor Trust Fund (MDTF) to strengthen the response in the crises-affected provinces of Khyber Pakhtunkhwa (KP), Balochistan and Federally Administered Tribal Areas (FATA) region. Accordingly, the changed circumstances and these adjustments have been reflected in the program and the revised results matrix.

3. Going forward, the overall CPS goal - to help Pakistan steer its economy back onto a path of high, sustained growth by addressing key long-term constraints - remains valid and consistent with the overall priorities of the Government of Pakistan as articulated in its New Framework for Growth Strategy (NFGS). The partnership remains centered on the existing strategic pillars of the CPS - economic governance; human development and social protection; infrastructure; and security and conflict risk reduction. In consultation with the Government, the CPS period would be extended to include FY14. This will better synchronize the CPS both with the national political cycle and the IDA cycle, and will also allow time to move the agreed strategy forward following the adjustments made in the CPS period.

4. To support the CPS pillars, the Bank will remain engaged with a robust program projected at up to US\$4.0 billion in new IDA/IBRD lending over FY12-14. IDA would likely be frontloaded in the FY12-13 period (contingent on implementation performance and absorptive capacity) so as to ensure continued attention to critical social services and safety nets for vulnerable populations to address any negative implications during a weak economic growth period. Similarly, IBRD will be used for transformational infrastructure programs that create jobs and restore long term growth. IFC targets investments of US\$500 million per annum, 50% of which are expected to be in trade finance. MIGA's strategy seeks to continue support for investments in IDA countries, complex infrastructure projects and crisis-affected areas. Equally important will be to ensure that the existing portfolio of 24 IDA/IBRD projects amounting to \$3.7 billion and 38 IFC operations amounting to US\$927 million, as well as the MIGA and

MDTF programs are implemented effectively to achieve their development objectives. Nevertheless, it needs to be highlighted that macroeconomic, political and implementation risks have all increased. In the event of a significant economic deterioration, the proposed strategy would need to be revisited.

## II. COUNTRY CONTEXT AND EMERGING ISSUES

### *Political and Security Context*

5. **The present elected government, which assumed office in 2008, has had to face many challenges.** These include continuing pressures of coalition politics, militancy crises and consequent violence in many parts of Pakistan, recurring natural disasters like the 2010 and 2011 floods, devolution of increasing responsibilities to the provinces, and a difficult economic situation. The Senate elections in 2012 and General elections in 2013 and the resulting political transition may influence the pace of reforms during the remaining CPS period. The Government took some effective counter terrorism measures; nevertheless continuing and increasing violence in various parts of Pakistan persists. In addition, political uncertainties and the risk of social tension resulting from a difficult economic situation remains significant.

6. **Over the past year, greater decision-making authority has been assigned to provincial governments.** The Eighteenth Constitutional Amendment has devolved a number of key functions to the provinces. In total, functions in seventeen federal ministries have been devolved, including Agriculture, Education, Environment, and Health. In addition a greater share of revenues (57.5 percent) will be passed to the Provinces through the National Finance Commission Award (NFC) in order to enable them to perform these functions. As expected, the devolution has posed institutional and capacity challenges at the provincial level, some dispersal of retained functions at the federal level, and requisite expenditure rationalizing under tight fiscal space. Meeting these challenges will require concerted efforts to enhance sub-national capacity and institutional development, which varies across provinces.

### *Economic Status*

7. **The effects of the global economic crisis, political and security concerns and the floods have taken a toll on Pakistan's economy.** As Pakistan recovered from the 2008/09 global crisis, its GDP grew 3.8 percent in 2009/10, and it was expected to increase to 4 percent in 2010/11. Inflation was also expected to return to single-digits in 2010/11. Instead, economic activity slowed down due to the devastating 2010 floods, exacerbated by a hike in food and fuel prices related to global trends that increased inflation rates to above 14 percent between August 2010 and February 2011. As a result, the real Gross Domestic Product (GDP) growth rate in 2010/11 was 2.4 percent and inflation (consumer price index CPI) remained stubbornly high in the double digits (13.7 percent) for the fourth year in a row. Translated to per-capita terms, the GDP growth rate was close to nil.

8. **The fiscal situation has deteriorated but the current account has improved. Fiscal space for priority public investment in key sectors remains constrained.** Fiscal performance over 2009/10-2010/11 was lower compared to the projections that were set in the CPS (see Table 1). Instead of gradually moving down to less than 4 percent, fiscal deficits have risen to 6.3

percent of GDP. This was due to lower economic activity, less than expected performance of revenue mobilization (the federal tax revenue ratio dropped to 9.4 percent of GDP in 2010/11), continuing untargeted subsidies particularly in the power sector, and losses of state-owned enterprises, notably Pakistan Railways, Pakistan International Airlines, and Pakistan Steel Mills. Notwithstanding a fall in Foreign Domestic Investment (FDI) equivalent to 0.7 percent of GDP, high international commodity prices and strong workers' remittances inflows led to the first surplus in the external current account in six years (\$0.5 bn or 0.2 percent of GDP). The overall result allowed gross international reserves to increase to a record-high of US\$15.7 billion (close to four months of imports) in June 2011. An improved external position allowed the State Bank of Pakistan (SBP) to maintain exchange rate stability. At the end of FY10/11, exports were also up by about 30 percent and gross public debt remained stable at about 59.7 percent of GDP.

**Table1: Economic Indicators (in percent, unless otherwise indicated)**

	CAS Projections				Actual		Projections		
	2009/10	2010/11	2011/12	2012/13	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Output and Prices</b>									
Real GDP growth at factor cost	3.0	4.0	4.5	5.0	3.8	2.4	3.9	4.2	4.4
Consumer prices (period average)	11.5	7.5	6.5	6.0	10.1	13.7	11.5	12.0	11.5
<b>Public Finance</b>									
Overall fiscal balance (inc. grants)	-4.6	-3.8	-3.1	-2.8	-6.0	-6.3	-5.6	-5.5	-5.4
Federal tax revenue (% of GDP)	10.0	10.7	11.5	12.0	9.7	9.4	9.9	10.0	10.0
Gross public debt.GDP 1/	56.4	55.3	54.1	52.8	60.8	59.7	57.0	56.4	55.4
<b>External Sector</b>									
Current account (as % of GDP)	-3.8	-4.0	-3.9	-3.6	-2.2	-0.2	-0.8	-1.3	-1.8
Exports of goods & services (% of GDP)	NA	NA	NA	NA	14.1	14.6	13.9	14.1	14.0
Remittances (% of GDP)	NA	NA	NA	NA	6.8	7.4	6.9	7.0	7.1
Gross official reserves (in months of imports) 2/	4.3	4.9	4.7	4.2	3.6	3.9	3.5	3.2	3.0

Source: World Bank

1/ World Bank Staff estimates.

2/ In months of next year's imports of goods & service. Excludes gold and foreign currency deposits with SBP (cash reserve requirements).

**9. The outlook for the remaining CPS period is uncertain.** Under the base projection, Pakistan may see a gradual recovery of growth rates. Given the continuing difficult environment (floods, global slowdown, security etc), growth is expected to only gradually recover to moderate rates in the near term. Real GDP is projected to expand by 3.9 percent in 2011/12 and by 4.2 percent in 2012/13. This forecast takes into account the 2011 flood impact and projected moderation in external demand. The fiscal balance is expected to make marginal improvements in the next two years and the current account may run small deficits despite expected robust exports and remittances. Inflation has demonstrated a declining trend during the first three months of FY12. The combination of a projected current account deficit, low financial inflows and significant debt repayments (including to the IMF) may result in a drawdown of gross reserves. Thus, overall macroeconomic risks continue to be significant. The IMF program, off-track for a year, closed in September 2011 and it is unlikely that a new program will be agreed in the near term, though dialogue between the Government and the IMF continues. Higher than projected fiscal deficits or a fall in exports and remittances due to a global slowdown could result in a more significant economic deterioration.

10. **Improvements in governance have not materialized.** A range of governance, corruption and business environment indicators suggest that these areas remain a challenge. Current Freedom of Information (FOI) legislation of Pakistan remains weak though new legislation has been introduced in the National Assembly which, with suitable amendments, has the potential to raise transparency and improve accountability.

11. **The New Framework for Growth Strategy (NFGS) launched in June 2011 sets out priorities for reviving the economy in the medium term.** The Government has outlined a comprehensive plan to accelerate economic recovery under the NFGS, which identifies low productivity associated with weak economic governance as the main constraint to growth. It sets out an ambitious agenda under six thematic areas to address this constraint: Competitive Markets, Openness, Cities, Connectivity, Youth Development and Governance. Successful implementation of the strategy can help the country improve its stabilization and growth prospects in the coming few years, reduce poverty and provide jobs for some 8,000 people that come to the labor market daily.

### *Human Development and Poverty Reduction*

12. **Accelerating progress in human development remains the key underpinning for sustained economic gains.** The Net Enrollment Rates in education have been increasing in Pakistan but still lag behind South Asia countries. Infant and under five mortality rates represent a similar story. Gender disparities persist in education, health and all economic sectors. Pakistan has one of the lowest female labor force participation rates in the region (see Annex 7 on Gender Challenges). Nutrition also remains a significant cross-cutting challenge, as 44% of children under five are stunted (See Annex 2 on Nutrition Challenges). Despite the worrying state of education and health, especially amongst the poor, the resource allocation as a percentage of the GDP remained low. Pakistan is ranked as one of the lowest spenders on education and health in the region (at less than 2% of GDP). At the current rate of progress, it will be difficult for Pakistan to meet the MDG targets on health and education by 2015. The main challenge in water supply is not of quantity (access) rather that of quality – UNICEF estimates that access to safe drinking water is less than 25%. Similarly in sanitation, access has steadily increased in the last decade but the challenge is that of open defecation especially in rural settings. (see Annex 3 for the latest UN prepared MDG status table).

13. **Poverty gains of the early to mid-2000s are at risk.** As reported in the CPS there are indications that Pakistan saw an impressive decline in poverty trends during most years of the past decade, with the poverty rate falling from 34.5 percent in 2001/02 to an estimated 17.2 percent in 2007/08. Over the past two years there have been signs that poverty levels may be increasing, due to the downturn in the economy, floods and inflation. On the other hand, the rapid post-floods recovery in parts of the agriculture sector (those not hit by back to back floods), market price for wheat, and a surprisingly strong growth in remittances would likely have benefitted the poorest (mainly rural) income groups. While Pakistan's overall level of inequality remains steady and relatively low compared to other developing countries, some of the volatile border regions and some rural areas within the other provinces have a higher than average level of poverty. Increased migration to the cities has also strained their capacity to deliver needed basic services. A new household survey was completed in September 2011 and an assessment is underway that will provide the basis for an update on poverty trends.

### III. PROGRESS TOWARDS CPS OUTCOMES

14. The CPS sets out a strategy for Pakistan around four pillars: (i) improving economic governance; (ii) improving human development and social protection; (iii) improving infrastructure to support growth; and (iv) improving security and reducing the risk of conflict. Pakistan's overall performance toward CPS outcomes has been mixed, with considerable achievements in education and social protection but with little or no progress on the transformational outcomes of increasing revenue mobilization and expanding power provision and improving system efficiency. In terms of financing, the bulk of planned lending for policy support was substituted with floods response as well as additional financing for ongoing education, polio eradication and highway rehabilitation programs (see Annex 8 on actual vs planned program). Consistent with the early changes in circumstances of the CPS – and the accompanying adjustments made to the program – the overall Results Framework (see Annex 1) has been adjusted accordingly, to indicators and targets more closely aligned with the revised World Bank Group program.

15. **A key shift in FY11 was the effort that went into putting together the floods response.** The World Bank and the Asian Development Bank jointly carried out a Damage and Needs Assessment (DNA) to estimate recovery and reconstruction cost. The World Bank Group delivered emergency support to the tune of US\$550 million, including US\$300 million for a quick disbursing import financing operation. IFC also responded to the floods crisis by providing support to affected agri-businesses and approving a program of risk sharing facilities to boost fresh lending to the SMEs. The floods support required significant coordination with development partners for joint crisis response (see Annex 4 for an update on Partnerships).

16. **The second key shift is in the Bank's approach to the long standing structural issues of increasing tax revenues and power sector reform.** The CPS envisaged a core focus on achieving transformational outcomes on tax policy and administration (including raising the tax to GDP ratio) and on power provision (including both reform of the power sector and expanding power supply). As noted below, deep reform progress supported by development policy lending was not possible. The Bank has continued to prioritize these areas through analytic work, ongoing and new investment operations, and exploring the potential for results based operations in power reforms and tax revenue management. Nevertheless, results achievable by the end of the CPS period have been adjusted to reflect the reality of working on a longer time horizon.

17. **The Bank is also reinforcing its focus on governance and gender throughout its portfolio.** The Bank has responded to the governance and corruption challenges through continuing attention to budgetary and public finance transparency overall and to building citizen capacity to demand accountability, grievance procedures and third party monitoring. For example, under the Citizens Cash Transfer Program all enrollment centers have a dedicated complaint desk with clear grievance procedures. The Bank has also placed a governance advisor in Islamabad to support project teams in better understanding governance constraints and identifying ways to strengthen institutional accountability. Gender disparities remain pronounced in Pakistan within a region that has among the poorest gender equality records in the world. Serious gender gaps persist in education, health, and across the economic sectors. Thus gender issues continue to be integrated across the Bank's portfolio – including IDA, MDTF and IFC

projects (see Annex 7). Gender analytical work is also underway, which would help strengthen gender awareness at the province level and identify further areas for potential gender interventions.

### ***Pillar I: Improving Economic Governance***

18. **Progress in improving macro-economic management has been weak.** Given the slow pace of structural reforms, particularly in tax policy and administration and the power sector, followed by the recent closing of the IMF program, the Bank has been unable to extend the development policy funding under the CPS proposed series of Poverty Reduction Support Credits (PRSCs). Though approval of Reformed General Sales Tax (RGST) was postponed due to lack of political consensus, some technical progress has been made in managing taxes including removing some tax exemptions, broadening the tax base, increasing the number of e-taxpayers, and reducing the backlog of sales tax refunds. It is too early to assess the impact of these efforts (see Annex 2a for key tax issues). On power, tariffs have increased by 75% over the last two years and a modest program has recently been approved by the Cabinet, though power subsidies remain untargeted and high at about 1.5% of GDP (see Annex 2b for key power issues). In the absence of the PRSC, dialogue on key economic issues continued under non-lending technical assistance and other instruments, including the on-going Tax Administration Reform Project (TARP) (Cr.4007) and Electricity Distribution and Transmission Project (Cr.4463). Given limited progress and lack of the PRSC instrument, the original CPS goals of reducing the fiscal deficit to 3.5% and raising the tax to GDP ratio to 12.7% by 2012/13 are no longer realistic and have been updated to more modestly help the Government contain the deficit to below 5.5% of GDP and bring the tax to GDP ratio back in the double digits.

19. **The Bank has had relatively more success in helping the Government strengthen public financial management.** The Government has mainstreamed a three-year Medium-Term Budget Framework (MTBF) with indicative ceilings on all sectoral ministries and issued new norms to strengthen cash management. The government-wide Financial Management Information System (FMIS) is functioning well, providing an online record of all transactions of core government departments at federal, provincial and district level. Connectivity with viewing access is being extended to line departments. Significant strides have also been made in clearing more than half of the 12 year backlog of un-reviewed audit reports by the Public Accounts Committee. The Bank approved Additional Financing for the Financial Reporting and Auditing Project (PIFRA II) (Cr. 4864) to further consolidate improvements in public financial management and provide a common platform for financial reporting. Support to improving public procurement continued under non-lending technical assistance and lending operations.

20. **The Bank has supported the Government's effort to strengthen competitiveness and the financial and banking sector.** In the absence of the PRSC series, the Bank's main instruments to leverage reforms in this area are primarily analytical. The Bank completed an Investment Climate Assessment (ICA) and a Sub-national Doing Business Report, and provided non-lending technical assistance on export competitiveness. Advisory support was also provided to the Government's Private Sector Development (PSD) Task Force and the recommendations of

the Task Force have been reflected in the NFGS. Notwithstanding this support, Pakistan's overall ranking on the Ease of Doing Business dropped from 77 in year 2009 to 83 in year 2011 and to 105 in year 2012.<sup>1</sup> IFC's advisory program provided support to SMEs and banking capacity building, improving the business environment, and corporate governance. To support access to finance and the SME sectors, IFC made investments in and provided technical assistance to two microfinance banks and an SME focused bank during the last two years. Further, IFC has established an SME Risk Sharing facility with commercial banks and non-banking finance institutions and donors, and the Government is considering requesting IDA to provide back-stop financing for it as well.

## ***Pillar II: Improving Human Development and Social Protection***

21. **The bulk of the Bank's support for education is results based operations that have performed well in terms of disbursements, results and donor coordination.** During FY11, Additional Financing was provided to education operations in Punjab and Sindh. The operations offered a viable platform for development partners to coordinate and link their support to government strategy under a common results framework. In terms of results, the operations have helped promote public financial reforms, teacher development, textbooks and infrastructure improvements. Project outcomes in Punjab include 79,000 new school teachers hired on merit and over 2,000 low-cost private schools supported under a public subsidy program, with large gains in enrollment. Similarly impressive results have been achieved in Sindh with 600,000 more children in school compared to the project baseline of 2006/07. New skills development activities are on track to increase participation, and enhance quality and employability (Cr 4947). Higher Education Commission (HEC) reforms are being supported under the recently approved Tertiary Education Project (Cr. 4886 and Cr. 4887). Public-private partnership for education is being supported through a focused operation in Balochistan as well as sector reforms in Sindh and Punjab. In terms of analytical work, a comprehensive Education Sector Review is under preparation to identify policy options to further strengthen outcomes. IFC will continue to explore investment opportunities in private education (including vocational training). It has recently launched a technical study on low cost models in education.

22. **The Bank's health and nutrition dialogue gained momentum and activities are increasing.** In view of the rise in polio cases (from 117 cases in 2008 to 144 cases in 2010) and enhanced risk of polio virus transmission post-flood, emergency additional financing was provided to help the Government continue procurement of Oral Polio Vaccines. The operation is supported through a buy-down arrangement with the Bill and Melinda Gates Foundation. A comprehensive sector wide health operation is being prepared for Punjab to strengthen health delivery systems. This operation also intends to include support for HIV/AIDS interventions to follow up on the earlier project that recently closed. Engagement on Nutrition was delayed due to the devolution to the provinces but is taking shape, with the Bank leading development of a multi-sector province level approach (see Annex 2d). Future nutrition activities, either stand-alone or as part of other operations, may be considered during the remaining CPS period.

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<sup>1</sup> A large element of this decline is the inclusion this year of "Getting Electricity" into the formula.

23. **The Bank's engagement has made a significant contribution to strengthening the country's safety net system.** The engagement has been mainly through the Social Protection Development Policy Credit (DPC) (Cr. 4594) and Social Safety Nets Technical Assistance Project (Cr. 4589). The Benazir Income Support Program (BISP) safety net program has made remarkable achievements and has placed Pakistan at the forefront of safety net design in the South Asia region. The BISP Board of Directors (half of which are from the private sector) has been appointed and is functioning. Some BISP achievements are: i) adoption of a national poverty scorecard to identify the poor; ii) completion of poverty score card survey for 96 percent of the population; iii) enrollment of three million families through the poverty score card instrument; and iv) use of IT/technology for program administration, monitoring, and payments. However, a few issues remain to be addressed in the next phase of support. Besides strengthening the BISP program, a major effort during FY11 went into coordinating an emergency floods response where the Bank worked with the Government, Provinces, and key development partners to establish a citizen's cash compensation program for over 1 million affected households and using partner commercial banks for delivery of compensation.

### *Pillar III: Improving Infrastructure to support Growth*

24. **Supply expansion and improving reliability and efficiency of power and gas systems are central to Pakistan's growth and development and they remain a priority, though progress has been slow, both on the reform and investment front.** On the reform side, as noted the Bank has remained engaged through non-lending technical assistance as policy lending is likely unavailable for the near term. However, progress has been limited (see Annex 2b). On the investment side, performance of the ongoing Electricity Distribution and Transmission Project has also been unsatisfactory due to implementation delays and the expected system efficiency gains could not be achieved. The operation is being considered for restructuring. The Bank will continue to focus both on supply expansion and efficiency improvements in the transmission and distribution systems. Preparation for Gas Efficiency, Tarbela IV Hydropower, and a transmission line from Central Asia (CASA 1000) continues. Feasibility for the Dasu Hydropower project has also been initiated through the ongoing water sector capacity building project. There have been delays in design and processing of these activities, partly due to increased focus on floods response. Even if they are approved during the current CPS period, they will not yield results during it. IFC has provided support through renewable power generation (run of the river hydro and wind).

25. **Efforts to improve efficiency and reliability of transport and trade logistics infrastructure (ports, railways, transport services industry etc) have made limited progress.** The Karachi Port Improvement Project (Ln.7956) was slow to get off the ground but became effective in July 2011 and procurement has begun for the reconstruction of berths on the East Wharf. In parallel, an agreement has been signed between Karachi Port Trust (KPT) and IFC for a sub-national loan for rehabilitation of berths. IFC may also support the development of a dry bulk cargo terminal at Port Qasim. The Second Trade and Transport Facilitation Project (TTFP2) (Cr. 4577) is supporting the preparation of a Ports Master Plan, a Trucking Policy, the Customs Automation, and a Revitalization Strategy for Railways. The project faced implementation delays and is currently being restructured. IFC expects to support private investment in rail based freight cargo operations. Notwithstanding this support, Pakistan fell from an overall logistics performance index ranking of 68th in the world (score 2.62) in 2007 to

110th in the world (score 2.53) in 2010, showing significant reversal of progress in customs, infrastructure, international shipments, logistics competence, and tracking and tracing.

26. **The irrigation infrastructure program and analytical support for agriculture productivity largely proceeded as planned.** Punjab Barrages II project (Ln.7900) became effective in January 2011. New Irrigation and barrages projects are under preparation for the remainder of the CPS period. These programs are strengthening the institutions responsible for water resource management and increasing participation of farmers in the decision making process. The Bank is supplementing these efforts with non-lending technical assistance and policy analysis on agriculture productivity and value addition with extensive consultation with the provinces and development partners. IFC is assisting the Governments of Punjab and Sindh in the establishment of multigrain modern storage facilities (with capacity of up to 500,000 metric tons) through public private partnership (PPP) transactions.

27. **Support for urban and municipal services delivery has been limited to date.** Improving Cities' livability and growth potential has been an important part of Pakistan's development agenda, as re-emphasized under the NFGS. The Bank's work on urban development has been slowed by anticipated changes in the provincial local governance structures. Preparation of the proposed Punjab Large Cities (PLC) project was delayed but should be ready for approval in FY12-13 and it focuses on improving governance and investments in urban management. To support this work, the Bank has commenced developing policy notes on Water and Sanitation, as part of Pakistan's NFGS. In parallel, the Bank continued to support institutional strengthening for improved municipal service delivery, primarily through the ongoing Punjab Municipal Services Improvement Project (PMSIP) (Ln. 7380). Under this project, 16 infrastructure sub-projects have been completed, including ten water supply sub-projects benefiting approximately 1.3 million people.

#### ***Pillar IV: Improving Security and Reducing the Risk of Conflict***

28. **The program of activities in the crises affected regions of Khyber Pakhtunkhwa (KP), Federally Administered Tribal Areas (FATA) and Balochistan is just getting underway.** These activities are extended under the Multi-Donor Trust Fund (MDTF), administered by the World Bank, declared effective on August 5, 2010. As of today, 10 countries have pledged an equivalent of US\$140 million towards the MDTF, which has been largely programmed (see Annex 10). The selected projects are based on the priorities identified under the Post-Crisis Needs Assessment (PCNA) and development plans of the provincial governments and FATA authorities. In addition, two critical pieces of analytical work have been agreed upon: capacity building of the Provincial Reconstruction, Rehabilitation and Settlement Authority (PaRRSA); and a Public Expenditure Review (PER) for the KP province. MDTF has had a slow start due to teething problems (e.g. approval process by the government), which are now being resolved.

29. **In developing the program for crisis affected regions, a strong effort has been made to draw the lessons of working in such areas throughout the world.**<sup>2</sup> This includes having a long term perspective, building legitimacy and inclusion at the local level to break the cycle of violence, and addressing capacity constraints; which is also the main thrust of the PCNA. The focus of the first round of MDTF projects is on creating employment and livelihoods opportunities, emergency roads construction, strengthening governance for enhancing effectiveness and responsiveness of State, and revitalizing health services. These projects will seek to build inclusion and partnerships at various levels of governments (federal, provincial, local, community) to help bridge the state-citizen trust deficit gap, develop social capacity and community participation, and engage civil society in planning and monitoring. As these operations were designed after the CPS was prepared, the results matrix has been revised to highlight some of the key results expected by the end of the CPS period. One joint IDA/MDTF project – the KP Emergency Recovery Credit (ERC) (Cr. 4836) – to support people affected by militancy crises – was withdrawn after Board approval at the request of the Government of Khyber Pakhtunkhwa due to a shift in their development priorities. The withdrawn funds are being reprogrammed towards other IDA/MDTF activities.

### *Portfolio Performance Update*

30. **Despite challenges, the portfolio has grown but its performance has shown mixed results.** In FY11, IDA and IBRD extended \$1.6 billion for 12 new operations and the IFC extended a record \$695 million. In addition, nine new MDTF operations (with cumulative commitment of about \$100 million) are expected to come on stream in FY12. The disbursement ratio improved from 29 percent in FY10 to 62 percent in FY11, partly as a result of the quick-disbursing flood import financing operation. At the same time, almost one-third of the IDA/IBRD portfolio is at risk (see Annex B2). Access restriction due to uncertain security situation impacted field monitoring and implementation support but teams have conducted desk reviews with counterparts in the country office and are exploring alternative methods to partly address this constraint. The MDTF projects are exploring the use of an independent third party monitoring agent and GPS-enabled cameras to help with implementation support and remote field monitoring. Going forward, improving implementation performance will remain critical in scaling up Bank support.

31. **Trust Funds supplemented Bank’s support for various projects and analytical work, and are fully aligned with the Bank’s strategy and program.** Beyond the MDTF for crisis affected areas, other key areas supported by trust funds are governance, mining, environment and water. The Global Fund for Disaster Risk Reduction (GFDRR) has provided critical support for the provision of rescue boats and the preparation of Damage and Needs Assessments (DNAs) for the 2010 and 2011 floods. The Pakistan trust fund portfolio currently has 54 active grants with a total commitment of US\$117 million (see Annex 12 for Trust Funds Report).

32. **Portfolio reviews were held regularly to proactively resolve implementation issues.** In addition to the formal Federal/Province-level portfolio reviews, we have regular interaction

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<sup>2</sup> 2011 World Development Report on Conflict, Security and Development (World Bank, 2011)

with our government counterparts and raise concerns as and when needed to ensure timely attention and resolution. Discussions with the government are underway to restructure the Electricity Distribution and Transmission Improvement Project and the 2nd Trade and Transport Facilitation project. The restructuring will likely include scaling down of activities, reallocation and cancellation of committed funds. Similarly, the end of project targets for the Sindh On-Farm Water Management and Highway Rehabilitation projects are being revisited due to unforeseen circumstances. Generic issues such as counterpart capacity, with a particular emphasis on MDTF operations, as well as Capacity in Financial Management (FM) and Procurement, Environment and Social Safeguards are being addressed on both a project and portfolio-wide basis. A key generic issue that has been substantially resolved was the repayment of outstanding balances of US\$3.19 million in the designated accounts of closed projects. The Bank's waiver permitting advances to designated accounts despite non-repayment of unused funds expired on October 31, 2011. The Government is following up closely and about 97 percent has been repaid with only US\$99,000 to be refunded in the next few weeks.

33. **IFC's portfolio performance has also remained strong.** As of June 30, 2011, IFC's committed exposure in Pakistan stood at US\$848 million in 37 companies. Exposure in 10 companies in the infrastructure cluster represents about 46% of the committed balance, while the remaining 54% includes financial markets and general manufacturing.

34. **The country office has been strengthened.** The Islamabad office has been strengthened over the past year with the number of international staff rising from one to eight. This includes experts in economics, governance, power, agriculture, finance, nutrition and conflict management.

#### IV. GOING FORWARD: PROPOSED PROGRAM FOR FY2012-FY2014

35. **The overall focus of the Bank's strategy - to help Pakistan's economy get back onto a path of high, sustained growth - remains valid.** The partnership remains centered on the existing strategic pillars of the CPS and evolving federal and provincial priorities as validated by the government and other stakeholders during various consultation sessions (see Annex 5 on Stakeholders Consultations). In consultation with the Government, the CPS period would be extended to include FY14. This will better synchronize the CPS with both with the national political cycle and the IDA cycle, and will also allow time to move the agreed strategy forward following the adjustments made in the CPS period. However, in the event of a significant change in economic or political scenario, the proposed strategy would need to be revisited.

36. **Key principles of engagement** include (i) delivering fewer but larger operations to allow the Bank to focus its limited resources on strategic areas where the needs are the greatest; (ii) increasing the use of performance-based instruments; (iii) strengthening attention to implementation, results and communications; (iv) deepening the engagement with the provinces, which will require significant attention to capacity support; (v) leveraging partnerships for shared objectives; and (vi) for MDTF, start small and scale up success. Efforts will continue to proactively address governance and gender mainstreaming in projects and economic sector work. Overall, the amount of funding expected to be provided over the remaining period of the CPS remains strong and indicates the World Bank Group's continued commitment to Pakistan's long-term development goals (See Annex 8, 9, and 10 for details).

37. Given the devolution process under way and unique circumstances of each province, the Bank will take a more differentiated approach wherein the level of engagement, instruments, and objectives take into account their respective priorities for development and thus demand for our support, fiscal incentives (some preferring only grants from donors), and absorption and implementation capacity. At the same time, an objective will be to pay more attention to the weaker and more vulnerable regions.

38. **The CPS progress report envisages IDA lending of about \$3.3 billion over FY12-14** (see Table 2). Pakistan’s total indicative IDA 16 resource envelope for FY 12-14 is about SDR 2.1 billion (around US\$ 3.1billion)<sup>3</sup>, plus about \$250 million made available through project cancellation. IDA lending for FY 12-13 may be more than two-thirds of the IDA 16 total as there may be scope for frontloading resources in the first two years (contingent on implementation performance and absorptive capacity) to provide adequate attention to critical social services and safety nets for vulnerable populations during a weak economic growth period. The majority of IDA resources are available on blend terms, while about 3% are available on hard terms<sup>4</sup>. Pakistan could also benefit from additional regional IDA allocations for participation in IDA projects that promote regional integration (e.g. CASA 1000). The Bank will also work with the Government of Pakistan to fully explore the existing flexibility to reallocate resources within the country’s IDA portfolio notably by mainstreaming the inclusion of the emergency related contingent components in selected projects to further support rapid response in eligible crisis and emergency situations.

**Table 2: Actual and Estimated Lending Programs (US\$)**

<b>Period</b>	<b>IDA</b>	<b>IBRD</b>	<b>MDTF</b>	<b>IFC</b>	<b>Total</b>
Actual FY10-11	1.6 b	0.3 b		1.2 b	<b>3.1 b</b>
Estimated FY12-14	3.3 b	0.7 b	140m+	1.5 b	<b>5.64 b</b>
<b>Total</b>	<b>4.9 b</b>	<b>1.0 b</b>	<b>140m+</b>	<b>2.7 b</b>	<b>8.74 b</b>

39. **IBRD:** The CPS provided for IBRD lending of up to \$500 million per year depending on maintenance of a sound macroeconomic framework, and provided for “modulating” IBRD support, guided by the Government’s progress in improving key macroeconomic indicators, including the tax/GDP ratio. While continued IBRD lending during FY12-14 is warranted, performance on the indicators identified as critical for modulating IBRD lending and some weaknesses in overall macroeconomic performance (see Table 1), suggest that IBRD lending in

<sup>3</sup> For IDA16 allocations, only the FY12 allocation is firm while estimates for FY13-14 are indicative only and can change depending on total IDA resources available in the respective fiscal year. Also, IDA allocations are provided in SDR terms, and the US dollar exchange rate applicable to each IDA operation depends on the prevailing rate at the time of project approval.

<sup>4</sup> IDA financing terms are updated annually. In FY12, blend credits have a maturity of 25 years, a grace period of 5 years, an interest rate charge of 1.25%, and with principal repayable at 3.3 percent per annum for years 6-15 and 6.7 percent per annum for years 16-25; hard term credits have the same maturity, grace period, and principal repayment schedule but have an interest rate charge of 2.8%.

the remainder of the CPS period should be at the lower end of the range originally foreseen in the CPS. Investment lending of up to \$750 million over the remainder of the CPS (FY12-14) is envisaged. This would remain subject to the Bank's lending capacity and sound macroeconomic performance as specified in the CPS.<sup>5</sup>

40. **The Multi-Donor Trust Fund (MDTF)** for Khyber Pakhtunkhwa, FATA and Balochistan is the Bank's principal instrument for strategic engagement in crisis hit regions in partnership with other development partners. IDA support can also be considered, if requested by the Government. The MDTF strategy has been aligned with the Post-Crisis Needs Assessment (PCNA) and the World Development Report (WDR) 2011, leveraging partnerships with a focus on security, justice and jobs. Going forward, the MDTF Secretariat along with government and development partners has operationalized the PCNA recommendations in the Operationalization of the Post Crisis Needs Assessment (OPCNA) document, which sets out a 5-year results-based engagement strategy for the MDTF (See Annex 6). A key principle for engagement under the MDTF is to "think big, start small, seek quick results, monitor performance and scale up success".

41. **The Bank expects to provide continued support for evolving federal and provincial priorities under each of the four CPS pillars.** Although the Bank may not be able to provide policy support given the weak conditions for macro-economic reform, we expect to remain engaged in the critical issues of revenue mobilization and power through analytical work, ongoing projects and exploring results based operations. We will also review provincial level expenditures and revenue generation opportunities. Key infrastructure projects, particularly hydropower, irrigation and urban will be expedited to both strengthen the basis for long term growth and provide near term employment opportunities. A health sector operation in Punjab will provide a good basis to deepen our dialogue on critical reforms with other provinces. We will also seek to finalize the multi-sectoral strategy for nutrition and look for entry points for investments during the remaining CPS period. Based on analytical work, we will further develop our program in agriculture productivity and water and strengthen engagement in all provinces.

42. **Given increased frequency of natural disasters, the Bank will bring additional focus and assistance on the Disaster Risk Management (DRM) agenda.** Under the Citizens Cash Transfer Project, the Bank is working with the BISP and NADRA to establish a more systemic database and approach that can be used for responses to future natural disasters. The Bank is also working at the province level and is exploring a first disaster management support project this fiscal year, for Balochistan. Analytical work on disaster management and the impact of climate change continues and the possibility of another DRM investment project may be explored. The results matrix has been updated to include the DRM support envisaged during the remaining CPS period.

43. **The regional agenda will also receive increased attention.** South Asia remains one of the least integrated regions in the world, and this undermines growth efforts. Many of the Bank's

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<sup>5</sup> As indicated in the CPS (para 134-137) this would be characterized by reserves equal to at least 3 months of next year's imports of goods and services and a stable or declining Government debt to GDP ratio.

country-specific Pakistan projects in trade and transportation, ports, and power will help regional cooperation. Beyond this, the Bank expects to support increased trade cooperation between Pakistan and its neighbors, beginning with a workshop later this fiscal year. This will be particularly important in strengthening the trade corridor with Afghanistan during its transition period. A regional power line (CASA-1000) is also being supported that would connect Central Asia, Afghanistan and Pakistan.

44. **The IFC intends to continue expanding its investments in Pakistan**, which have increased seven-fold over the past six years, making Pakistan IFC's 2nd largest country exposure in the Middle East and North Africa (MENA) region. It targets investments of about US\$500 million per annum, 50% of which in trade finance. The sectors with the highest potential development impact and opportunities for IFC include infrastructure (e.g. renewable energy, ports), financial markets (e.g. SME support through access to finance, housing finance), and manufacturing and services (e.g. agribusiness, technical education). IFC is also focused on successful implementation of its advisory programs designed to improve the business enabling environment, strengthen financial markets, and support development of small businesses (see Annex 9 for Planned vs Actual program)

45. **Pakistan is also a focus country for MIGA**, where it has already provided guarantees in hydropower and microfinance, with an outstanding gross exposure of US\$106 million. Going forward, MIGA's strategy seeks to support investments into IDA countries, South-South investments, complex infrastructure projects, and investments into conflict-affected areas.

46. **The Bank's analytical and advisory program will remain central to our policy and sector dialogue.** The Country Economic Memorandum (CEM) under preparation will be the key diagnostic report to help prioritize policies to enable sustainable and inclusive economic growth. The CEM will support implementation of the NFGS, and complement this with in-depth analysis of infrastructure, power, water, agriculture and human capital as well as in province-specific growth strategies. Other analytical pieces will continue in areas such as education, poverty, debt management, state-owned enterprise (SOE) reforms, youth employment, labor markets, and rigorous program evaluations in education and social protection. Finally, the Bank will increase its analytical work at the province level, including fiscal/debt sustainability analysis and public expenditure reviews, to help strengthen the economic framework post 18<sup>th</sup> Amendment for increased Bank engagement in the provinces. The Bank will make a conscious effort to ensure timely dissemination of analytical work using opportunities to stimulate and inform public debate and policy dialogue on emerging development issues. Intensive effort with development partners is underway to look for opportunities for joint diagnostics and analytical work. Trust Funds will continue to be an important source of financing for exploiting synergies in important advisory and analytical activities (see Annex 9 and 11 for Actual vs Planned Advisory and Analytic Activities (AAAs)).

## V. KEY RISKS AND MITIGATIONS

47. The operating environment in Pakistan has become even more daunting since the time the CPS was formulated, and so there are high risks across many aspects of WBG operations in Pakistan. These include political uncertainty, lackluster economic performance, natural disasters and security issues. Pakistan's development needs are pressing, and the Bank's continued

investments can help generate substantial benefits; yet even with risk mitigating measures, expectations in such an environment must be calibrated realistically.

48. **Political transition risks during the remainder of the CPS will likely be markedly larger.** The Bank will seek to manage by intensive engagement and stakeholder communication on priority interventions which have a transformative effect and are likely to have wider ownership across major political parties and stakeholders (e.g. education, health and nutrition, energy, and agriculture). Also, enhanced provincial level engagement will help build partnerships at different political levels and diversify and deepen our dialogue on priority issues.

49. **Macroeconomic risks have risen further,** due to stubbornly high fiscal imbalances, falling financial inflows, high required debt repayments over the next few years and global uncertainties which could affect exports and remittances. These risks will continue to be managed through intensive dialogue on the macro and fiscal framework, exploring performance-based operations on revenue mobilization and power, and further strengthening social safety net systems to protect vulnerable populations from external shocks. We will seek to front-load IDA resources (contingent on implementation performance and absorptive capacity) to support critical social spending and growth enhancing power infrastructure programs during a slow economic recovery period. In the event the macroeconomic risks lead to a significant economic deterioration, the country strategy would need to be revisited.

50. **Implementation risks have increased as the operating environment - including security – has become more challenging.** Staff turnover, counterpart capacity, counterpart funding, governance and security restrictions are among key implementation risks. The Bank will seek to mitigate these through dialogue and federal/provincial portfolio reviews, enhanced attention to capacity support, increased use of information technology for proactive governance and remote field monitoring, and third party monitoring and evaluation, particularly in crises affected areas. Working on areas where we have an already established track record (e.g. education, social protection) or with experienced government partners on transformative programs, and leveraging partnerships will be other mitigating factors.

51. **Governance risks are considerable.** Strengthening country systems and citizen's capacity to demand transparency and accountability will remain a goal of the Bank's engagement. This takes time and committed counterparts. At the operational level, the Bank will undertake analytical and up-front due-diligence work to understand better governance constraints and project-specific vulnerabilities to outcomes and to strengthen sector and institutional accountability. Within projects, the Bank will seek to build-in demand-side governance in projects through the use of feedback and grievance mechanisms, as well as social accountability initiatives with involvement of youth in monitoring where appropriate.

52. **The security situation remains volatile.** At the country office level, a full-time Security Advisor is in place to advise on security and safety of staff and the country office. Security analyses and management of programs (including staff travel and field visits) will continue to be strengthened with flexible implementation arrangements that take into account emerging security and access restrictions and can quickly adapt to changing circumstances on the ground. At the project level, building inclusive and transparent approaches at the community level, particularly in the border areas through the MDTF, will also contribute to reducing social tensions.

53. **The risks associated with natural disasters have increased.** Future large scale natural disasters can affect the pace of Bank's work program delivery and implementation. We will seek to mitigate this risk by building in flexibility in project design for emergency response and by increasing attention to enhancing preparedness for disaster risk reduction.

**ANNEX 1: PAKISTAN CPS FY10-14 REVISED RESULTS MATRIX AND PROGRESS TO DATE**

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<b>OUTCOME PILLAR 1: IMPROVED GOVERNANCE AND PERFORMANCE OF PUBLIC SECTOR</b>				
<p><i>Pakistan's Development Agenda &amp; Outcomes</i></p> <ul style="list-style-type: none"> <li>• Macroeconomic stability regained and maintained</li> <li>• Domestic revenue mobilization significantly increased</li> <li>• Increased efficiency and effectiveness of public spending</li> <li>• Increased transparency and accountability in the use of public funds</li> <li>• Improved governance of markets, enhanced trade competitiveness</li> </ul> <p><i>Issues and Constraints</i></p> <ul style="list-style-type: none"> <li>• Continued high macroeconomic imbalances threaten economic growth and worsening poverty</li> <li>• High losses of public sector enterprises</li> <li>• Inefficient tax administration, narrow tax base and skewed tax structure</li> <li>• Poorly prioritized and executed public investment program</li> <li>• Trade policy lacks coherence, contains considerable distortions</li> <li>• Limited access to financial services by households and MSMEs</li> </ul>				
<b><i>Improved Macroeconomic Management</i></b>				
<ul style="list-style-type: none"> <li>• Fiscal deficit reduced to at or below 3.5% of GDP by 2012/13</li> </ul> <p><i>(Targets revised)</i></p>	<ul style="list-style-type: none"> <li>• Expenditure levels consistent with macro stability</li> <li>• Strategy for restructuring or privatization of public sector enterprises developed</li> <li>• At least one public</li> </ul>	<p><b>Revised Outcome:</b></p> <ul style="list-style-type: none"> <li>• Fiscal deficit target (including grants) is at or below 5.5 % in 2013/14, down from 6.6 % of GDP in 2010/11</li> </ul>	<ul style="list-style-type: none"> <li>• Fiscal deficits were above 6% of GDP the last 2 years and well above the target of 5.1% of GDP in baseline FY09/10 year</li> <li>• No privatization has taken place since 2007, but US\$800 million are expected in FY12 budget as receipts from Etisalat as buyer of Pakistan Telecom shares.</li> <li>• The Government has taken initial steps for SOE reform including: promotion of</li> </ul>	<p><b>Completed/Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>• Emergency Recovery Credit - AF (Floods Import Financing)</li> </ul> <p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>• DLI on Revenue Mobilization (and possible PRSC)</li> </ul> <p><b>Completed/Ongoing</b></p>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
	sector enterprise restructured and/or privatized		new corporate governance rules by Securities & Exchange Commission of Pakistan (SECP), new regulations for SOEs procurement, and ongoing restructuring of all public enterprises with new senior management appointments. However, no closure on restructuring is expected before CPS end 2014	<b>AAA</b> <ul style="list-style-type: none"> <li>• Gilgit-Baltistan Economic Report (FY10)</li> <li>• Poverty Assessment (FY11)</li> <li>• Country Economic Memorandum (FY12)</li> </ul> <b>Planned AAA</b> <ul style="list-style-type: none"> <li>• Poverty Assessment Update (FY12)</li> <li>• Fiscal Management: Federal Provincial (FY12)</li> </ul>
<b>Strengthened Tax Policy and Administration</b>				
<ul style="list-style-type: none"> <li>• Tax to GDP ratio improved to 12.7% of GDP (from 10.4% of GDP in 2008/09) by 2012/13</li> </ul> <p><i>(Targets revised)</i></p>	<ul style="list-style-type: none"> <li>• Risk-based tax compliance management implemented (tax payer audits reintroduced, enforcement efforts stepped up)</li> <li>• Broad-based VAT introduced</li> </ul>	<b>Revised Outcome:</b> <ul style="list-style-type: none"> <li>• Federal Tax to GDP ratio improved to at least 10% of GDP (from 9.4% of GDP in 2010/11) by 2013/14</li> </ul>	<ul style="list-style-type: none"> <li>• Tax to GDP ratio declined to 9.4 % of GDP in 2010/11, as economic activity slowed down due to the 2010 floods, a hike in food and fuel prices related to global trends and political and security concerns</li> <li>• Broad-based VAT was dropped, instead the Government introduced the Reformed General Sales Tax (RGST) bill to the Parliament, but it's approval has been indefinitely postponed due to lack of political consensus. Only Sindh Province has introduced RGST on services</li> <li>• The Government has taken some technical measures in managing taxes including levying of flood surcharge on income, removing some tax exemptions</li> </ul>	<b>Completed/Ongoing Lending</b> <ul style="list-style-type: none"> <li>• Tax Administration Reform Project</li> </ul> <b>Planned Lending</b> <ul style="list-style-type: none"> <li>• DLI on Revenue Mobilization and possible PRSC</li> </ul> <b>Completed/Ongoing AAA</b> <ul style="list-style-type: none"> <li>• Revenue Mobilization: Policy and Administration</li> <li>• NLTA Tax Administration (FY11-12)</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
			and zero ratings etc. Too early to assess impact of these efforts	
<b>Strengthened Public Expenditure, Financial and Procurement Management</b>				
<ul style="list-style-type: none"> <li>• Medium Term Budget Framework (MTBF) functional at the federal level and launched at the provincial level</li> </ul> <p><i>(On Track)</i></p>	<ul style="list-style-type: none"> <li>• Sectoral reviews and Budget Strategy Papers prepared to guide the MTBF process</li> <li>• Strategy for reform of public investment processes and institutions prepared.</li> <li>• Treasury Single Account fully functional and expanded to cover provinces</li> </ul>	<ul style="list-style-type: none"> <li>• No change in original Outcomes and Milestones</li> </ul>	<ul style="list-style-type: none"> <li>• The Budget Strategy Papers are used to prepare the annual budget and the MTBF of the federal government. Sectoral reviews are prepared for a few sectors, but their quality varies. It will be important to approve a new budget organic law to institutionalize MTBFs</li> <li>• A comprehensive diagnostic and reform strategy of public investment was prepared</li> <li>• The Government issued new norms, thus effectively addressing the "flow" side of leakages from Consolidated Fund</li> </ul>	<p><b>Completed / Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>• Government Debt &amp; cash Management</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>• PEFA's Federal and Punjab (FY12)</li> <li>• KP/Fata PER (FY12)</li> <li>• Fiscal Management (FY12)</li> <li>• Debt Management and Sustainability Assessments—Federal and Provincial (FY13)</li> </ul>
<ul style="list-style-type: none"> <li>• Increased timeliness of government financial data: in-year reports within 10 days of month-end; year-end reports within 3 months of year-end</li> <li>• Improved quality and timeliness of government</li> </ul>	<ul style="list-style-type: none"> <li>• Fully integrated country-wide financial management information system (FMIS) functional</li> <li>• Timely and reliable fiscal operations tables and in-year civil accounts published</li> </ul>	<ul style="list-style-type: none"> <li>• No change in original Outcomes and Milestones</li> </ul> <p><b>New Outcome:</b></p> <ul style="list-style-type: none"> <li>• Inclusion of new Bank lending in FMIS for real-time entries leading to improved accuracy of</li> </ul>	<ul style="list-style-type: none"> <li>• FMIS functional for federal and all provincial and district governments. All transactions are recorded in the system. Some district offices in KP, FATA and Balochistan have access issues due to security and their data are entered in batches from alternate sites</li> <li>• New outcome added to support the government efforts on aid effectiveness and use of country systems in Bank financed projects</li> <li>• Civil accounts prepared within 10 days of month-end. Year-end accounts within</li> </ul>	<p><b>Completed/Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>• Second Project for Improvement of Financial Reporting and Auditing (PIFRA II) - extended till June 30, 2013</li> <li>• PIFRA II: Additional Financing (FY11) - closing June 30, 2013</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
audits: audit reports consistent with ISA completed within 7 months of year-end <i>(On Track; New Outcome Added on use of country systems )</i>	<ul style="list-style-type: none"> <li>Completion of audits within 6 months of end FY and delivery of audit reports to the legislature within a month of audit completion</li> </ul>	accounts	2 months of end of FY <ul style="list-style-type: none"> <li>Completion of audits and delivery to legislature within 8 months of end FY for FY09 and FY10</li> </ul>	
<b><i>Enhanced Capacity and Accountability in Public Sector Management</i></b>				
<ul style="list-style-type: none"> <li>Strategy developed for improving effectiveness of institutions of accountability such as Ombudsman, Public Accounts Committee, Auditor General</li> </ul> <i>(On Track; New Outcome Added to include progress of ongoing Land Record Project )</i>	<ul style="list-style-type: none"> <li>Action plan for implementation of Freedom of Information Ordinance developed and under implementation</li> </ul>	<ul style="list-style-type: none"> <li>No change in original Outcomes and Milestones</li> </ul> <b>New Outcome:</b> <ul style="list-style-type: none"> <li>Improved land records service delivery, as measured by number of districts/tehsils with operating service centers in Punjab (at least 10 centres by June 2014); and issuance of fard (land record extract) in less than 30 minutes</li> </ul>	<ul style="list-style-type: none"> <li>Right to Information (RTI) bills submitted to National Assembly in October 2011. Draft RTI bill proposed for Punjab</li> <li>Bank has prepared initial briefing notes for Institutions of Accountability, to support development of the strategy</li> <li>New outcome added to reflect progress against the ongoing Punjab Land Records Project. One Land Record Service Center in Punjab fully operational while 3 more to become operational shortly</li> </ul>	<b>Completed/Ongoing Lending:</b> <ul style="list-style-type: none"> <li>Punjab Land Records Management and Information Systems (LRMIS) Project</li> </ul> <b>Planned Lending:</b> <ul style="list-style-type: none"> <li>LRMIS Additional Financing</li> </ul> <b>Ongoing AAA</b> <ul style="list-style-type: none"> <li>NLTA/Dialogue on public sector governance</li> <li>NLTA on Institutions for accountability</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
		at a service centre		
<b>Strengthened Governance of Markets</b>				
<ul style="list-style-type: none"> <li>• Labor market flexibility enhanced as measured by business surveys and private sector opens up</li> <li>• Reduced anti-export bias resulting from trade restrictions as measured by the average MFN tariff</li> </ul> <p><i>(Limited progress; New Outcome Added to reflect support to New Framework for Growth Strategy)</i></p>	<ul style="list-style-type: none"> <li>• Strategy and implementation plan for Private Sector adopted by Government</li> <li>• New Employment and Services Conditions Act, (ESCA) and Occupational Health and Safety Act (OSHA) approved and provincial regulations proposed</li> <li>• Strengthened monitoring and implementation of Doing Business Reforms particularly around business entry, labor flexibility and creditor rights</li> </ul>	<p><b>New outcome:</b></p> <ul style="list-style-type: none"> <li>• New Government Growth Strategy and implementation plan for private sector led growth adopted by Government</li> </ul>	<ul style="list-style-type: none"> <li>• Planned series of PRSCs was the main instrument to leverage reforms in this area. It did not materialize, hence limited progress</li> <li>• Investment Climate Assessment (ICA) Jan 2010, Private Sector Development (PSD) Task Force Notes (Feb 2011) have provided inputs for Planning Commission's Growth Strategy" adopted by Cabinet on July 2011. New outcome added to reflect this effort</li> <li>• 2011-12 Budget eliminated regulatory duties to reduce anti-export bias. New restrictions to trade in the auto industry were removed in October 2011. CEM work and NLTA to create awareness of additional significant distortions in trade regime, including agriculture</li> <li>• New labor laws drafted but not ratified. Labor issues now devolved to provinces. Provincial Government's initial focus on Industrial Relations Act and collective bargaining issues</li> <li>• Pakistan score on Doing Business rankings came down from 77 in year 2009 to 83 in year 2011 and to 105 in year 2012, but the country was able to improve on the 'Starting a Business' indicator by reducing the number of procedures, time and cost involved in</li> </ul>	<p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>• Investment Climate Assessment (ICA)</li> <li>• NLTA on Strengthening the Insolvency Regime</li> <li>• NLTA Support for PSD Task Force</li> <li>• NLTA Export Competitiveness &amp; Trade Policy</li> <li>• Doing Business in Pakistan Report</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>• NLTA Regulatory Institutions (FY12)</li> <li>• NLTA Sub-national Doing Business Follow Up (FY13)</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
			the process. Red tape reduced for registering business by SECP introducing electronic filing and registration for new business	
<ul style="list-style-type: none"> <li>Increase in number of active borrowers by 35% relative to baseline (1.8 million borrowers) <i>(Limited Progress)</i></li> </ul>	<ul style="list-style-type: none"> <li>Financial sector areas identified for strengthening</li> <li>Improved policy and institutional foundation to support capital markets and NBFIs</li> <li>Increased access to commercial liquidity by MFIs</li> </ul>	<ul style="list-style-type: none"> <li>No change in original Outcomes and Milestones</li> </ul>	<p>the process. Red tape reduced for registering business by SECP introducing electronic filing and registration for new business</p> <ul style="list-style-type: none"> <li>No. of active micro-finance borrowers increased by 17%, from 1.8 million to 2.1 million (as of June 2011; source: Pakistan Micro-finance Network)</li> <li>The SBP has issued several instructions to commercial banks on enhancing outreach to the SME sector and rural enterprises. A set of SME financing Prudential Regulations already exists</li> <li>SECP and 9 stakeholders including the 3 stock exchanges have established an Institute of Capital Markets (ICM) to certify professionals operating in the stock exchanges and dealing in stocks and mutual funds</li> <li>SECP also leading efforts to develop legal and regulatory framework for promoting micro-insurance based on international best practice</li> <li>Pakistan is an outlier in the region when it comes to access to finance by women. The ongoing work on credit constraints to women entrepreneurs (forthcoming) will be used to highlight the improvements necessary to better integrate and expand female access.</li> </ul> <p><b>IFC</b></p> <ul style="list-style-type: none"> <li>Access to finance remains a key pillar of IFC strategy. The international trade</li> </ul>	<p><b>Completed / Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>Financial Sector Monitoring</li> <li>Gender and Access to Finance</li> <li>NLTA Micro Insurance</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>NBFI Assessment (FY13)</li> <li>FSAP development module</li> </ul> <p><b>IDF</b></p> <ul style="list-style-type: none"> <li>Capacity Building of Institute of Capital Markets</li> </ul> <p><b>IFC investments/ advisory projects</b></p> <p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>24 trade finance investments covering 13 Banks</li> <li>3 MSME investments in SME &amp; micro finance banks (NRSP, 1st Micro, Silk bank)</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
			<p>finance program has been 2nd largest among 70 countries in FY11 providing financing facilities primarily to SMEs</p> <ul style="list-style-type: none"> <li>Equity in 2 microfinance banks focusing on rural and women clients and 1 SME bank</li> <li>Advisory program expanded (6 new projects) focusing on SME banking, housing, corporate governance, investment climate and sustainable business</li> </ul>	<ul style="list-style-type: none"> <li>6 advisory projects in Access to Finance, Investment Climate and Sustainable Business (ADRs, CG. BE, SME banking)</li> <li>MIGA support to Habib Metropolitan Bank expansion</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>Roll-over of trade finance facilities with 13 banks</li> <li>2 MSME investments; 1 SME Risk Sharing Facility (a joint WB-IFC project)</li> <li>2 Advisory projects</li> </ul>
<b>OUTCOME PILLAR 2: IMPROVED HUMAN DEVELOPMENT AND REDUCED VULNERABILITY</b>				
<p><b>Pakistan's Development Agenda &amp; Outcomes</b></p> <ul style="list-style-type: none"> <li>Improved educational outcomes for primary, secondary and tertiary students</li> <li>Increased share students graduating with targeted scientific &amp; technological and vocational qualifications</li> <li>Enhanced Social Protection</li> <li>Good progress towards the MDGs, especially for maternal and child health and nutrition and for HIV</li> <li>Enhanced livelihood opportunities for the rural poor</li> </ul> <p><b>Issues and constraints</b></p> <ul style="list-style-type: none"> <li>Gaps in access to education persist, with regional and gender disparities</li> <li>Student learning levels low, and quality and effectiveness of teaching requires further focus</li> <li>Lack of mechanisms to cushion households from the negative effects of income shocks (due to bad health and others)</li> <li>Ambiguity on Social Protection Policy and the implications of 18th Amendment mystifies federal-provincial roles in the implementation of Social Protection</li> </ul>				

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<ul style="list-style-type: none"> <li>• High rates of malnutrition in women and children</li> <li>• Poor management of health services</li> <li>• Poor access to services and markets</li> </ul>				
<b>Improved Equitable Access to Quality Education</b>				
<p>Improved equitable access to quality education services at primary, secondary tertiary level:</p> <ul style="list-style-type: none"> <li>• Primary GER increases from 91% (F 83 / M 97) 08 to 95% (F 90/ M 98): <b>(Revised to NER for Punjab &amp; Sindh)</b></li> <li>• Reduction in primary drop out from 9% to 6% <b>(Dropped; data reliability issues)</b></li> <li>• Reduction in primary female dropout rates from 25% to 20% <b>(Dropped; data reliability issues)</b></li> <li>• Secondary GER increases from 53% (F 49 / M 58) 08 to 57% (F54/ M61) <b>(Dropped; limited)</b></li> </ul>	<p>Educational institutional capacity and governance strengthened:</p> <ul style="list-style-type: none"> <li>• Improved governance and management of education service delivery</li> <li>• Better and strengthened measurements of student learning</li> <li>• Establishment of teacher standards and certification systems</li> <li>• Roll out of national and provincial programs for Vocational Education and Training Reforms</li> </ul>	<p><b>Revised Outcomes:</b></p> <ul style="list-style-type: none"> <li>• Primary NER in Punjab increases from 71% in 2008/09 to 73% 2013/14</li> <li>• Primary NER in Punjab for rural girls (6-10 years) increases from 63% in 2008/09 to 65% in 2013/14</li> <li>• Primary NER in Sindh increases from 64% in 2008/09 to 66% in 2013/14</li> <li>• Primary NER in Sindh for rural girls (6-10 years) increases from 46% in 2008/09 to 48% in 2013/14.</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Financing Projects for Sindh and Punjab were approved post-floods to support continued focus on the program results. Outcomes are revised to bring out focus on Punjab and Sindh Province where we have interventions instead of a global target. Net Enrollment Rates (NER) are used as they are preferred indicators for measuring level of participation in schooling</li> <li>• About 600,000 more children in school in Sindh compared to project baseline of 2006/07. For Punjab, overall net enrolment has remained at the same level, however, female enrolment, especially in rural areas improved</li> <li>• Uneven progress on Governance; significant improvements in some areas such as teacher recruitment, teacher on-site support and school infrastructure rehabilitation but, in general, weak incentives for performance and weak controls against malpractices</li> <li>• Systems for the regular measurement of student achievement are in place and functioning but there are weaknesses in test design and administration, test analysis and use of results in policy and</li> </ul>	<p><b>Completed/Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>• Punjab Education Support Project</li> <li>• Punjab Education: Additional Financing (FY11)</li> <li>• Sindh Education Support Project</li> <li>• Sindh Education Additional Financing (FY11)</li> <li>• Higher Education DPC (FY10)</li> <li>• Tertiary Education Support Project (FY11)</li> <li>• Sindh Skills Development Project (FY11)</li> </ul> <p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>• Punjab Education Sector Project II (FY12)</li> <li>• Sindh Education Sector Project II (FY13)</li> <li>• Gilgit Baltistan</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p><i>intervention to support secondary)</i></p> <ul style="list-style-type: none"> <li>• Tertiary GER increases from 4% to 6%</li> </ul> <p><i>(Largely On track; New Outcome Added for Sindh Skills Project)</i></p>		<p><b>New Outcome:</b></p> <ul style="list-style-type: none"> <li>• Percent of trainees of the youth development program who are employed and/or enrolled in continuing education three months after completion of training (Baseline - 28 percent in FY2010 and target - 40 percent by FY2014)</li> </ul>	<p>planning</p> <ul style="list-style-type: none"> <li>• Teacher standards and certification work in progress but in very early stages of development and implementation</li> <li>• Sindh Skills Project was approved and new outcome is added to include progress under the project</li> <li>• Major reforms in the higher education sector are underway, focusing on improving access, quality, relevance, and improved governance. Bank project was approved and recently signed. Too early to report on progress. The higher education function is expected to devolve to the provinces at the time of NFC award by 2013</li> </ul> <p><b>IFC</b></p> <ul style="list-style-type: none"> <li>• A student loan facility is also being developed in partnership with the World Bank, HEC and State Bank for leading institutions</li> </ul>	<p>Education (FY13)</p> <p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>• Education Sector Review</li> <li>• NLTA to develop quality standards and systems</li> <li>• Impact evaluations of Sindh Differential Stipends Program</li> <li>• Impact evaluations of Sindh PPP intervention</li> </ul> <p><b>IFC investments/ advisory projects</b></p> <p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• 1 advisory project on low cost private schooling models has been launched</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>• 1 investment in private sector education (student loans may also include support to technical institutions)</li> </ul>
<b><i>Reduced Vulnerability Through Effective Safety Nets</i></b>				
<ul style="list-style-type: none"> <li>• Number of families covered by social safety nets increases to 7</li> </ul>	<ul style="list-style-type: none"> <li>• Nationwide poverty scorecard (PSC) roll out (in at least 80 percent</li> </ul>	<ul style="list-style-type: none"> <li>• No change in original Outcomes and</li> </ul>	<ul style="list-style-type: none"> <li>• PSC has been implemented nationwide, except in 4 districts of Balochistan and 7 agencies of FATA. Whereas, out of 25 million homes covered in the</li> </ul>	<p><b>Completed/ Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>• Safety Net DPC</li> <li>• SSN TA</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p>million by 2012.</p> <ul style="list-style-type: none"> <li>Improved targeting of safety nets programs.</li> </ul> <p><i>(On Track; New Outcome Added for Flood Support and DRM)</i></p>	<ul style="list-style-type: none"> <li>of districts in the country) completed and data processed for eligibility determination</li> <li>National social protection policy (NSPP) updated; policies developed to increase informal sector employees' access to social insurance; and provincial social protection programs harmonized with federal programs</li> <li>Graduation strategies for safety nets piloted and results evaluated</li> <li>Implementation agency for national safety net established and coordinated with relevant graduation programs</li> </ul>	<p>Milestones</p> <p><b>New Outcomes:</b></p> <ul style="list-style-type: none"> <li>At least one million flood-affected families received cash transfers</li> <li>Improved response and coordination capacities, through SOPs, emergency protocols etc, for DRM institutions at the Federal level and in at least one Province</li> </ul>	<p>survey, 22 million forms have been entered</p> <ul style="list-style-type: none"> <li>First draft of the National Social Protection Policy has been completed; policy work on informal sector employees access to social insurance is planned; federal-provincial harmonization of SP programs is subject to the finalization of NSPP and its implementation</li> <li>Graduation Strategy will be implemented through the proposed Additional Financing for the SSN TA to support BISP evolve from pure cash transfers to primary education linked co- responsibility cash transfers</li> <li>BISP is the national safety net agency. The SSN TA is supporting its institutional development and providing technical input in the development of graduation programs that will be implemented in partnership with provincial governments and other partner organizations</li> <li>In the aftermath of the unprecedented floods in the country in 2010 the World Bank and ADB completed a Damage and Needs Assessment</li> <li>DRM dialogue is continuing at the Federal and Provincial levels which is beginning to culminate into joint development of disaster risk reduction and preparedness programs with</li> </ul>	<ul style="list-style-type: none"> <li>Flood Emergency Cash Transfer (FECT) Project</li> </ul> <p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>SSN Additional Financing (FY12)</li> <li>Possible DRM Project</li> </ul> <p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>Just in Time Policy Notes on Social Protection</li> <li>Social Safety Net Impact Evaluation Report</li> <li>Pakistan Safety Net Review (FY12)</li> <li>GFDRR Country Program (NLTA): Capacity Building and Hazard Risk Assessment</li> <li>Japan Policy and Human Resources Development (PHRD) Grant for Strengthening Pakistan's Urban Disaster Response Capacity</li> <li>Floods Damage and Needs Assessment (2010)</li> <li>Sindh Floods Damage</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
			respective governments' as well as mainstreaming of DRM in the development agenda	and Needs Assessment (2011) <ul style="list-style-type: none"> <li>• ILO Support to GoAJK</li> <li>• NLTA Post Disaster Housing Assessment</li> </ul>
<b>Enhanced Delivery of Health, Nutrition and Population Services</b>				
<ul style="list-style-type: none"> <li>• Prevalence of children 0-6 months exclusively breastfed increased by 15% (<b>Dropped, No intervention</b>)</li> <li>• Contraceptive prevalence rate increased to 35% (<b>Dropped, No intervention</b>)</li> <li>• HIV/AIDS prevention, care and treatment services provided to 70% of target groups (<b>Revised to Punjab Specific Target</b>)</li> </ul> <p>(New Outcome Added on Polio Vaccination)</p>	<ul style="list-style-type: none"> <li>• Health service delivery systems strengthened.</li> <li>• A plan for a publicly funded health insurance program developed</li> </ul>	<p><b>Revised Outcomes</b></p> <ul style="list-style-type: none"> <li>• HIV/AIDS prevention, care and treatment services provided to 50% of target groups in Punjab</li> </ul> <p><b>New Outcomes</b></p> <ul style="list-style-type: none"> <li>• Polio vaccine coverage is at least 90% in the targeted accessible populations in all high risk districts</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of planned projects on Enhanced Nutrition for Mothers and Children and HIV/ AIDS II could not be finalized. Going forward, multi-sectoral Nutrition intervention and HIV/AIDS to be handled at provincial level. Dialogue initiated with GOP and Development Partners for a proposed multi-donor trust fund for nutrition</li> <li>• Despite achieving Polio vaccine coverage targets, new polio cases increased from 110 in 2009 to 144 during 2010. Additional financing was provided to reduce the risk of polio virus transmission post-floods</li> </ul> <p><b>IFC</b></p> <p>IFC has undertaken a scoping of private health sector, however, limited potential for scaling up of investments</p>	<p><b>Completed/ Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>• Third partnership for Polio Eradication Project (TPPEP)</li> <li>• TPPEP: Additional Financing</li> </ul> <p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>• Punjab Health Sector Reform project (FY13)</li> </ul> <p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>• Health Sector Review</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>• Policy Note on Immunization (FY12)</li> <li>• Health Public Expenditure Review (FY13)</li> <li>• Pakistan Nutrition Report - Provincial/ thematic Policy Notes (FY13)</li> <li>• NLTA Province Health Regulation</li> <li>• NLTA PPP in HNP &amp; Pharmaceutical sector</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<b>Enhanced Rural Livelihoods</b>				
<ul style="list-style-type: none"> <li>Expanded use of farmer and community organizations to link producers to markets (at least 20% of federated organizations report effective linkages with market and private sector built) <i>(On Track)</i></li> </ul>	<ul style="list-style-type: none"> <li>70% of community organizations have received requested skills training and/or livelihood grants</li> <li>Centers linking farmers to markets and financial services created</li> </ul>	No change in original outcomes and milestones	<ul style="list-style-type: none"> <li>Over 90,000 communities organized. 22 million beneficiaries including one million received skills training and 4931 received livelihood grants</li> <li>15 Rural Growth Centers created linking farmers to markets and financial services</li> </ul>	<b>Completed/Ongoing Lending</b> <ul style="list-style-type: none"> <li>Pakistan Poverty Alleviation Fund (PPAF) III</li> </ul>
<b>OUTCOME PILLAR 3: IMPROVING INFRASTRUCTURE TO SUPPORT GROWTH</b>				
<p><b>Pakistan's Development Agenda &amp; Outcomes</b></p> <ul style="list-style-type: none"> <li>Energy sector meets electricity and gas demand in an efficient, affordable and environmentally sustainable manner</li> <li>Reduced transport costs and transit times through improved transport logistics and trade facilitation.</li> <li>Improved sustainability of water and irrigation systems</li> <li>Enhanced agricultural productivity, value addition, and diversification</li> <li>Improved quality of life in the urban areas and increased contribution of urban areas to growth and poverty reduction</li> <li>Increased access to water, sanitation, transport and other urban services in selected municipalities</li> <li>Reduced environmental degradation (Reduction of the costs of environmental degradation from 8.84 to 8 percent of GDP)</li> <li>Enhanced resilience to climate change</li> </ul> <p><b>Issues and constraints</b></p> <ul style="list-style-type: none"> <li>Supply shortages/frequent power outages, especially at peak demand</li> <li>Precarious power sector financial situation creating macroeconomic risks</li> <li>Weak sector governance (policy and regulatory functions) and even weaker corporate governance of public energy companies</li> <li>A fragmented approach towards trade facilitation and transport logistics</li> <li>Road networks with inadequate capacity and low service standards</li> <li>Lack of user participation and inadequate operations and maintenance in water management</li> </ul>				

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<ul style="list-style-type: none"> <li>• Inequities in surface water distribution, shortages at the tail end of the system</li> <li>• Production not sufficiently diversified into higher value agriculture (horticulture, dairy)</li> <li>• Weak urban service delivery as a result of fragmented responsibilities, weak capacity and limited accountability of public sector institutions</li> <li>• Environmental degradation costs at least 8 percent of GDP</li> <li>• Inadequate capacity to plan and manage environmental impacts of infrastructure development</li> <li>• Climate change to compound economic growth and poverty reduction challenges</li> </ul>				
<b>Increased Power Provision and Increased Efficiency and Reliability of Energy Supply</b>				
<ul style="list-style-type: none"> <li>• Losses in electricity reduced from 22% to 17%; and unaccounted for gas reduced from 10% to 6% <i>(Targets revised)</i></li> <li>• Load shedding in power sector reduced from 25% of peak demand to 15%; gas load shedding eliminated <i>(Targets revised)</i></li> <li>• Improved financial viability: (a) zero budget support for tariff subsidies; and (b) 20% of investments financed by internal cash generation</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened electricity and gas networks leading to improved technical and commercial performance of energy networks, gas and electricity</li> <li>• Expansion of public hydro generation capacity initiated under Tarbela Extension Project</li> <li>• Investments in cross-border energy supply infrastructure initiated under CASA 1000 project</li> <li>• Catalytic investments to</li> </ul>	<p><b>Revised Outcomes</b></p> <ul style="list-style-type: none"> <li>• Losses in electricity expected to reduce from 22% to 20%; and unaccounted for gas expected to reduce from 10% to 9%</li> <li>• Average load shedding in power sector presently at 30% of peak demand not worsening; gas load shedding not worsening</li> <li>• Improved financial viability: (a) zero budget support for tariff</li> </ul>	<ul style="list-style-type: none"> <li>• Limited progress in reducing power losses (from 22%+ in FY10 reduced to about 21% in FY11). Duration of power shortages worsened in FY2011; Gas load shedding increased in FY2011 as demand remained strong, while addition to generation capacity was limited</li> <li>• In both cases, there have not been improvements given limited prospects for additional investment (and supply expansion) and influenced by overall security situation, constrained finances (especially power), and limited progress in power reforms. Power Sector Subsidies remained above 2% of GDP in FY11, as adjustment of tariffs to full cost recovery level was not achieved</li> <li>• Implementation delays in the ongoing Bank Electricity Distribution project, could not contribute to efficiency targets. Restructuring proposed.</li> <li>• Tarbela Extension under preparation; scheduled for approval in 2011. Feasibility study for DASU</li> </ul>	<p><b>Completed/Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>• Electricity Distribution and Transmission Project</li> </ul> <p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>• Natural Gas Enhancement and Efficiency Project</li> <li>• Tarbela IV Extension Hydro (FY12)</li> <li>• Energy DLI</li> <li>• CASA1000 Electricity Transmission Project</li> </ul> <p><b>Completed/Ongoing AAAs</b></p> <ul style="list-style-type: none"> <li>• Power Sector Dialogue and Policy Notes completed</li> <li>• Energy Sector Dialogue, including Circular Debt Note (delivered in May 2011)</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p><i>(Revised)</i></p> <p><i>(Limited Progress; Targets Revised)</i></p>	<p>promote private investments in gas and energy</p>	<p>subsidies; and (b) real Rate of Return on Investments remains positive</p>	<p>hydropower initiated</p> <ul style="list-style-type: none"> <li>CASA preparations are continuing and financing support will be extended during FY13 or FY 14</li> </ul> <p><b>IFC</b></p> <ul style="list-style-type: none"> <li>Track-3 investments completed, while 2 or more planned in the next 2 years</li> <li>continued development of renewable power generation, hydro and wind (2 investments in FY10/11); low cost thermal generation (1 new investment in FY11); and privatization of utilities/ distribution (ongoing support to KESC)</li> </ul>	<p><b>IFC investments/ advisory projects</b></p> <p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>3 investments in power (Laraib/Uch/Zorlu)</li> <li>2 Advisory projects (Wind Power/ FESCO)</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>2 new investments in renewable power &amp; gas</li> <li>Advisory services for supporting uptake of captive power by renewable resource</li> </ul>
<p><b><i>Improved Efficiency and Reliability of the Transport and Logistics Network</i></b></p>				
<ul style="list-style-type: none"> <li>Transit time of containers from Karachi Port to Lahore reduced from 11 days to 6 days at end of CPS period.</li> </ul> <p><i>(Limited Progress; new outcome added for support to Railways)</i></p>	<ul style="list-style-type: none"> <li>Logistics Performance Index from 2.62 in 2007 to 2.36 at end of CPS period</li> <li>Ports Master Plan prepared</li> <li>Road sector review covering financial, regulatory governance, and institutional framework for</li> </ul>	<p><b>New Outcome</b></p> <ul style="list-style-type: none"> <li>A railway revitalization strategy developed including an emergency plan for keeping railways operational and afloat while the</li> </ul>	<ul style="list-style-type: none"> <li>As planned support from the Bank and other partners for reforms and modernization in Customs, Ports, and Railways, was either delayed or did not materialize (including the customs reform component of TARP), mostly due to GOP's own borrowing constraints and a force-majeure focus on disaster and crises management, not much progress has been made by Pakistan on improving trade facilitation and customs practices</li> <li>While since 2005 Pakistan has performed well in Telecommunications</li> </ul>	<p><b>Completed/Ongoing Lending</b></p> <ul style="list-style-type: none"> <li>Trade and Transport Facilitation II</li> <li>Highway Rehabilitation Project</li> <li>Highway Rehab: Additional Financing</li> <li>Karachi Port Improvement Project (Reconstruction of berths 15-17A) (FY11); IFC: Karachi Port Project</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
	national and sub-national highways completed	longer term actions are started	<p>and IT Infrastructure and in Private Logistics Services in support of trade, there has been no sustained reform in Customs, Trade and Transport Infrastructure, and Regulation related to logistics. Progress reversed in 2009 and has since stayed on the downward trend, according to the <i>Logistics Performance Index</i> (LPI) of 2010. In customs, infrastructure, international shipments, logistics competence, tracking and timeliness, Pakistan fell from an overall global LPI ranking of 68<sup>th</sup> to 110<sup>th</sup>. India is ranked 47<sup>th</sup> and Bangladesh is ranked 79<sup>th</sup></p> <ul style="list-style-type: none"> <li>• The Bank is now re-engaging on customs and there a renewed effort to restart engagement on trucking and railways under TTFP2</li> <li>• Ports Master Plan under preparation; scheduled for completion in early FY 13</li> <li>• Road sector review to be initiated in FY12</li> </ul> <p><b>IFC</b></p> <ul style="list-style-type: none"> <li>• supporting the development of a dry bulk cargo terminal at Port Qasim</li> <li>• efficiency improvements in Karachi Port</li> </ul>	<p>(Reconstruction of berths 10-14)  <b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>• Railways Revitalization Strategy Note</li> <li>• Dialogue and support to Pakistan International Airline (PIA) as part of the overall public sector reform agenda.</li> </ul> <p><b>IFC investments/ advisory projects</b></p> <p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>• 3 investments - QICT I, QICTII, and KPT</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>• 1 new investment in transport</li> </ul>
<b><i>Strengthened Irrigation Infrastructure and Agricultural Competitiveness</i></b>				
<ul style="list-style-type: none"> <li>• Improved equity in water distribution as measured by</li> </ul>	<ul style="list-style-type: none"> <li>• Decentralization of water management with</li> </ul>	No change in original outcomes and milestones	<ul style="list-style-type: none"> <li>• Continuing irrigation programs in Sindh and Balochistan with increased participation of farmers in water</li> </ul>	<p><b>Completed/Ongoing Lending:</b></p> <ul style="list-style-type: none"> <li>• Balochistan Small</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p>delivery performance ratio from 0.4 to 0.6 (with perfect equity equaling 1.0)</p> <ul style="list-style-type: none"> <li>O&amp;M spending increased by 20%, and cost recovery is increased by 10%.</li> </ul> <p><i>(Largely on Track)</i></p>	<p>more farmer participation</p> <ul style="list-style-type: none"> <li>20% increase in numbers of farmers' organizations and area managed by them.</li> <li>Strengthened capacity of water management institutions</li> <li>Initiation of rehabilitation and modernization of 2 barrages</li> </ul>		<p>management</p> <ul style="list-style-type: none"> <li>Water delivery performance ratio at 0.76 between head and middle and 0.53 between head and tail in Sindh</li> <li>O&amp; M spending and cost recovery increases too early to report</li> <li>Training and capacity building of water management agencies in Sindh, Balochistan and Punjab</li> <li>Rehabilitation of Jinnah Barrage (Punjab) underway and preparation started for Guddu Barrage Rehabilitation (Sindh)</li> </ul>	<p>Scale Irrigation</p> <ul style="list-style-type: none"> <li>Sindh On Farm Water Management Project: Additional Financing</li> <li>Sindh Water Sector Improvement Project</li> <li>Punjab Barrages Improvement Project Phase II</li> </ul> <p><b>Planned Lending:</b></p> <ul style="list-style-type: none"> <li>Punjab Barrages Improvement</li> <li>Sindh Water Sector: Additional Financing</li> <li>Balochistan flood rehab and climate resilience</li> </ul> <p><b>Ongoing/Completed AAA</b></p> <ul style="list-style-type: none"> <li>Bank Netherlands Water Support Program</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>Pakistan Flood Management and Hazard Reduction study</li> </ul>
<ul style="list-style-type: none"> <li>Expanded use of improved techniques for crop production and animal</li> </ul>	<ul style="list-style-type: none"> <li>Improved agricultural research, extension services, training and policy</li> </ul>	<p>No change in the outcomes and milestones</p>	<ul style="list-style-type: none"> <li>Federal Government and provinces re-engaged for transformation of agriculture sector</li> <li>A review of public Agriculture Research and Extension System carried</li> </ul>	<p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>Punjab Irrigated Agriculture (FY12)</li> </ul> <p><b>Ongoing / Completed AAA</b></p>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p>husbandry</p> <p><i>(Limited progress; agriculture specific interventions under preparation)</i></p>	<p>analysis capacity</p>		<p>out</p> <ul style="list-style-type: none"> <li>• Options paper developed on the system of grain storage and the way in which government financial burden could be reduced and the role of the private sector could be increased</li> <li>• An assessment of the seed sector carried out</li> <li>• A study of the rural financial services sector conducted</li> <li>• Participatory Water Resource Management: Best International Practices in the context of Pakistan examined</li> </ul> <p><b>IFC:</b></p> <ul style="list-style-type: none"> <li>• Continuing to explore opportunities in agri-businesses and supply chain. Also engaging with the Government to support PPP projects:</li> <li>• Investments made in agri-business to support adverse impact of 2010 floods</li> <li>• 2 advisory projects on grain silos in Punjab &amp; Sindh are ongoing.</li> <li>• 2 new investments are likely in rice and dairy</li> </ul>	<ul style="list-style-type: none"> <li>• NLTA on Agriculture Competitiveness</li> <li>• NLTA Climate Change Impact and Agriculture Adaptation</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>• NLTA on Irrigated Agriculture</li> </ul> <p><b>IFC investments/ advisory projects</b></p> <p><b>Completed/Ongoing:</b></p> <ul style="list-style-type: none"> <li>• 3 investment projects in agri-business(Engro)</li> <li>• 2 PPP Advisory projects on Grain Silos in Punjab &amp; Sindh</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>• 2 new investments in agri-business (rice &amp; dairy)</li> <li>• Advisory projects on (i) agri-finance conference with SBP, and (ii) investments in medium size dairy farms with Pakistan Dairy Association</li> </ul>
<b>Improved Urban/Municipal Infrastructure and Services</b>				
<ul style="list-style-type: none"> <li>• Improved urban planning and</li> </ul>	<ul style="list-style-type: none"> <li>• Metropolitan areas in Punjab and their</li> </ul>	<p><b>Revised Outcome:</b></p> <ul style="list-style-type: none"> <li>• Improved urban</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing institutional strengthening for improved municipal performance,</li> </ul>	<p><b>Completed/ Ongoing Lending</b></p>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p>management frameworks implemented in select municipalities <i>(Revised to focus on Punjab to link with Bank interventions)</i></p>	<p>service providers managed by a single authority with accountability and appropriate managerial and fiscal autonomy</p> <ul style="list-style-type: none"> <li>Improved database on land and housing issues</li> </ul>	<p>planning and management implemented in 38 select municipalities of Punjab. Initiation of improvement in urban management through improved operational procedures and systems in metro governments of five large cities of Punjab.</p>	<p>accountability, and urban service delivery across municipalities in the Punjab under the PMSIP project</p> <ul style="list-style-type: none"> <li>Ongoing restoration of historic urban fabrics and cultural heritage assets in the Walled City of Lahore.</li> <li>Sector assessment of institutional options for urban water supply and sanitation service providers completed.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing Punjab Municipal Services Improvement Project (PMSIP)</li> </ul> <p><b>Planned Lending</b></p> <ul style="list-style-type: none"> <li>Punjab Large Cities Project (FY12)</li> </ul> <p><b>Completed / Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>NLTA Urban policy dialogue</li> <li>Urban/rural Water supply/sanitation (Policy Notes)</li> </ul> <p><b>IFC investments/ advisory projects</b></p> <p><b>Completed/Ongoing::</b></p> <ul style="list-style-type: none"> <li>Advisory Project on wastepaper recovery</li> </ul>
<b><i>Environmental Sustainability for Better Health Outcomes and Improved Competitiveness</i></b>				
<ul style="list-style-type: none"> <li>Pakistan's ranking for "stringency of environmental regulations" in the Global Competitiveness Reports improved (from 68/131 to 66/131)</li> </ul> <p><i>(Dropped, Limited Interventions to influence the target)</i></p>	<ul style="list-style-type: none"> <li>Adoption of environmental and social sustainability criteria in manufacturing and transportation sectors</li> <li>Strategic medium-term environmental action plans</li> </ul>	<p><b>New Outcome:</b></p> <ul style="list-style-type: none"> <li>As a result of the Bank's analytical work with Pakistan Environment Protection Agency (EPA), Planning Commission, Ministry of Industries and</li> </ul>	<ul style="list-style-type: none"> <li>The phase out of the Ministry of Environment led to minimum enforcement of environmental regulations. Pakistan's ranking for stringency of environmental regulations remained unchanged and may go down without active monitoring at the federal level</li> <li>Knowledge products have been delivered by the Bank to inform the debate for adoption of environmental and social sustainability criteria in</li> </ul>	<p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>Policy options to reduce the costs of outdoor air pollution in Pakistan</li> <li>Strategic Environmental, Poverty and Social Assessment of Trade and transport reforms</li> <li>NLTA Environmental</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p><i>(New Outcome Added to reflect the level of Bank support, mainly analytical)</i></p>	<p>developed by provinces</p> <ul style="list-style-type: none"> <li>Cleaner Production Advisory completed</li> </ul>	<p>Environment and GoSindh, policy recommendations will be available to the Government for adoption and furthering environmental management debate in the country.</p>	<p>manufacturing and transportation sectors</p> <ul style="list-style-type: none"> <li>Strategic medium-term environmental action plans is under-development only in the Sindh province while after the dissolution of Ministry of Environment at the federal level, other provinces are in the process of setting their respective priorities</li> <li>Cleaner Production Advisory completed in FY12 and knowledge product delivered</li> </ul> <p><b>IFC</b></p> <ul style="list-style-type: none"> <li>Power sector investments focused on renewable energy (wind, hydro, solar)</li> <li>Advisory in the area of clean production technology (wind, solar, etc.)</li> <li>Advisory on establishing SEF guidelines</li> </ul>	<p>sustainability and Industrial Competitiveness</p> <ul style="list-style-type: none"> <li>NLTA Environmental management for growth and poverty alleviation in Sindh</li> </ul> <p><b>IFC investments/ advisory projects</b></p> <p><b>Completed:</b></p> <ul style="list-style-type: none"> <li>2 investments in renewable (Laraib-hydro, Zorlu-wind)</li> <li>Advisory project on renewable (wind power)</li> <li>Advisory project to develop guidelines for SEF</li> </ul> <p><b>Planned:</b></p> <ul style="list-style-type: none"> <li>2 new investments in renewable/clean energy</li> <li>Advisory Services in the clean production technology</li> </ul>
<ul style="list-style-type: none"> <li>National Strategy for Climate Change Adaptation designed and under</li> </ul>	<ul style="list-style-type: none"> <li>Development of national strategy for climate change adaptation and mitigation</li> </ul>	<p>No change in original outcomes and milestones</p>	<ul style="list-style-type: none"> <li>The National Climate Change Policy (NCCP) has been drafted and sent to the federal cabinet for approval</li> </ul>	<p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>Ongoing dialogue on environment sustainability &amp; climate change</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
implementation				
<b>OUTCOME PILLAR 4: IMPROVING SECURITY AND REDUCING THE THREAT OF CONFLICT</b>				
<b>Pakistan's Development Agenda &amp; Outcomes</b>				
<ul style="list-style-type: none"> <li>Revitalized agriculture/livestock based economy and increased livelihood and employment opportunities in conflict affected areas of KP and FATA</li> <li>Improved service delivery and governance (in line with the rest of the country) in areas affected by conflict in KP and FATA</li> </ul>				
<b>Issues and constraints</b>				
<ul style="list-style-type: none"> <li>Economic deprivation creates economic environment conducive to exploitation by militant groups.</li> <li>Perceived weaknesses in governance, capacity, representation and responsiveness has eroded trust in the state</li> <li>Worsening security undermines service delivery</li> <li>Community participation in governance low or absent</li> </ul>				
<b><i>Increased Employment and Livelihood Opportunities in Conflict Affected Areas</i></b>				
<ul style="list-style-type: none"> <li>Increased employment, especially for young men (<b><i>Revised to include specific targets under MDTF projects</i></b>)</li> <li>Minimum livelihoods ensured across crisis-affected areas (<b><i>Revised to include specific targets under MDTF projects</i></b>)</li> <li>A better trained, and better skilled workforce in KP and FATA</li> </ul>	<ul style="list-style-type: none"> <li>Community based planning and implementation of rural livelihoods enhancement interventions</li> <li>Commercial and small-scale market oriented agriculture expanded</li> <li>Regulatory reforms facilitate 'doing business' in KP and FATA</li> <li>Direct firm support through matching grants and challenge funds generate</li> </ul>	<b>Revised Outcomes:</b> <ul style="list-style-type: none"> <li>Economic recovery in targeted regions by creating sustainable employment opportunities through rehabilitation of Small and Medium Enterprises (SMEs), investment mobilization, and institutional capacity building. At least 2000 jobs/employment</li> </ul>	<ul style="list-style-type: none"> <li>Projects initiated under MDTF to support economic revitalization, youth employment, rural livelihoods &amp; girls education</li> <li>These projects build on the strategy of 'think big, start small'; initially piloting ideas with potential for scale up.</li> </ul>	<b>Multi-Donor Trust Fund (MDTF):</b>  <b>Approved/Ongoing Projects</b> <ul style="list-style-type: none"> <li>Economic Revitalization of KP and FATA Project</li> <li>IFC: Assisting small businesses and professional to access finance from banks for growth and economic development leading to job creation</li> </ul> <b>Planned Projects</b> <ul style="list-style-type: none"> <li>FATA Rural Livelihood and Community Infrastructure Project</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<b>(Dropped, No intervention)</b>	new private sector employment <ul style="list-style-type: none"> <li>• Social protection interventions secure minimum livelihoods for displaced persons and vulnerable crisis-affected populations implemented</li> <li>• General education and TVET training programs developed and targeted to address market demands for specific skills and expertise</li> </ul>	(direct and indirect) generated in enterprises supported by the MDTF project <ul style="list-style-type: none"> <li>• Supporting small scale community infrastructure and livelihoods opportunities for the local communities in targeted areas through grants, skills development and market linkages. Selected villages in targeted Tehsils of FATA benefit from asset development &amp; livelihoods grants under the MDTF project</li> </ul>		(FY12)
<b><i>Increased Responsiveness and Effectiveness of the State</i></b>				
<ul style="list-style-type: none"> <li>• Enhanced impact and conflict-sensitivity of development programs</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of PCNA with Transitional Results Framework and</li> </ul>	<b>Revised Outcomes</b> <ul style="list-style-type: none"> <li>• KP &amp; FATA are able to manage and coordinate implementation of</li> </ul>	<ul style="list-style-type: none"> <li>• PCNA with Transitional Results Framework and action plan completed and delivered to the government in October 2010</li> <li>• Provincial governments of KP,</li> </ul>	<b>Multi-Donor Trust Fund (MDTF):</b>  <b>Approved/Ongoing Projects</b>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
<p>implemented in communities affected by armed or violent conflict.</p> <ul style="list-style-type: none"> <li>Strengthened capacity and strategic reform of governance institutions in KP and FATA</li> </ul> <p><i>(Revised to include specific targets under MDTF projects)</i></p>	<p>action plan</p> <ul style="list-style-type: none"> <li>PCNA action plans contributes to enhanced governance, improved service delivery in fragile and conflict affected regions with direct community participation, including CDD mechanisms</li> <li>Key infrastructure and public services restored in conflict-affected areas</li> </ul>	<p>PCNA short and medium term interventions and design longer-term interventions; measured by operationalization of PCNA Implementation Support Unit in KP and FATA</p> <ul style="list-style-type: none"> <li>Overall multi-year Governance Program designed</li> <li>Improved access to a defined package of health, nutrition, and reproductive health services in FATA</li> <li>Enhanced inter-district access and mobility in KP and FATA through two roads projects</li> </ul>	<p>Balochistan and FATA authorities have mainstreamed the PCNA recommendations in their respective development plans</p> <ul style="list-style-type: none"> <li>MDTF projects have been initiated to rehabilitate key infrastructure (Roads) and public services (education, health) in target/selected regions</li> <li>MDTF projects initiated to strengthen capacity and support reform of governance institutions</li> </ul>	<ul style="list-style-type: none"> <li>KP Emergency Roads Recovery Project</li> <li>KP and FATA Governance Support Project</li> </ul> <p><b>Planned Projects</b></p> <ul style="list-style-type: none"> <li>Revitalizing Health Services in Crisis affected Districts of KP (FY12)</li> <li>Promoting Girls Education in Balochistan (FY12)</li> <li>FATA Rural Roads Project (FY12)</li> <li>FATA Urban Centers (FY12)</li> <li>Capacity Support to Balochistan Provincial Disaster Management Agency (PDMA) (FY12)</li> </ul> <p><b>Completed/Ongoing AAA</b></p> <ul style="list-style-type: none"> <li>Post Crisis Needs Assessment (PCNA)</li> <li>Operationalization of the PCNA (OPCNA) Report</li> </ul> <p><b>Planned AAA</b></p> <ul style="list-style-type: none"> <li>Public Expenditure Review (PER) for the KP province (FY12)</li> </ul>

Original CPS Outcomes	Original Milestones	Revised CPS Outcomes & Milestones	Progress to date/Comments	Revised: Bank Group Assistance
				<ul style="list-style-type: none"> <li>• Capacity Building of the Provincial reconstruction, Rehabilitation and Settlement Authority (PaRRSA) (FY12)</li> <li>• KP/FATA Economic Development (FY13)</li> </ul>

## ANNEX 2(A): REVENUE MOBILIZATION

1. ***Perhaps the toughest question the Pakistan Government faces is how to create fiscal space.*** This occurs in a context of fiscal retrenchment and gets aggravated by its low and declining total—and tax—revenue ratios that reached single digit by end 2010/11. Pakistan’s medium-term outlook critically hinges on a significant revenue mobilization effort that should produce 2-3 percent of GDP in the next 4-5 years.

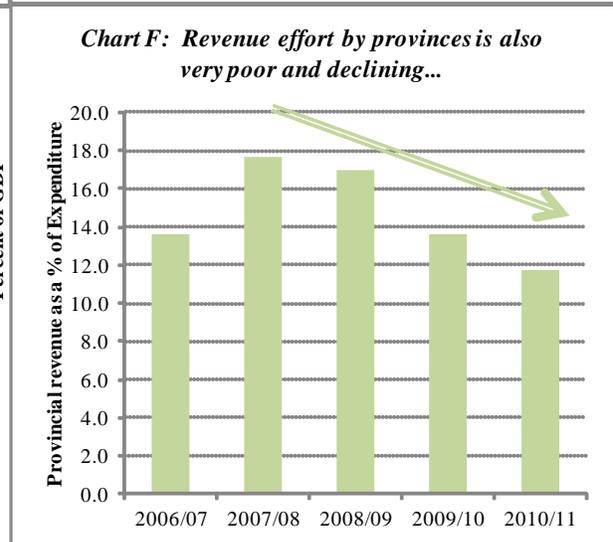
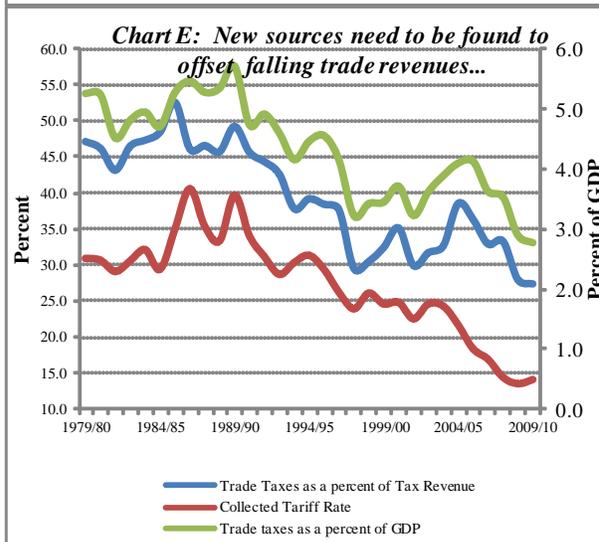
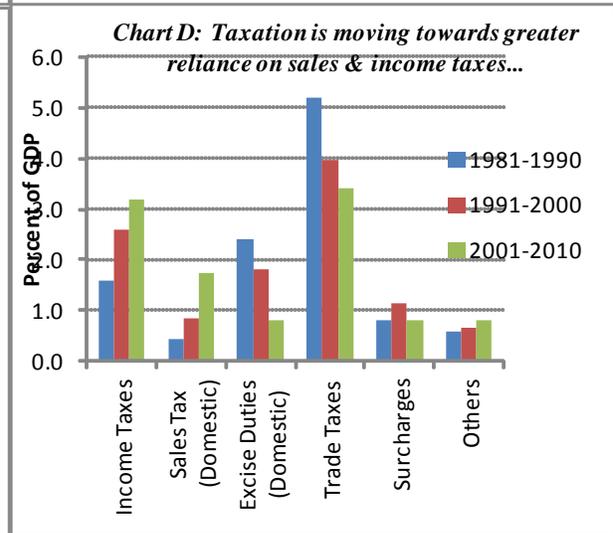
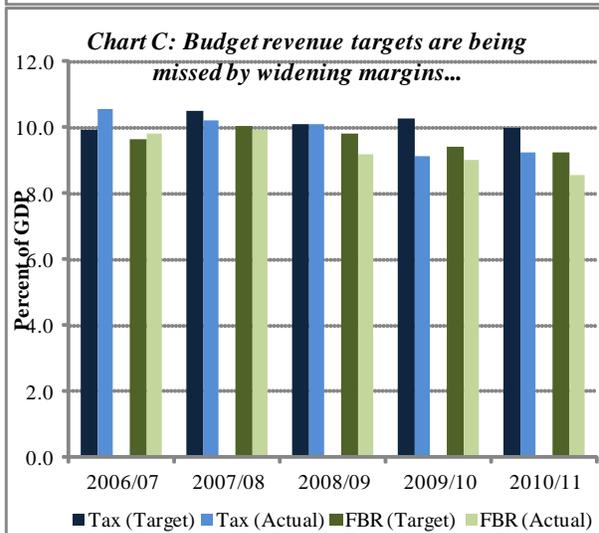
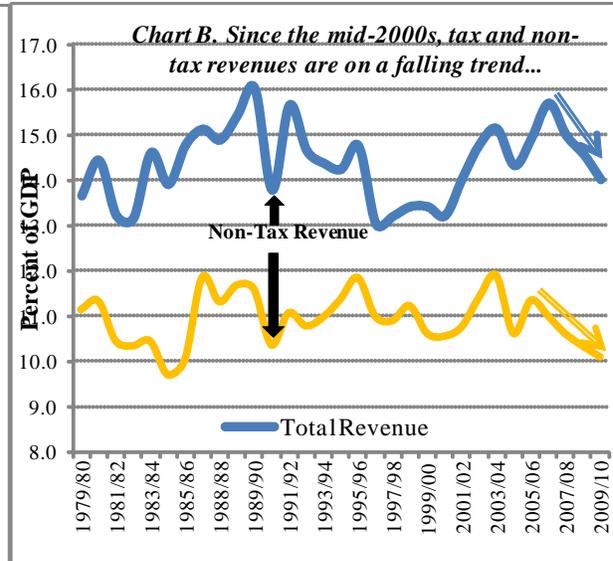
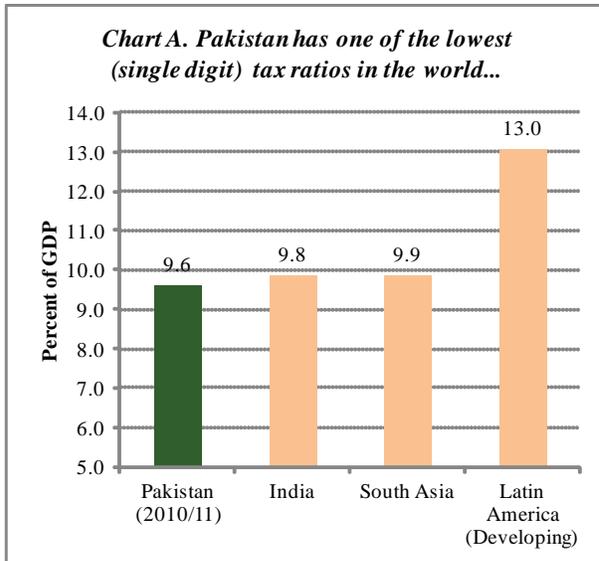
2. ***Revenue mobilization in Pakistan has been historically weak.*** Charts A-E summarize facts surrounding the taxation effort of the country during the last three decades. Looking at the most recent decade, (a) tax revenues are declining since the global crisis, only partially offset by non-tax revenues; (b) budgeted revenue targets are persistently missed under a widening gap; (c) income and sales taxes represent a rising share of total revenues, while trade and excise taxes are trending down; (d) trade taxes decline stopped with a series of protectionist measures applied in 2008/09, but these introduced distortions in the trade regime; (e) low and declining tax collection is also apparent for the provincial governments; and (f) privatization proceeds have been marginal in the last 4 years.

3. ***A comprehensive revenue mobilization strategy centered on structural reform of the taxation system is needed to confront these challenges.*** The overall tax policy strategy points to six major measures: (a) adoption of broad based Reformed General Sales Tax (RGST) on goods and services; (b) provincial tax reforms; (c) a two-tier structure for individual income tax and adopting a withholding tax; (d) reform of the federal excise tax; (e) adopting a business friendly corporate income tax; and (f) a simplified structure of customs duties.

4. ***The tax administration strategy is centered on the following aspects:*** (a) broaden the tax base; (b) establish an effective audit and enforcement mechanism; (c) establish an effective internal and external mechanism; and (e) limiting Federal Board of Revenue’s administrative powers to legislate by administrative orders.

5. ***In the last year, various tax policy reform measures were considered or approved, but not fully implemented.*** The RGST was not approved by Parliament, but additional tax policy measures were introduced in the FY11/12 budget. Indeed, in mid-March 2011 the government approved a flood surcharge levy, increased the special excise duty on imports and imposed a 17 percent sales tax on sales of tractors. It also increased the ex-factory rate on sugar, removed sales-tax exemptions on fertilizers, pesticides and plant machinery, and eliminated zero-rate sales taxes on garments, carpets, leather, surgical and sports goods. However, soon afterwards, a few measures were diluted: the tax rate on the textile sector and some other items was reduced from 17 to 5 percent. The combined fiscal impact of these tax measures were aimed at preserving the tax ratio at a similar level as last year, but this target was not met. These measures were extended in the FY11/12 budget, while new measures were also adopted. These included a reduction in the sales tax to 16 percent, removal of sales tax exemptions on 21 items and Army’s stores, removal of 397 statutory Customs duties, hike in federal duty tax, etc. Overall, tax collection has increased above 20% on an annual basis, compared to the first quarter of FY10/11.

6. ***Reforms on tax administration have been comprehensive, but their overall implementation has also been slow and have not produced the expected final results yet.*** However, some catch up effect is expected during the next two years with the rapid increase in the number of new tax filers, creation of a centralized unit for audits, introduction of risk-based auditing on large taxpayers, creation of a centralized unit of tax appeals and a fully modern and computerized tax system supported by massive FBR staff training. Building on lessons and performance of the TARP, the Bank will continue its support to tax administration reform through a performance-based operation.



Source: World Bank

## **ANNEX 2(B): PAKISTAN'S GROWTH & DEVELOPMENT – THE CENTRALITY OF ENERGY AND WATER**

1. Availability of water and electricity is of crucial importance for the economic growth and development of Pakistan. This will require a combination of improved management, cost recovery, and reduced subsidies along with continued investments in both rehabilitation of strategic assets (storage, barrages, irrigation systems) as well as new investments to shift the energy mix towards lower cost sources.

### ***Untapped Potential***

2. Pakistan is well endowed with energy resources. An estimated 54 trillion cubic feet (TCF) of gas reserves have been discovered to date, and about 32 TCF (about 900 billion cubic meters) remain unproduced. About 937 million barrels of oil have been discovered, of which 354 million barrels remain unproduced. The coal reserves are estimated to 185 billion tons, nearly all located in the Thar Desert in Sindh province. Notably, Pakistan also has a hydropower potential of about 40,000 MW, of which about 6,450 MW has been developed – the remaining economically exploitable potential is around 20,000 MW (or more as alternative fuel costs rise).

3. The importance of water goes far beyond the development of hydropower. Pakistan has the world's largest contiguous water system – the Indus. This Indus Basin Water System (IBWS) is considered the backbone of the country's economy and is the sole source of water supply supporting life and livelihoods. In addition to providing water for irrigated agriculture, these resources also support the development of major cities, industry, and growth centers.

4. Considering the country's strategic location at the cross-roads of South Asia, Central Asia, China and the Middle East and its large working age population, this untapped wealth can help unleash the country's economic potential. The huge development needs of the 21st century require a strategic approach to boosting growth and addressing the existing challenges. The World Bank Group has supported the development of this potential since the beginning, starting with helping to broker the Indus Water Treaty.

### ***Development of power supply will require significant transformation***

5. Energy investment is critically needed. Power shortages because of rolling blackouts, or load shedding, have adversely affected economic and commercial activities. The estimated production loss to the economy is 2% of GDP per annum, and may be more.

6. There are three broad underlying causes for the energy crisis:

- Limited ability to control costs; generation is heavily dependent on imported oil which is subject to international market prices while theft and non-payment go unchecked.
- There is not enough capacity, particularly baseload generation, to meet demand that is growing at 7-8 percent per year. The system is inefficient; for every kilowatt hour (kWh) of demand, 1.3 kWh must be generated.
- Revenues are insufficient to meet expenditures, which has led to a cycle of indebtedness and acute shortages of liquidity within and beyond the power sector.

7. The Government has well-formulated energy plans in order to address these problems, and is continuing to move forward in the implementation of the Energy Sector Recovery Plan announced in

October 2010<sup>6</sup>. It has taken some difficult steps such as increasing tariffs by 75% over the past 2 years but there is an urgent need to more deeply transform the power and gas sector. Specifically, the pipeline of generation projects needs to be strengthened so that the power sector can meet current levels of demand while ensuring that it includes only projects that: (a) are genuinely economic least cost; (b) meet the critical need of baseload and summer time peaking; (c) bring generation costs under control and on a sustainable, downward path; and (d) reduce dependence on market-priced imported fuels. Further, there is an urgent need to resolve the long-standing circular debt in a sustainable manner, reduce and better target energy subsidies, and prevent generation falling below technical levels that are required to maintain the system integrity<sup>7</sup>.

8. By prioritizing hydro development, bringing more gas to the power sector, utilizing off-grid renewable energy and regional cooperation in the power generation (such as CASA 1000 ) Pakistan can significantly reverse the situation. At present only 15% of Pakistan's estimated 40,000 MW hydro potential has been developed. Analysis also shows that through rehabilitation it is possible to add 1,000 MW thermal and 800 MW hydropower in the next couple of years. In parallel, the management of power requires immediate attention.

9. With improved incentives for demand-side efficiency, legal and administrative support to curb theft and non-payment, and giving more operational and financial autonomy to power companies, at the same time holding them accountable for performance, Pakistan can improve the efficiency and quality of services in the power sector. Through reducing and better targeting the subsidies to benefit those who most need them, reducing costs and adjusting electricity tariffs accordingly, and eliminating the circular debt which has plagued the system, Pakistan can break the vicious cycle. These measures of course require very high levels of political commitment and capacity at federal and provincial levels and sustained focus on implementation of reforms, improvement of governance and better management to make headway. Both citizens and industries are looking for quick and visible results.

10. Improving gas supply and efficiency is a key element in strengthening the power sector as well as increasing its availability for industrial, commercial and household use. As seen in the figure 1 below, demand for gas already outstrips supply and the demand gap will start to grow markedly from 2016. Closing it will require increased supply – both local and imported – and reducing gas losses. Appropriate incentives to expand indigenous gas production and allowing gas producers to negotiate new gas contracts with bulk customers under an appropriate royalty/tax regime are essential. At the same time import projects should be provided with adequate incentives to supply gas. A regime of third party access to the gas transport infrastructure in the country will substantially increase the amount of gas available for power generation and other uses. A more stringent regulatory regime is needed to ensure that gas distributors curb losses and only expand their networks where economically justified; in the longer term this may need to be matched with improving access to alternative heating fuels for those not receiving mains gas service.

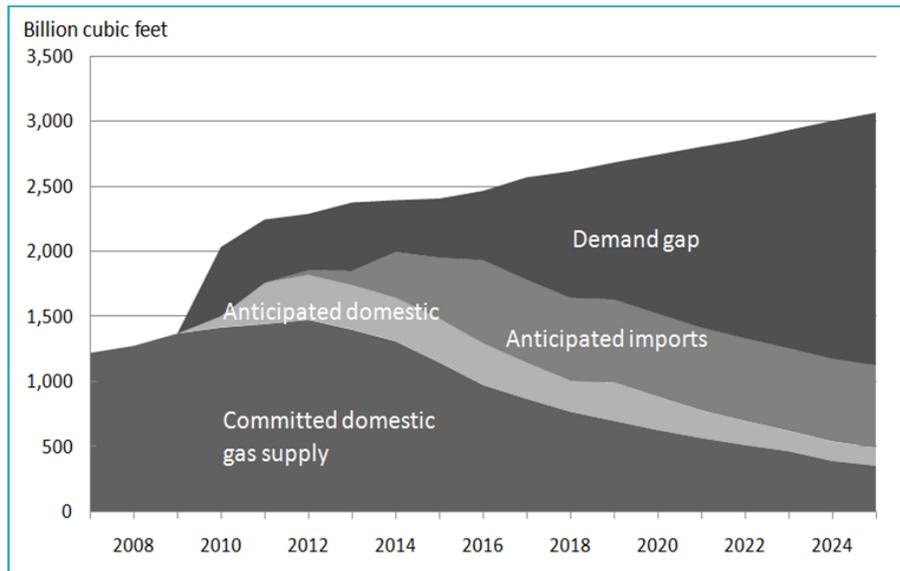
11. Power and gas sector reforms are a long-term effort and require continuous monitoring and commitment to implementation as well as dynamic ability to adjust to the priorities and issues that arise. The Government had made a good start, however new issues have arisen. In the current situation there is a need for improved monitoring and implementation. Accountability needs even more clarity. Relentless focus on implementation and sector management is necessary, and the structure in the government and the sector companies for sector performance and accountability needs to be clarified and enforced.

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<sup>6</sup> Integrated Energy Sector Recovery Report and Plan, October 2010, prepared by Friends of Democratic Pakistan (FODP) Energy Sector Task Force (ESTF) led by the Government of Pakistan and the Asian Development Bank

<sup>7</sup> The power system faced unprecedented load-shedding in October 2011

**Figure 1: Pakistan: Projected Demand and Supply for Gas**



***The use of water must be carefully and efficiently managed***

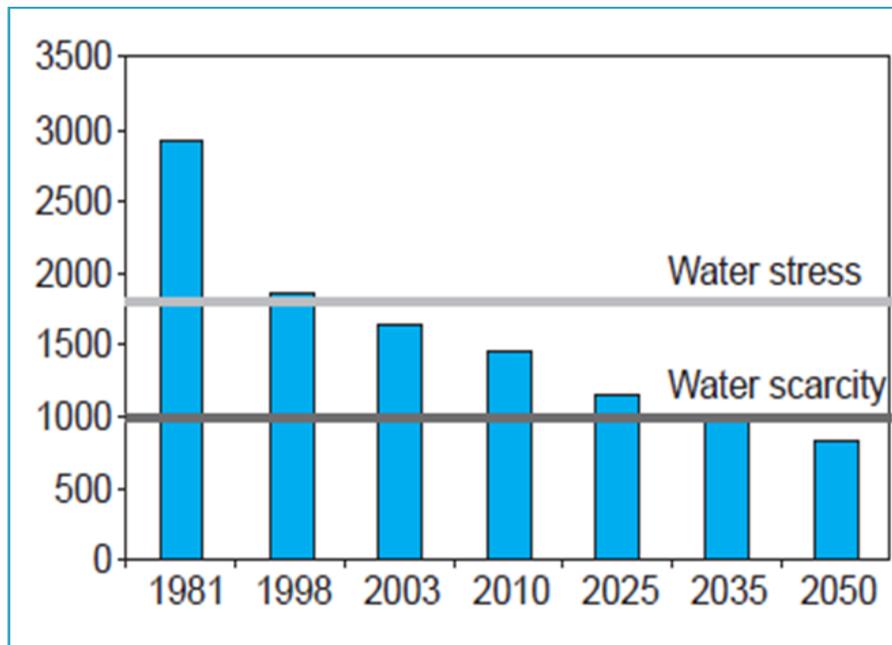
12. Water is the lifeblood of Pakistan, contributing far beyond hydropower. However, water availability is shrinking while demand is increasing. As the population grows and the need for water increases in areas such drinking water, irrigation, and industry, Pakistan is expected to have increasing water scarcity (see figure 2). How this is managed will have a profound impact on Pakistan’s future growth and the well being of its citizens. The Government is currently developing a shared strategy and road map for the water sector in Pakistan to set reform and development priorities<sup>8</sup>.

13. Water sector transformation requires policy reforms to improve water allocation and management, improving water-use efficiency and investing in water infrastructure. This can be achieved by developing frameworks for transparent water allocation and management across sectors and provinces and improved financial recovery and asset management by water companies. Monitoring of water availability (e.g. the impacts of the predicted glacier melting) is critical given the global warming and climate change. About 80% of cropped area is irrigated and agriculture consumes about 95% of available water resources. Water-use efficiency and conservation, including through new and affordable technologies (e.g. replacing flood irrigation with drip and sprinkler technology) is the only solution to ensuring agricultural growth. The government can enhance participation of local water users to provide local incentives for efficiency.

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<sup>8</sup> Pakistan Water Sector Strategy and Road map, being prepared by the Friends of Democratic Pakistan (FODP) Water Sector Task Force led by the Government of Pakistan and the Asian Development Bank

*Figure 2: Pakistan: Per capita water availability (cubic meters)*



### ***Sector Financing***

14. Well-sequenced investments over the next 10 years in power, gas and water could unleash the country's growth potential, restore industrial competitiveness and create jobs. World Bank Group's and Development Partners' funding is limited relative to the massive investment needs. Leveraging private sector is critical. Quality of short-term actions will shape the quantum and terms of long-term financing. Development partners like the World Bank Group can play an important role through due diligence, knowledge and financing. The Bank will continue to support energy and water sector reforms through interventions like Tarbela Hydropower, Gas Efficiency, CASA 1000 and barrages rehabilitation.

## ANNEX 2(C): AGRICULTURE

1. Agriculture is central to the Pakistani economy with a 22% share of GDP. It is the single most important source of employment and exports, accounting for 45% of employment and 60% of exports. Out of a total of 80 million hectares, 25.2% is cultivated, 10% is culturalable waste, 3.6% is under forests and remaining 60% comprises deserts and mountains.
2. Agricultural production includes both food and cash crops. Major food crops are cereal grains (mostly wheat and rice) and milk products (buffalo, cow, and goat). Livestock are primarily pasture-or rangeland-fed. The country's major cash crops are cotton, sugarcane, and tobacco. Most of the poor live in rural areas and tend to be employed as agriculture wage workers and casual labor. The recent surge in global food prices and the flood damages demands enhanced attention to the development of the sector.
3. Pakistan's agriculture sector is almost wholly dependent on irrigation – irrigated land supplies more than 90% of agriculture production and 60% of exports. Pakistan relies on the largest contiguous water system in the world, namely the Indus Basin Water System (IBWS), for basic food security and supply of water for all sectors of the economy. About 30% of the electricity generation, all domestic, municipal and industrial water is supplied from the IBWS.
4. Agriculture sector and livestock sector issues. The key challenges are: (i) low crop yields and crop productivity; (ii) Low quality of animal breeds and nutrition deficiency; (iii) unsatisfactory veterinary health cover; (iv) inadequate cold chain for dairy and meat products; (iv) sub-standard seed and shortage of fertilizer; (v) low area under high value crops; (vi) high post harvest losses; (vii) lack of processing, value addition, and marketing; (viii) poorly developed agriculture markets and infrastructure; (ix) weak and inefficient extension services; (x) limited access to finance, (xi) feeble capacity for research and development (xii) defective land market; (xiii) low access to agriculture technology; (xiv) inadequate linkages with international market; (xv) weak compliance of national and international food safety laws; and (xvi) poorly targeted subsidies, deficient government policies and weak institutions for agriculture development.

### ***Bank Engagement***

5. The Bank has engaged with the provincial and federal governments, donors and other stakeholders for revitalizing the agriculture sector, to help each province identify priority areas for enhancing agriculture productivity and competitiveness and to formulate an investment program for the next 3-5 years. The team commissioned six analytic papers on Grain Storage System, Seed Systems, Rural finance, Research & Extension System, International good practices in Participatory Water Resource Management; and Aquifer management. The analysis provides a useful basis for holding more focused and in-depth discussions with the federal and provincial governments for the investment program.
6. The Bank has also initiated a comprehensive assessment of the impact of climate risks on water management and food security in the Indus River Basin of Pakistan. Climate change may impact overall water availability and agriculture yields in the Indus Irrigation system. Currently, about 50-80% of the total average river flows in the Indus system is fed by snow and glacier melt in the Hindu-Kush-Karakoram (HKK) part of the Himalayas. The remainder is from the annual monsoon system. It is reported that glaciers in this region are receding at fast rates. Changes in the distribution and timing of snowfall and snowmelt are of concern. These changes may have significant impacts on the available supplies entering the Indus system. This has important implications on the ability to manage scarce and variable water resources and overall food security.

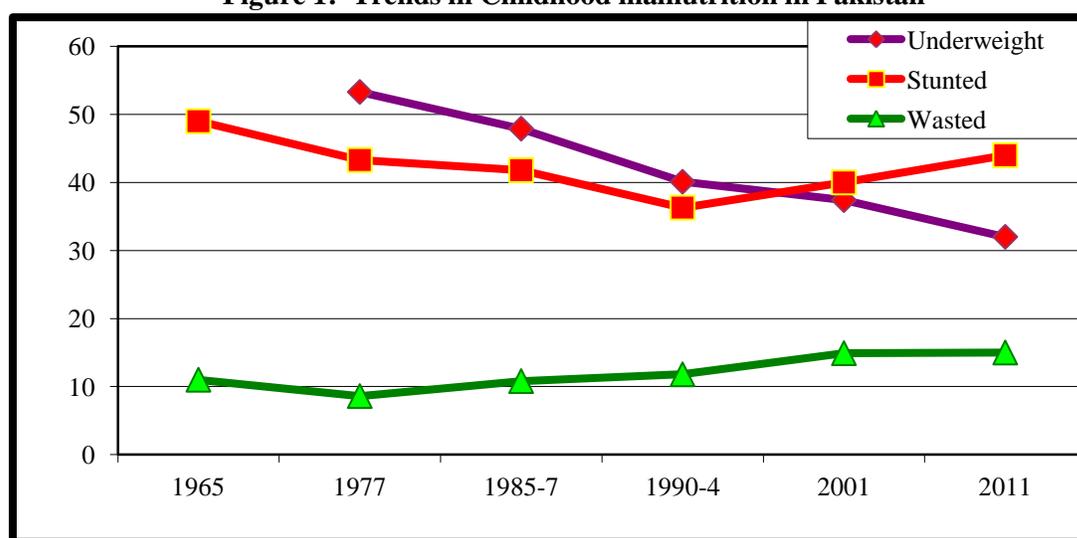
7. The Bank is planning to strengthen agriculture policy dialogue and explore operations on these areas at the Province level, including but not limited to the irrigation operations currently planned. The Bank's focus, as informed by the consultative process, is on three key areas i.e. technology, markets and water use efficiency:

- **In technology**, a top priority is to strengthen the research & extension system. This includes examining the potential of biotechnology to improve seeds and breeds, climate resilience of crops, increase food security through increased production and diversification, and promoting commercial crops. It will be important to promote public-private-academic partnerships to support innovative research and help Pakistan tap into international knowledge to advance its research agenda.
- **On markets** (both input and output), this issue is one of private sector entry and a redefined role for the Government of Pakistan (that of facilitation, regulation, and oversight). The market agenda is directly linked to the technology/research agenda because Pakistan needs the knowledge and technology to shift cultivation into more commercial crops, and the research/extension system is central to such a move. The management of grain stocks remains a critical issue and we are preparing a study on options for that area.
- **Water use efficiency** includes increasing the efficiency of water's delivery, application, and use on the farm through new technology, crop selection, and new irrigation/cropping practices. Further developing and empowering Water Users Associations and farmer organizations must continue as should the safety of strategic infrastructure, such as barrages.

## ANNEX 2(D): MALNUTRITION IN PAKISTAN

1. Pakistan has a very high rate of child malnutrition: 44% of children under five are stunted and 32% are underweight<sup>9</sup>. Maternal malnutrition is also a significant problem: 15% of women of reproductive age have chronic energy deficiency and a third of women are either overweight (21%) or obese (9.5%), indicating a double burden of under- and over-nutrition. Women and children also suffer from some of the world's highest levels of vitamin and mineral deficiencies. As Figure 1 illustrates, the levels of malnutrition and its impact on growth and height in Pakistan remain serious. Underweight is weight for age, whereas stunting is height for age and is a reflection of chronic malnutrition. Wasting is weight for height and is an indicator of acute malnutrition (typically measured in emergency and famine situations); the international threshold for declaring a “nutrition emergency” is 15% wasting and the level of wasting in young children (less than 1 year) in Pakistan is 25%. There are no significant differences between malnutrition levels for girls and boys.

**Figure 1: Trends in Childhood malnutrition in Pakistan**



2. There is broad consensus globally on the “Scaling Up Nutrition” (SUN) framework that calls for a focus on the first 1000 days of life, from conception to the first 24 months of a child’s life, because that is when most of the damage to cognitive ability and growth occurs and much of that damage is irreversible. The SUN framework outlines a set of well-proven “direct nutrition interventions” as well as a broader multi-sectoral approach. Action on both is urgent.

3. Improving nutrition contributes to productivity, economic development, and poverty reduction by improving physical work capacity, cognitive development, school performance, and health by reducing disease and mortality. The economic costs of malnutrition are very high – an estimated 2-3 % of GDP is lost every year in Pakistan on account of vitamins and mineral deficiencies alone.

4. At the same time, investments in nutrition have been very low. The lack of improvement in nutrition indicators is not surprising given that very few of the interventions that are known to reduce malnutrition have been implemented in Pakistan. This reflects a low level of awareness and prioritization

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<sup>9</sup> All nutrition figures from the draft National Nutrition Survey 2011.

of nutrition by the government and its development partners. There is also a need to enhance capacity at all levels to plan, implement and monitor nutrition interventions. The floods of 2010 and subsequent nutrition surveys have raised awareness of the high levels of child malnutrition, but this has yet to translate into increased investments from the provincial/federal governments or development partners, except for the emergency response.

### **Bank Engagement**

5. In the last year, the Bank has raised the issue of malnutrition repeatedly with various levels of government and with development partners. The Planning Commission and the Bank jointly organized a national consultation on malnutrition in February 2011. The purpose of the consultation was to raise awareness about the importance of addressing malnutrition as a core national development priority (not just a humanitarian issue) given the impact of good nutrition on productivity and growth. There was broad consensus that Pakistan needs to scale-up its efforts to address malnutrition and that action needs to focus on both the well proven “direct routes” as well as the broader multi-sectoral routes.

6. The Bank will continue to engage with the provinces and their development partners to develop provincial scale-up plans. With the support of the South Asia Food and Nutrition Security Initiative (SAFANSI), the Bank will collaborate with provincial governments to prepare provincial reports on the status of malnutrition (based on recent National Nutrition Survey data) and outline opportunities for a multi-sectoral response tailored to the needs and capacities of each province. Nutrition is more than just a health issue and provincial responses are expected to include sectors such as agriculture, social protection, water and sanitation, education, small business development and rural livelihood, in addition to health.

7. The Bank was asked in September 2011 by the Group of Ten Development Partners (D-10), chaired by the Secretary Economic Affairs Division, to take the lead in coordinating a coherent response to Pakistan’s malnutrition challenge. With leadership from the Bank to catalyze the process, the provinces are developing their provincial nutrition strategies, which the federal Planning Commission will form into a national strategy. A functional “nutrition architecture” is also in the process of being developed to improve coordination and accountability for achieving nutrition results.

8. The Bank had anticipated engaging in a national operation on nutrition in the CPS. This has been disrupted with the dissolution of the federal Ministry of Health through the 18<sup>th</sup> Amendment. Nevertheless, in response the Bank is shifting its focus to develop support activities on nutrition at the provincial level. This provincial focus will likely begin with the inclusion of a nutrition component in health sector project in Punjab and the MDTF project on health in Khyber Phaktunkhwa.

### ANNEX 3: MILLENNIUM DEVELOPMENT GOALS (MDGs)

Indicators	2008-09
<b>1.Eradicate Extreme Poverty and Hunger</b>	
Proportion of population below the calorie based food plus non-food poverty line.*	Lag(worsened since 2006)
Prevalence of underweight children under 5 years of age	Lag(worsened since 2006)
Proportion of population below minimum level of dietary energy consumption	Lag(worsened since 2006)
<b>2.Achieve Universal Primary Education</b>	
Net primary enrolment ratio (%)	Lag
Completion survival rate: 1 grade to 5(%)	Lag
Literacy rate (%)	Lag
<b>3.Promote Gender Equality &amp; Women Empowerment</b>	
Gender parity index(GPI) for primary and secondary education	Slow
Youth Literacy GPI	Slow
Share of women in wage employment in the non-agricultural sector	Slow
Proportion of seats held by women in national parliament	Ahead
<b>4.Reduce Child Mortality</b>	
Under-five mortality rate	Lag
Infant mortality rate	Off Track
Proportion of fully immunized children 12-23 months	Lag
Proportion of under 1 year children immunized against measles	On Track
Proportion of children under five who suffered from diarrhea in the last 30 days and received ORT	Ahead
Lady Health Workers' coverage of target population	On Track
<b>5. Improve Maternal health</b>	
Maternal mortality ratio	Lag
Proportion of births attended by skilled birth attendants	Lag
Contraceptive prevalence rate	Lag
Total fertility rate	Lag
Proportion of women 15-49 years who had given birth during last 3 years and made at least one antenatal care consultation	Lag
<b>6.Combat HIV/AIDS, Malaria, and other diseases</b>	
HIV prevalence among 15-24 year old pregnant women(%)	Ahead
HIV prevalence among Vulnerable group (e.g., active sexual workers)(%)	Ahead
Proportion of population in malaria risk area using effective malaria prevention and treatment measures	Lag
Incidence of tuberculosis per 100,000 population	Lag
Proportion of TB cases detected and cured under DOTS(Direct Observed Treatment Short Course)	Ahead
<b>7.Ensure Environmental Sustainability</b>	
Forest cover including state owned and private forest and farmlands	Lag
Land area protected for the conservation of wildlife	On Track
GDP ( at constant factor cost) per unit of energy use as a proxy for energy efficiency	Slow
No. of vehicles using CNG	Ahead
Sulphur content in high speed diesel(as a proxy for ambient air quality)	Lag
Proportion of population (urban and rural) with sustainable access to a safe improved water source	Lag
Proportion of population(urban and rural) with access to sanitation	Lag
Proportion of Katchi Abadis regularized	.
<b>8.Develop a Global Partnership for Development</b>	
<i>*Based on data available till 2005-06. Source: Planning Commission, Government of Pakistan</i>	

## ANNEX 4: UPDATE ON DONOR PARTNERSHIPS

1. Donor coordination and cooperation in Pakistan have deepened in recent years through regular meetings of Heads of Agency Meetings, D-10 (group of ten development partners), and MDTF Core Group and Steering Group Committee. The Bank has also strengthened collaboration and dialogue with the ADB and IMF on power reforms and the macroeconomic framework, respectively. A series of bilateral meetings are also being organized to strengthen partnership and strategic dialogues.

### *Joint Crises Response*

2. **Militancy Crisis:** Responding to the militancy crisis in KP and FATA, the Bank worked closely with the Federal and local governments and development partners to carry out the Post-Conflict Needs Assessment (PCNA). The PCNA was prepared in collaboration with the UN, EU, and ADB as key partners. Based on the PCNA, the Bank took the lead in establishing and managing the Multi-Donor Trust Fund (MDTF) for KP, FATA, and Balochistan. The MDTF involves extensive collaboration, as it is supported by 10 donors - Australia, Denmark, European Union, Finland, Germany, Italy, Sweden, Turkey, United Kingdom and United States - who have contributed US\$140 million and are actively engaged as members of the MDTF Steering Committee. All MDTF operations must be designed and implemented through the Governments of KP, FATA, and Bolochistan as well as with Federal support. And operations are also intended to be designed with extensive community consultations as well. Going forward, the MDTF will operate as an instrument to strengthen donor coordination and provide greater policy and investment coherence, within a country and province led framework.

3. **Flood Response:** After both the 2010 and 2011 floods, the Government requested the Bank and the ADB to play a lead role in working with the One UN, the EU and other donors in preparing Damage and Needs Assessments (DNAs). The Government and Donors further looked to the Bank to assist the GoP in building a robust Citizens Damage Compensation Program (CDCP). Bank-funding and the project framework leveraged the support of US, DFID, and Italy to finance the second phase of the CDCP.

4. **Economic Policy:** At the request of the Government, the Bank helped organize the Pakistan Development Forum in November 2010, which brought together the Federal and Province level Governments with over 40 donors and international financial institutions. Notably, the civil society, media and private sector were also represented. The Bank also participated actively at the UN General Assembly special session on the Pakistan floods in New York in September 2010, as well as the "Friends of Democratic Pakistan meetings in Brussels in 2010 and in Istanbul in 2011. The Bank stands ready to support the GoP's efforts to host future events such as the Pakistan Development Forum.

### *Project Collaboration*

5. The Bank has been actively engaged with the Government and other development partners in helping strengthen social safety nets in Pakistan. Our reform initiative with the Benazir Income Support Program (BISP) is serving as a viable platform to channel funds to support Government's programs in this area. USAID and the ADB have provided direct budget support to BISP for cash transfers to eligible beneficiaries identified under the Bank program. DFID has financed a Bank administered Trust Fund used to support TA work on safety nets.

6. The education sector is another area with encouraging prospects for partnerships. The Bank is working with DFID, EU and CIDA, to coordinate support around the medium term education sector reform programs of Punjab and Sindh. USAID has shown interest in providing parallel resources to the program as well. Financing such holistic sector programs has reduced duplication of effort and encouraged each partner to support overall sector results and outcomes.

7. In the health sector, the Bank continued its innovative partnership with the Bill & Melinda Gates Foundation (BMGF), and Centers for Disease Control and Prevention (CDC) and Rotary International (RI) through the UN Foundation (UNF). These partners have supported three Partnership for Polio Eradication Projects through IDA buy-down mechanism under which they repay the IDA credit to the World Bank at net present value if the project is implemented successfully.

8. The Bank has been actively encouraging joint analytical work to inform policy dialogue and program development around key issues. The economic report on Gilgit-Baltistan, which was published and disseminated in 2011, was prepared jointly with the Agha Khan Development Network and the ADB. Such joint analytic work is often enhanced through trust funds. Many of IFC's analytic work also leverages partnerships with donors as well as corporate and development organizations to expand outreach and enhance development impact.

### ***Other Initiatives***

9. A series of bilateral meeting are being organized, to strengthen bilateral partnership and strategic dialogues. The first of these was a half day meeting with USAID in August 2011. This half day session was a trust building exercise to share knowledge and strengthen strategic dialogue between USAID, World Bank and IFC. The session highlighted the institutional priorities; identification and understanding of challenges, resolutions to resolve problems, and explore possible avenues of collaboration. In addition, it served as a building block for exploring synergies and engagements by setting-up a context for sector teams for future dialogues and collaboration.

10. The next such exercise is to be a full day session with DFID which will serve to establish a high level strategic dialogue to identify synergies in current programs, and areas where the organizations might work together more closely in future. IFC has also been in dialogue with both USAID and DFID (jointly with WB) to collaborate in the area of access to finance. The Bank will also strengthen working relationship with the Arab Fund, the Islamic Development Bank and the JICA.

## ANNEX 5: SUMMARY OF STAKEHOLDERS CONSULTATIONS

### *Government Consultations*

1. The consultations with the Government took place in 3 phases. First, over the past 6 to 8 months there have been extensive consultations with the federal and provincial governments on their priorities and the way forward for the World Bank program. Second, in the first week of October, a client survey was conducted with selected key government partners both at the provincial and federal level. This survey was a one-on-one interview where the interviewees provided candid feedback on how they felt the World Bank is performing and what improvements can be made. Third, a joint federal and provincial workshop was hosted in Islamabad in mid-October where the World Bank program, challenges and changes since the CPS and way forward was presented. At this workshop, feedback was sought on the changes in the Bank's program, as well as a discussion on the implementation challenges.
2. Overall, there was broad agreement on the priorities for investment. One common concern was the impact of the 18th amendment and the need to increase capacity support at the provincial level. The World Bank is deepening its engagement with the provinces and more than 50 percent of its support will be to the provinces. It will provide support through non-lending technical assistance as well as lending.
3. In terms of specific sectors, participants called for expediting support for energy sector, focus on bringing system efficiency, optimal energy mix, less expensive sources of energy, and explore potential of alternative technology. Support was also indicated for investments in water/irrigation as well as human development (education, health, social protection). The Bank was also asked to help the government strengthen emergency preparedness and disaster risk management and provide flexibility under the programs for emergency response. World Bank provided support to the Government after the Floods 2010 and is continuing its support in disaster management both at the federal and provincial level. Balochistan expressed a need to focus on education, irrigation and mining. World Bank has a non-lending TA on the mining sector in Balochistan and future support can build on that analysis. KP and FATA both emphasized the importance of continuing the MDTF activities, as well as additional resources. For Azad Jammu and Kashmir (AJK), there is a need for further dialogue to confirm priorities.
4. In terms of implementation constraints, the capacity constraints and frequent turnover of project staff was a common theme. The capacity constraint was mainly felt in the areas of project management, procurement and financial management. Some measures are already in place to provide capacity support and the Bank is willing to consider other recommendations to deal with the issue. Participants further emphasized importance of recruitments on merit and minimum tenure condition to ensure continuity. If staff is involved with the project from the design stage there is greater ownership and improved implementation
5. Provinces expressed the desire for more grant funding versus loans. Some participants were concerned on the increase in IDA lending terms and that borrowing for social sectors will become expensive.

### *Development Partners*

6. The World Bank program going forward has been presented to the donors. Overall the feedback from donors has been positive. Overall coordination and collaboration between donors and World Bank has improved over the past year and is working well. Some good examples of donor coordination are support for the education programs in Punjab and Sindh, floods response and post-crises support.

7. One of the main areas of donor concern was the devolution and the impact on their programs. The general feeling was that this is a period of transition, and the real impact would be seen sometime in the future. The Bank has been effective and pro-active in providing a knowledge base and analytics under various sectors, including analysis on the devolution – however there is need for further technical advisory work needed on the impact of the devolution.

8. Another constraint faced by donors is the lack of capacity of project staff to implement the projects effectively. There was also some concern on the lengthy approval processes from the government side.

### *Civil Society*

9. A consultation workshop was held for discussion with civil society organizations on the World Bank Program, challenges and way forward. The session sought feedback from civil society on whether the World Bank program has effectively responded to the evolving country context and how the World Bank can engage more effectively with CSOs in the future.

10. As regards the focus of the Bank's work, there was broad agreement with the priorities and investments in education, health, energy, community development, cities, and public private partnerships. Several participants sought increased Bank involvement on governance issues including right to information and that the Bank should always put the needs of the citizens and poor first. The Bank should also be accountable for the results of its operations, both good and bad. Strengthening national statistics agencies is critical for reliable information on results.

11. There was an overall consensus that the first step is to broaden the definition of civil society to be more inclusive i.e. to encompass political representatives, research institutions, as well as youth groups. One key area of discussion was the impact of the devolution on the work of the World Bank and the CSOs. It was agreed that engagement with the provinces has to be further enhanced and in this regard, both the Bank and CSOs have already enhanced operations at the provincial level. In addition to working with the provinces, it was suggested that there should be focus at the district and tehsil levels as well.

12. With regards to enhancing collaboration with civil society groups, several options were put forward. One option was for the World Bank to collaborate with all stakeholders including civil society and conduct a visioning exercise for the provinces. Another possibility for civil society to be more involved is as part of the accountability mechanism. In addition, CSOs engagement is also possible through interaction and communication under individual projects and organizations.

13. Going forward, the World Bank will be engaging more extensively with CSOs including youth groups. The engagement would be a mix of overall collaborations as well as interaction at the project level.

## ANNEX 6: MDTF - PCNA OPERATIONALIZATION STRATEGY

1. The Post-Crisis Needs Assessment (PCNA) was prepared with the objective of producing a helpful, pragmatic, coherent and sequenced peace building strategy that delivers an agreed vision for the border areas of Pakistan over the next ten years. Since PCNA launch in October 2010, it has widely been considered by all parties as the point of reference for designing and implementing interventions for peace building and reconstruction in the border areas.

2. The Multi-Donor Trust Fund (MDTF) is one of the tools to support the PCNA objectives. MDTF Secretariat has started working on a priority program of technical assistance and investment support with defined results in order to support and enhance government capacity for delivering on the PCNA strategy. This initiative is referred to as the 'Operationalization of the PCNA' (OPCNA).

3. The draft *Strategy for Engagement* resulting from this work has been finalized in consultation with all stakeholders (government and donors) in order to integrate their feedback and seek their clearance. The report was presented to the MDTF Steering Committee in mid-October 2011 and was endorsed. The salient recommendations of OPCNA exercise are as follows:

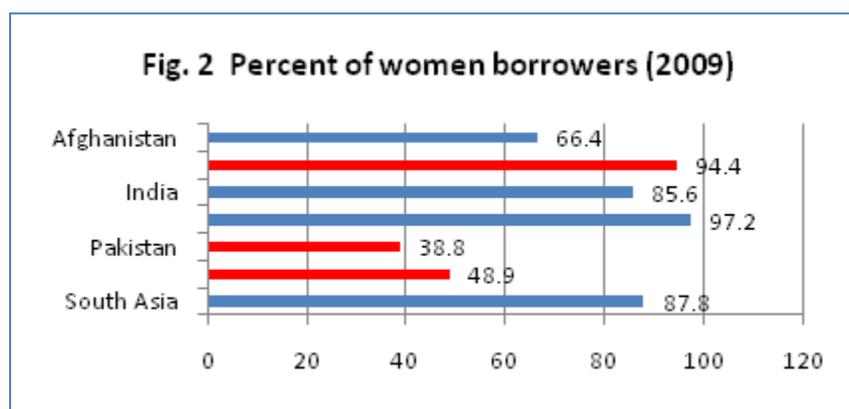
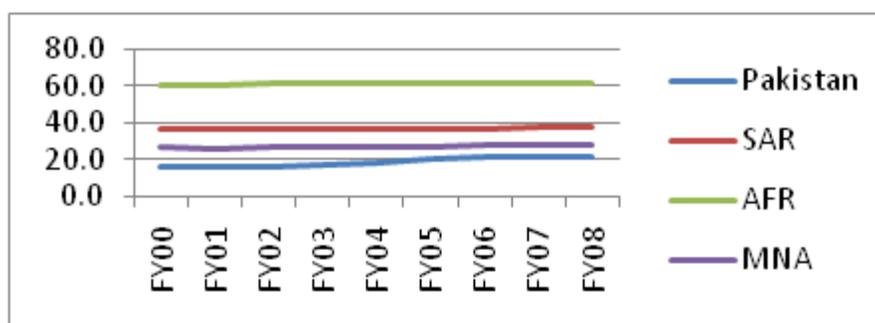
- **Strategic Role of the MDTF.** The PCNA sets out an extensive peace building strategy based around four strategic objectives. The MDTF cannot by itself implement the full range of PCNA recommendations. However, there is an opportunity for the MDTF to be utilized as a strategic platform for coordination around the objectives of the PCNA, including where they touch upon areas of security and justice.
- **Donor Coordination:** The government must take the lead in any broad-based coordination efforts. The MDTF can, however, support this effort as necessary in some areas with other key partners by: providing a forum for discussion of policy issues; promoting a balance between immediate results and longer-term institutional transformation; promoting broader coherence of on and off budget initiatives with the PCNA objectives; and supporting the establishment of financial tracking mechanisms.
- **Proposed Program Streams of Intervention.** These include: (i) Improving local services and community support, (ii) Growth and jobs, and (iii) Policy reforms and governance support. These three streams have been identified and proposed due to their impact on the overall peace building strategy. The document provides an estimation of funding needs and proposes a framework for future donor contributions.
- **Results Framework.** There is strong emphasis on achieving and measuring results under the MDTF. A results framework that will guide the MDTF strategic vision and enable better links to be made between MDTF results and PCNA objectives has been developed. This results framework allows the measurement of the aggregate of parallel operations that could be financed by bilaterals or by the government through its annual development plan.

## ANNEX 7: GENDER CHALLENGES AND BANK RESPONSE

1. Gender disparities remain pronounced in Pakistan within a region that has among the poorest gender equality records in the world. There has been recent progress in increasing rates of women’s political representation—thanks to reservation of seats for women in Parliament and local bodies—and in raising the average age of girls at marriage and first birth, both of which are now above the regional average (UNICEF 2011). Yet, stark gender gaps persist in education, health, and across the economic sectors. Women’s literacy remains low at 42 percent. The ratio of young literate females to males (age 15-24) is 74.85 percent. Only Afghanistan has a lower ratio. In 2008, Pakistan’s infant mortality rate and percentage of births attended by skilled health staff were worse than the South Asia average (73 vs. 59 per 1,000 live births; and 39 vs. 42 percent, respectively) while its total fertility rate was higher than regional average (3.9 vs. 2.9 births per woman).

2. Given these challenges to their human capital development, women face severe constraints in their access to services in most sectors, and in their income-earning opportunities. Pakistan’s female labor force participation rate is lower than the regional average (Fig. 1). The rate of women’s borrowing from Microfinance Institutions is lower than in any other South Asian country, including Afghanistan (Fig. 2).

**Fig 1. Female labor force participation rate (% female population ages 15-64)**



3. Pakistan’s Second Poverty Reduction Strategy Paper has recognized that gender disparities pose a critical constraint to achieving country development objectives. The Country Partnership Strategy (CPS) 2010-13 goes beyond emphasizing gender in the context of human development and social protection. This is in part due to the influence of the 2010 Pakistan Gender-Sensitive Portfolio Review, which ascertained the degree to which gender was addressed across sectors—in 24 existing and 26 pipeline

operations in the Bank's Portfolio at that time. The Review found human development sectors to be significantly more advanced than economic sectors in their attention to gender issues, and recommended common approaches for economic sectors to improve this attention.

4. Taking up the Gender Review's recommendations, the CPS advocates undertaking policy dialogue on gender during project design, and incorporating gender into social assessments or undertaking rapid gender assessments during project preparation. The country team is to adopt new instruments in support of gender work, including a project that provides skills training to young men and women no longer in school; analytic work on gender issues in a conflict-affected or other fragile context; and building capacity of staff and managers for gender mainstreaming. The International Finance Corporation (IFC) will continue its outreach efforts to women borrowers by tracking gender disaggregated outcome indicators, raise awareness among women to resolve disputes using mediation, and promote gender diversity in senior management and boards of directors in the private sector.

5. As of September 2011, many sectors are showing improvements by utilizing the measures identified in the CPS. The Bank's **Water and Sanitation Program** now addresses gender issues at the policy level by working with national and provincial governments on drinking water policies and on data collection, situational assessment and public consultations that ensure a special focus on including women and other marginalized groups. Efforts are also made to incorporate women when building capacity in the sector: the Community-Led Total Sanitation trained married couples to work as social mobilizers, traveling from village to village, as a way of allowing women to participate while also respecting cultural norms around women's mobility; the Pakistan Academy of Rural Development now includes courses on gender-responsive budgeting for local government officials.

6. **Education** projects have incorporated components to either explicitly or implicitly address gender imbalances. Programs in Punjab and Sindh provinces that give cash transfers to poor households to send girls to government-run secondary schools have covered approximately 350,000 female students in Punjab and 390,000 in Sindh. Rigorous evaluations of Punjab's program find enrollment gains for girls (Chaudhury and Parajuli 2010) and endurance of enrollment gains and delayed marriage and fertility (Alam et al 2011). An innovative program that offers public cash subsidies and other in-kind inputs to the private sector to create primary co-ed schools in Sindh's underserved rural communities closed the previous gender gap in participation within a single academic year (Barrera-Osorio et al 2011).

7. Supporting the Government of Sindh's ongoing efforts to strengthen its vocational training sector, the **Sindh Skills Development Project** increases access to training courses by financing recurrent costs of delivering training services to approximately 50,000 youths. The project focuses on semi-literate young men and women with 10 or fewer years of schooling. It expects to increase by 25 percent the share of young women who receive training in occupations where demand for labor is highest and employment of women is socially acceptable. It will mitigate training barriers for women – in transportation, safety and coeducation – and improve chances of trained females' employment by ensuring their skills are relevant and providing career guidance and training in job search and interview skills.

8. Research from 2011 reveals how **Social Protection** projects bring numerous benefits to women and children in vulnerable groups. Programs that transfer cash to poor women – such as the Benazir Income Support Program (BISP), a national cash transfer program that gives 1000 Pakistan rupees a month (about US\$ 12) to female heads of poor households – have been shown to improve these women's decision-making power. When these women have greater decision-making power, they are more likely to use reproductive health services; moreover, household investments shift from transportation and food to medical care, education, fuel and lighting, and footwear and clothing.

9. The **Third Pakistan Poverty Alleviation Fund** project addresses gender gaps in multiple sectors, such as Rural Livelihoods; Water, Energy and Infrastructure; Basic Health and Primary Education; and Finance and Private Sector Development. In this third cycle of the project, women now make up 55 percent of all project beneficiaries, up from 48 percent and 52 percent in the first and second cycles, respectively. For the first time women are the majority (63 percent) of beneficiaries in the Credit and Enterprise Development component, which brings the number of female beneficiaries in this component to 2,385,811 over all cycles. Women now also comprise the majority (53 percent) of beneficiaries in the Water, Energy and Infrastructure component, and 54 percent of Basic Health and Primary Education.

10. The MDTF-financed **Economic Revitalization project**, through its implementing partner, the Small and Medium Enterprise Development Authority (SMEDA), will disburse matching grants to SMEs and clusters seeking business development services for respective enterprises. SMEDA already has established a Women Business Development Center in Peshawar, and it will give priority to female applicants who meet the criteria for obtaining matching grants under the project. Of the 850 intended beneficiaries of these matching grants, it is expected that two-three percent would be women entrepreneurs. The Bank is also carrying out a technical assistance study of the exclusion of women entrepreneurs from financial services in Pakistan and in 2012 will deliver policy recommendations in support of greater inclusiveness.

11. The **IFC Advisory Services project, Business Edge Pakistan**, will offer local training providers with facilitation skills and training material based on international best practices to build capacity of owners and managers of Micro and Small Medium Enterprises in Pakistan. Of the 1700 owners and managers trained under the project since its inception in 2008, 18 percent are women. The project has also partnered with Aga Khan Foundation to bolster economic growth and enterprise development in Gilgit and Baltistan, with a primary focus on building the business acumen of female entrepreneurs. IFC Advisory Services is also responsible for initiatives that mainstream women at higher levels of the financial sector. Pakistan is one of two countries (the other is Jordan) to benefit from the 'Boardroom Balance' initiative that (1) makes the business case for having more gender-diverse boards in banks and companies; and (2) equips potential female board members with Corporate Governance expertise to build their capacity to serve on boards.

12. The IFC has helped train women in dispute resolution via mediation through its **Pakistan Alternative Dispute Resolution Project Phase-II**. Having trained professionals – 11 of whom were women – in mediation skills under Phase I, in 2011 Phase II held four gender awareness events in Lahore (total 56 participants) and four sector-based workshops in Karachi (total 71 participants). Women representing the legal profession, academia, business and civil society attended these events, which aimed at increasing awareness of Dispute Resolution, sharing lessons on how disputes can be resolved without litigation, and increasing case referrals to the IFC client, the Karachi Center for Dispute Resolution. The IFC SME Banking Advisory Services is assisting banks in developing specific product offerings for women entrepreneurs to encourage self employed women.

**ANNEX 8: IDA/IBRD PLANNED VS ACTUAL LENDING**

FY	Project Name	Amount: US\$(M)			Status	Amount US\$(M)		
		IDA	IBRD	Total		IDA	IBRD	Total
FY10-11	Social Safety Nets DPC	200		200	Actual	200		200
	Higher Education DPC	100		100	Actual	100		100
	Punjab Barrages II Project		146	146	Actual		146	146
	Karachi Port Improvement		112	112	Actual		115	115
	Improving Financial Reporting and Auditing II (AF)	24		24	Actual	24.5		24.5
	Sindh Skills Development Project	20		20	Actual	21		21
	NWFP Emergency Recovery Credit (ERC)	100		100	Actual - renamed KP/FATA ERC. Withdrawn at the request of GoP	250		250
	NWFP Human Development	100		100	Dropped b/c of lack of client demand			
	Enhanced Nutrition for Mothers and Children Project	55		55	Dropped b/c of devolution of health ministry			
	Tarbela IV Hydropower Extension		400	400	Delayed to FY12			
	Gas Enhancement and Efficiency Improvement		200	200	Delayed to FY12			
	HIV/AIDS II	32		32	Dropped due to implementation issues in phase I			
	PRSC I	300		300	On hold due to macro situation			
	PRSC II	300		300	On hold due to macro situation			
	Central/South Asia Regional Electricity Transmission	50		50	Delayed to FY13			
					<b>Additional Actual Projects:</b>			
					Sindh Education (AF)	50		50
					Punjab Education (AF)	50		50
				Higher/Tertiary Education - Brought forward from FY12	300		300	
				Flood Emergency Cash Transfer	125		125	
				Polio Eradication project (AF)	41		41	
				Highway Rehabilitation	130		130	
				Earthquake AF (Post-floods Import Financing)	300		300	
<b>Total for FY10-11</b>		<b>1281</b>	<b>858</b>	<b>2139</b>	<b>Total for FY10-11</b>	<b>1591.5</b>	<b>261</b>	<b>1852.5</b>

FY	Project Name	Amount: US\$(M)			Status	Amount US\$(M)		
		IDA	IBRD	Total		IDA	IBRD	Total
FY12-14	PRSC III	300		300	On hold due to macro situation	-		-
	Punjab Education Sector Project II	300		300	FY12 On track	350		350
	Sindh Education Sector Project II	350		350	FY13 On track	350		350
	Gilgit Baltistan Education Project	30		30	FY13 On track	30		30
	Tertiary Education Project	300		300	Delivered in FY11	-		-
	Safety Net -- Graduation	100		100	FY12 (Social Safety Net Project (AF) - On track	150		150
	Electricity Transmission and Distribution APL II		200	200	Dropped due to implementation issues in phase I	-		-
	Balochistan Education (AF)	15		15	Dropped - to be financed under MDTF	-		-
					<b>Additional Planned Projects:</b>			
					Punjab Large Cities Project	300		300
					Tarbela IV Hydropower Extension - FY12 (from FY11)	430	400	830
					Punjab Irrigation Productivity Improvement - FY12	250		250
					Gas Enhancement and Efficiency Improvement (from FY11)	200		200
					Revenue Mobilization DLI	300		300
				Power DLI		300	300	
				Punjab Health Sector Reform project	120		120	
				Central/South Asia Regional Electricity Transmission (from FY11)	50		50	
				Balochistan, Sindh, KP Irrigation	TBD			
				SME Support	TBD			
				TBD	400	50	450	
<b>Total for FY12-14</b>		<b>1395</b>	<b>200</b>	<b>1595</b>	<b>Total for FY12-14</b>	<b>2930</b>	<b>750</b>	<b>3680</b>
<b>Grand Total for FY10-14</b>		<b>2676</b>	<b>1058</b>	<b>3734</b>	<b>Grand Total for FY10-14</b>	<b>4521.5</b>	<b>1011</b>	<b>5532.5</b>

**ANNEX 9: IFC PLANNED VS ACTUAL LENDING AND ADVISORY SERVICES**

*IFC Investment Services*

Cluster	Original CPS FY10-13 (# of projects)	FY10-11 Actual (# of Projects)	% Achieved	FY12-14 Plan (# of Projects)	Projects Committed
Infrastructure	8	7	88%	3	Laraib Hydro Power Qasim International Container Terminal (QICT-I) Qasim International Container Terminal (QICT-II) Mashal LNG UCH II (gas fired power plant) Zorlu Wind Power Karachi Port Trust
Financial Markets	15	16	107%	3	Global trade facilities with 13 banks Equity investment in two microfinance & one SME bank (NRSP, FMB, Silk)
Manufacturing & Services	5	3	60%	3	Engro Corporate Engro Polymer Engro Corp.- Emergency Loan for Agri business
<b>Total Investment</b>	<b>28</b>	<b>26</b>	<b>93%</b>	<b>9</b>	

*IFC Advisory Services*

Cluster	Original CPS FY10-13 (# of projects)	FY10-11 Actual (# of Projects)	% Achieved	FY12-14 Plan (# of Projects)	Projects Committed
Financial Markets	5	6	120%	2	Bank Risk Management training with Institute of Bankers Pakistan,  SME market segmentation study,  SME Banking diagnostics and conferences  SME Banking training with SBP,  HBL-SME banking capacity building  Business Plan for Pakistan Mortgage Refinance Company
Investment Climate	1	3	200%	1	ADR Karachi project,  Logistics study,  Judges and Lawyers training
Public-Private Partnerships	3	2	67%	1	PPP Silos project for Punjab and Sindh
Sustainable Business Advisory	1	4	400%	1	Business Edge-Standard Chartered Bank,  Gender Service Survey with ACCA,  Train the trainers program for Pakistan Institute of Corporate Governance (PICG) on CG toolkit  Director's Training program for PICG
<b>Total Advisory</b>	<b>10</b>	<b>15</b>	<b>150%</b>	<b>5</b>	

**ANNEX 10: MDTF PLANNED ALLOCATIONS**

<b>MDTF Pillars</b>	<b>Projects</b>	<b>KPK US \$ Million*</b>	<b>FATA US \$ Million*</b>	<b>Baluchistan US \$ Million*</b>	<b>Total US \$ Million*</b>	<b>%</b>
<b>Restoring damaged infrastructure and disrupted services</b>	<b>FATA Urban centers (TARUCCI) Project</b>		<b>7</b>		<b>7</b>	<b>5%</b>
	<b>FATA Rural Roads</b>		<b>16</b>		<b>16</b>	<b>12%</b>
	<b>KP Emergency Road Project</b>	<b>8</b>			<b>8</b>	<b>6%</b>
<b>Improving provincial governance and service delivery</b>	<b>Strengthening Health services in Crisis effected Area</b>	<b>25</b>			<b>25</b>	<b>19%</b>
	<b>Promoting Girls Education in Balochistan</b>			<b>10</b>	<b>10</b>	<b>8%</b>
	<b>Development of Disaster Risk Management and response Capacity in Balochistan</b>			<b>5</b>	<b>5</b>	<b>4%</b>
<b>Maintaining and/or reinforcing livelihoods of local communities</b>	<b>KP and FATA Economic Revitalization</b>	<b>13</b>	<b>7</b>		<b>20</b>	<b>15%</b>
	<b>FATA Rural Livelihood and Community Infrastructure Project</b>		<b>12</b>		<b>12</b>	<b>9%</b>
<b>Strengthening the technical capacity and institutional arrangements</b>	<b>Governance Support Project</b>	<b>3.9</b>	<b>2.1</b>	<b>1</b>	<b>7</b>	<b>5%</b>
	<b>TA Support</b>	<b>1.06</b>	<b>0.7</b>		<b>1.76</b>	<b>1%</b>
<b>Unallocated</b>		<b>18</b>			<b>18</b>	<b>14%</b>
<b>Total</b>		<b>68.96</b>	<b>44.8</b>	<b>16</b>	<b>129.76</b>	
<b>%</b>		<b>53%</b>	<b>35%</b>	<b>12%</b>		<b>100%</b>

**ANNEX 11: PLANNED VS ACTUAL BANK ANALYTICAL WORK**

FY	Planned AAA	Status
<b>FY10-11</b>	Public Expenditure Review Poverty Assessment Gilgit-Baltistan Economic Report Competition Policy NLTA Post Crisis Needs Assessment Strengthening Insolvency Regime Health Sector Report (PER) Current Issues in Power policy note series Country Economic Memorandum Government Debt & cash Management Governance Notes Education Sector Review Social Protection Report Agriculture Value Added NLTA Climate Change Adaptation	Actual Actual Actual Actual Actual Actual FY13 Ongoing FY12 Actual Ongoing FY12 FY12 Agricultural Competitiveness TA for FY12 FY12 <b>Additional Actual Deliveries</b> Investment Climate Assessment Doing Business in Pakistan ILO Support to GoAJK (Earthquake) Floods Damage and Needs Assessment Outdoor Air Pollution Policy Options Environment and Social assessment of Trade reforms
<b>FY12-14</b>	Export Competitiveness/Trade Policy  Gender Notes Sector Governance Analysis Securities Market Poverty Update Province Revenue Mobilization (PEFA) National Education Assessment Power Sector Review Social Safety Net Impact Evaluation Report Tax Administration NLTA Environment Management for Growth and Poverty Alleviation in Sindh Provincial Roads Review Evaluation of Sindh Differential Stipends Sindh PPP intervention in Education	Ongoing  Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing dialogue/TA Ongoing Ongoing dialogue/TA  Ongoing Dropped Ongoing Actual

FY	Planned AAA	Status
FY12-14	Labour Market & Vulnerability Business Law Reform Non-Banking Financial Institutions (NBFIs) Assessment Access to Finance & Bank Resolution Demographic and Reproductive Health Study Health Insurance Analysis	FY13 Dropped Dropped Ongoing Dropped Dropped <b>Additional Delivered/Ongoing/Planned Deliveries</b> Operationalizing the PCNA (Delivered) Social Impact Assessment - Floods 2010 (Delivered) Debt Management and Sustainability Regulatory Institutions State Owned Enterprise Reform Sub National Doing Business Policy Note on Immunization Pakistan Nutrition Report Railway TA Sustainable Industrial Competitiveness KP/FATA PER Post disaster Housing Capacity Building Export Diversification Bank Netherlands Water Support program M&E of NTCIP Resettlement and Land Acquisition Mining and Regional Integration Fiscal Management Sindh Floods DNA Urban/Rural Water and Sanitation

## ANNEX 12: TRUST FUNDS REPORT

1. The Pakistan trust fund portfolio currently has 54 active grants with a total commitment of US\$ 117 million. Of the 54 grants, 15 (28%) are Recipient Executed Trust Funds (RETF) and 39 (72%) are Bank Executed Trust Funds (BETF). Since FY09 there has been an increase in TF use which has since remained largely unchanged, both in terms of number of grants and total TF financing.

### RETF-BETF Summary (amounts in US\$ thousands)

	No. of Grants	Net Grant Amount	Funds Received to Date	Funds Disbursed to Date	Fiscal Year Disbursements
<b>Recipient Executed TFs</b>	15	107,605	97,518	46,945	2,284
<b>Bank Executed TFs</b>	39	10,386	8,808	4,442	591
<b>Total</b>	<b>54</b>	<b>117,990</b>	<b>106,325</b>	<b>51,387</b>	<b>2,875</b>

2. The TF Portfolio includes programmatic TFs of which the main ones are the Japanese Social Development Fund - JSDF (5, US\$7.2m), Global Fund for Disaster Risk Reduction - GFDRR (5, US\$ 1 m), Polio Buy Down (2, US\$ 39 m) and Carbon Fund (2, US\$ 10 m). The main donors with number of grants and net commitment are: Gates Foundation (1, US\$33 million), UK Department for International Development - DFID (2, US\$ 20 m), Canadian International Development Agency - CIDA (3, US\$ 19 m), Japan (10, US\$8million), UN Foundation (1, US\$5.9 m), AusAID, Netherlands and Swiss government have collectively provided amounts of US\$ 1.8 million under various grants. The major sectors supported through trust funds are Human Development (US\$ 66 million), and Sustainable Development (US\$17 million). Some of the other sectors supported through Trust Funds are Finance and Private Sector, Water and Sanitation and Environment.

### Program Wise Summary (amounts in US\$ thousands)

Program	No. of Grants	Total Net Grant Amount	Funds Received to Date	Funds Disbursed to Date	FY Disbursed
<b>Polio</b>	2	39,300	39,300	690	0
<b>Carbon</b>	2	10,079	2,703	2,565	0
<b>JSDF</b>	5	7,222	7,222	3,475	400
<b>WSP</b>	10	2,740	2,608	1,642	124
<b>GFDRR</b>	5	1,080	1,059	765	95
<b>Others</b>	30	57,570	53,434	42,250	2,257
<b>Total</b>	<b>54</b>	<b>117,990</b>	<b>106,325</b>	<b>51,387</b>	<b>2,875</b>

**Donor Wise Summary**  
(amounts in US\$ thousands)

	No. of Grants	Total Net Grant Amount	Funds Received to Date	Funds Disbursed to Date	FY Disbursement
<b>Gates Foundation</b>	1	33,400	33,400	0	0
<b>UK - DFID</b>	2	20,525	17,813	14,501	1,785
<b>CIDA</b>	3	19,733	19,733	15,894	131
<b>Japan</b>	10	8,562	8,540	4,139	465
<b>UN Foundation</b>	1	5,900	5,900	690	0
<b>AusAid</b>	7	1,881	1,881	905	31
<b>Netherlands</b>	1	1,865	440	119	35
<b>SDC</b>	4	1,847	1,715	1,383	117
<b>U.S. (Vaccine Fund)</b>	1	188	188	181	0
<b>Multiple Donors</b>	24	24,091	16,715	13,575	310
<b>Total</b>	<b>54</b>	<b>117,990</b>	<b>106,325</b>	<b>51,387</b>	<b>2,875</b>

**ANNEX 13 – STANDARD CPS TABLES**  
(Source: World Bank)

1. A1 – Country at a Glance
2. B2 – Selected Indicators of Portfolio Performance
3. B5 – Key Social Indicators
4. B6 – Key Economic Indicators
5. B7 – Key Exposure Indicators
6. B8 – Operations Portfolio (for IDA/IBRD)
7. B8 – Held Portfolio (for IFC)

# CAS Annex A2 - Pakistan At A Glance

## POVERTY and SOCIAL

### 2010

	Pakistan	South Asia	Lower-middle-income
Population, mid-year (millions)	173.6	1568	3,811
GNI per capita (Atlas method, US\$)	1050	107	2,321
GNI (Atlas method, US\$ billions)	182.8	1735	8,846

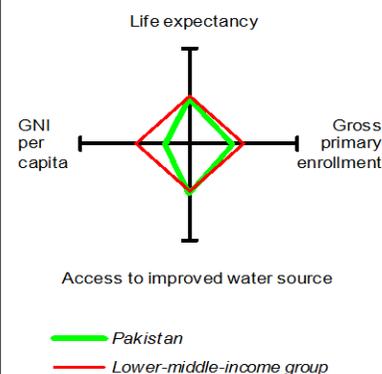
### Average annual growth, 2004-10

	Pakistan	South Asia	Lower-middle-income
Population (%)	18	15	12
Labor force (%)	3.6	2.2	15

### Most recent estimate (latest year available, 2004-10)

	Pakistan	South Asia	Lower-middle-income
Poverty (% of population below national poverty line)	22	..	..
Urban population (% of total population)	37	30	41
Life expectancy at birth (years)	65	64	68
Infant mortality (per 1000 live births)	70	55	43
Child malnutrition (% of children under 5)	..	43	24
Access to an improved water source (% of population)	90	87	87
Literacy (% of population age 15+)	56	61	80
Gross primary enrollment (% of school-age population)	85	108	107
Male	92	110	109
Female	77	105	105

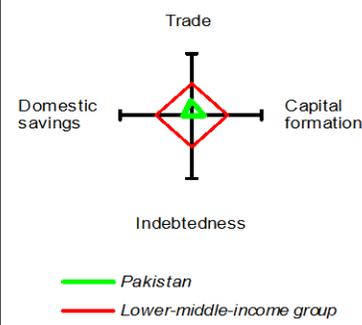
### Development diamond\*



## KEY ECONOMIC RATIOS and LONG-TERM TRENDS 1/

	1990	2000	2010	2011
GDP (US\$ billions)	40.0	74.0	176.9	210.6
Gross capital formation/GDP	18.9	17.2	15.4	13.4
Exports of goods and services/GDP 2/	15.5	13.4	13.6	11.9
Gross domestic savings/GDP	11.1	11.0	10.2	9.4
Gross national savings/GDP	13.6	15.8	13.1	13.6
Current account balance/GDP	-3.4	-0.3	-2.2	0.2
Interest payments on external debt/GDP	2.1	1.3	0.6	0.5
Total external debt/GDP	5.15	44.3	32.1	26.8
Total external debt service/exports**	23.0	26.7	12.6	8.8
Present value of debt/GDP	..	..	..	..
Present value of debt/exports	..	..	..	..
	1990-00	2000-10	2010	2011
(average annual growth)				
GDP (at market prices)	3.8	5.1	4.1	2.4
GDP per capita	1.1	3.2	2.3	..
Exports of goods and services 2/	1.7	6.7	15.8	-14.2

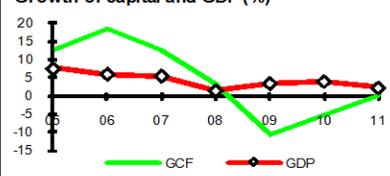
### Economic ratios\*



## STRUCTURE of the ECONOMY

	1990	2000	2010	2011
(% of GDP)				
Agriculture	26.0	25.9	21.2	21.6
Industry	25.2	23.3	25.4	25.3
Manufacturing	17.4	14.7	13.8	14.5
Services	48.8	50.7	53.4	53.1
Household final consumption expenditure	73.8	75.4	81.9	82.4
General gov't final consumption expenditure	15.1	8.6	7.9	8.2
Imports of goods and services 2/	23.4	14.7	13.8	15.9

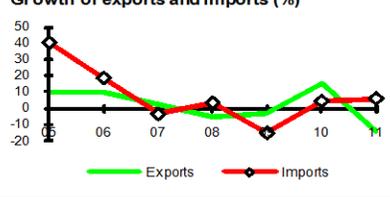
### Growth of capital and GDP (%)



### (average annual growth)

	1990-00	2000-10	2010	2011
Agriculture	4.4	3.4	0.6	1.2
Industry	4.1	6.7	8.3	-0.1
Manufacturing	3.8	8.0	5.6	3.0
Services	4.4	5.7	2.9	4.1
Household final consumption expenditure	4.9	4.7	4.1	7.0
General gov't final consumption expenditure	0.7	7.5	2.2	7.5
Gross capital formation	18	5.0	-5.1	-0.1
Imports of goods and services 2/	2.5	6.3	4.4	6.1

### Growth of exports and imports (%)



Note: World Bank staff estimates

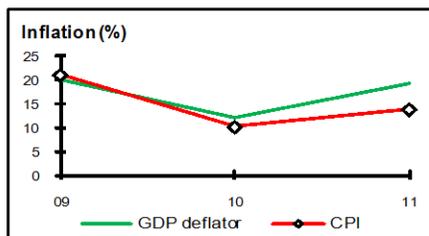
\* The diamonds show four key indicators in the country (in bold) compared with its income-group average.

1/ All external debt data shown in this table is based on Calendar Year. 2/ Export and Import values are based on Cost, Insurance and Freight.

\*\*Exports include goods, services, income and remittances.

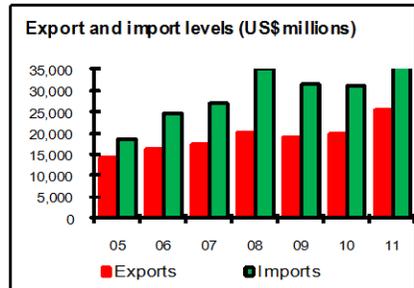
## PRICES and GOVERNMENT FINANCE

	1990	2000	2010	2011
<b>Domestic prices</b>				
(%change)				
Consumer prices	..	..	10.1	13.7
Implicit GDP deflator	6.5	24.9	12.0	13.9
<b>Government finance</b>				
(%of GDP)				
Current revenue(excluding grants)	13.0	13.7	14.0	12.5
Current budget balance(excluding grants)	-10	-3.0	-19	-4.0
Overall surplus/deficit(including grants)	-6.6	-5.6	-6.0	-6.3



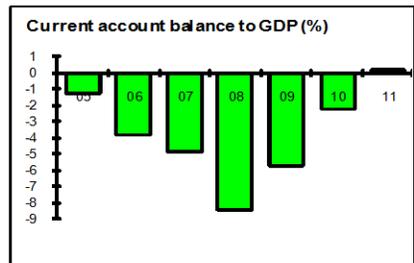
## TRADE

	1990	2000	2010	2011
(US\$ millions)				
Total exports	4,926	8,191	19,673	25,440
Cotton	443	73	208	310
Rice	239	540	2,135	2,118
Manufactures	2,489	5,092	10,118	13,088
Total imports	7,411	9,602	31,209	35,727
Food	1,066	1,295	3,079	4,546
Fuel and energy	1,163	2,783	10,463	12,317
Capital goods	..	..	9,680	..
Export price index (2000=100)	..	100	..	..
Import price index (2000=100)	..	100	..	..
Terms of trade (2000=100)	..	100	..	..



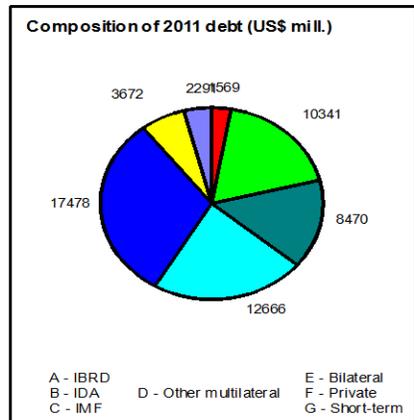
## BALANCE of PAYMENTS

	1990	2000	2010	2011
(US\$ millions)				
Exports of goods and services	6,216	9,575	24,902	30,913
Imports of goods and services	9,351	11,850	38,128	43,347
Resource balance	-3,135	-2,275	-13,226	-12,434
Net income	-966	-1,932	-3,282	-2,952
Net current transfers	2,748	3,989	12,562	15,823
Current account balance	-1,353	-217	-3,946	437
Financing items (net)	1,353	296	5,212	2,049
Changes in net reserves	0	-79	-1,266	-2,493
<b>Memo :</b>				
Reserves including gold (US\$ millions)	1,451	1,510	15,533	17,964
Conversion rate (DEC, local/US\$)	214	517	83.9	85.8



## EXTERNAL DEBT and RESOURCE FLOWS 1/

	1990	2000	2010	2011
(US\$ millions)				
Total debt outstanding and disbursed	20,589	32,732	56,773	56,487
IBRD	1816	3,093	1,688	1,569
IDA	2,106	3,828	10,118	10,341
Total debt service	1,902	2,855	4,338	3,761
IBRD	199	408	206	229
IDA	34	93	247	249
Composition of net resource flows				
Official grants	324	124	..	..
Official creditors	904	417	431	651
Private creditors	-63	-361	-1,427	-671
Foreign direct investment (net inflows)	245	308	..	..
Portfolio equity (net inflows)	0	35	..	..
World Bank program				
Commitments	962	..	446	..
Disbursements	491	301	431	70
Principal repayments	92	291	353	189
Net flows	399	10	78	103
Interest payments	141	210	100	128
Net transfers	258	-201	-22	-24



Note: 1/ External debt data shown in this table is based on Calendar Year  
3/ Export and Import values are based on Free On Board.

**CAS Annex B2 - Pakistan**  
**Selected Indicators\* of Bank Portfolio Performance and Management<sup>f</sup>**  
As of 11/17/2011

Indicator	2009	2010	2011	2012
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	26	21	24	24
Average Implementation Period (years) <sup>b</sup>	3.1	3.3	3.0	3.4
Percent of Problem Projects by Number <sup>a, c</sup>	15.4	19.0	12.5	25.0
Percent of Problem Projects by Amount <sup>a, c</sup>	9.6	6.8	10.5	26.3
Percent of Projects at Risk by Number <sup>a, d</sup>	15.4	23.8	29.2	29.2
Percent of Projects at Risk by Amount <sup>a, d</sup>	9.6	9.7	20.5	29.3
Disbursement Ratio (%) <sup>e</sup>	39.9	29.1	62.1	7.1
<b>Portfolio Management</b>				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	167	13
Proj Eval by OED by Amt (US\$ millions)	13,189.0	339.4
% of OED Projects Rated U or HU by Number	24.6	30.8
% of OED Projects Rated U or HU by Amt	35.4	31.2

- a. As shown in the Annual Report on Portfolio Performance (except for current FY). Includes KP/FATA Emergency Recovery Project which has been cancelled at government's request.
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- f. Does not include MDTF projects.
- \* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Source: World Bank

## CAS Annex B-5: Pakistan Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2004-10	South Asia	Lower-middle-income
<b>POPULATION</b>					
Total population, mid-year (millions)	95.5	127.3	173.6	1,567.7	3,810.8
Growth rate (% annual average for period)	3.4	2.6	1.8	1.5	1.2
Urban population (% of population)	29.3	31.8	37.0	29.8	40.9
Total fertility rate (births per woman)	6.4	5.4	3.5	2.8	2.5
<b>POVERTY</b>					
<i>(% of population)</i>					
National headcount index	..	..	22.3	..	..
Urban headcount index	..	..	13.1	..	..
Rural headcount index	..	..	27.0	..	..
<b>INCOME</b>					
GNI per capita (US\$)	360	470	1,050	1,107	2,321
Consumer price index (2005=100)	..	68	224	135	130
Food price index (2000=100)	..	..	..	..	..
<b>INCOME/CONSUMPTION DISTRIBUTION</b>					
Share of income or consumption					
Gini index	..	30.3	32.7	..	..
Lowest quintile (% of income or consumption)	..	9.6	9.0	..	..
Highest quintile (% of income or consumption)	..	40.3	42.1	..	..
<b>SOCIAL INDICATORS</b>					
<b>Public expenditure</b>					
Health (% of GDP)	..	0.8	0.9	1.3	2.1
Education (% of GNI)	..	..	..	2.9	4.1
Social security and welfare (% of GDP)	..	..	..	..	..
<b>Net primary school enrollment rate</b>					
<i>(% of age group)</i>					
Total	..	..	66	86	87
Male	..	..	72	88	88
Female	..	..	60	83	86
<b>Access to an improved water source</b>					
<i>(% of population)</i>					
Total	..	87	90	87	87
Urban	..	95	95	95	95
Rural	..	83	87	83	81
<b>Immunization rate</b>					
<i>(% of children ages 12-23 months)</i>					
Measles	38	47	80	75	79
DPT	30	58	85	72	79
Child malnutrition (% under 5 years)	..	34	..	43	24
<b>Life expectancy at birth</b>					
<i>(years)</i>					
Total	59	62	65	64	68
Male	59	61	64	63	66
Female	60	63	66	66	70
<b>Mortality</b>					
Infant (per 1,000 live births)	105	89	70	55	43
Under 5 (per 1,000)	137	115	87	71	58
Adult (15-59)					
Male (per 1,000 population)	283	232	191	242	201
Female (per 1,000 population)	291	230	157	169	136
Maternal (per 100,000 live births)	..	410	260	290	230
Births attended by skilled health staff (%)	..	19	39	47	67

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Source: World Bank

## CAS Annex B-6: Key Economic Indicators Pakistan

	2009/10	2010/11	2011/12	2012/13	2013/14
	Act.	Act.	Proj.	Proj.	Proj.
<b>Economic growth and inflation</b>					
Real GDP growth (at factor cost)	3.8	2.4	3.9	4.2	4.4
Nominal GDP growth (at market prices)	16.6	21.7	15.9	16.7	16.4
Consumer prices (period average)	10.1	13.7	11.5	12.0	11.5
<b>National Accounts</b>					
Gross domestic investment	15.4	13.4	14.6	15.2	15.8
Private sector 1/	11.8	10.1	10.8	11.1	11.8
Public sector plus government	3.6	3.3	3.8	4.1	4.0
Gross national savings	13.1	13.6	13.8	13.9	14.0
<b>Fiscal sector</b>					
Revenue and grants	14.3	13.2	13.7	13.8	13.7
Tax revenue	10.1	9.8	10.3	10.4	10.3
Non-tax revenue	3.9	3.1	3.2	3.2	3.2
Grants	0.3	0.3	0.2	0.2	0.2
Total expenditures (incl. net lending)	20.3	19.1	18.9	18.9	18.7
Current expenditure (incl. interest payments)	15.9	16.1	15.6	15.3	15.2
Interest payments	4.3	3.9	3.7	3.6	3.4
Development expenditure and net lending	4.4	2.8	3.3	3.6	3.5
Overall balance (incl. grants)	-6.0	-6.3	-5.6	-5.5	-5.4
Overall balance (excl. grants)	-6.3	-6.6	-5.8	-5.7	-5.6
Total public debt	60.8	59.7	57.0	56.4	55.4
Foreign currency public debt 2/	29.5	26.4	23.1	21.2	18.9
Domestic currency public debt	31.4	33.3	33.9	35.2	36.4
<b>Balance of payments</b>					
Balance on Goods & Services	-7.5	-5.9	-6.7	-7.6	-8.4
Exports of goods & services	14.1	14.6	13.9	14.1	14.0
Imports of goods & services	21.6	20.5	20.5	21.7	22.4
Transfers	7.1	7.5	6.9	7.2	7.3
Private	6.8	7.4	6.8	7.0	7.1
Current account balance (incl. transfers)	-2.2	0.2	-0.8	-1.3	-1.8
Gross official reserves (in months of imports of G&S) 3/ 4/	3.6	3.9	3.5	3.2	3.0
Total external debt 5/	30.4	27.5	24.5	22.6	20.4
<b>Memorandum items:</b>					
Nominal GDP at market prices (in bn. of rupees)	14,836	18,063	20,931	24,431	28,440
Rupees per U.S. dollar (period average) 6/	83.9	85.5	88.6	97.8	106.2
Federal tax revenue	9.7	9.4	9.9	10.0	10.0

Sources: World Bank Staff estimates. Note: Overall fiscal balances include statistical discrepancy.

1/ Includes changes in inventories.

2/ This includes medium and long term PPG debt, IMF debt as well as short-term external debt.

3/ SBP gross reserves exclude gold and foreign currency deposits of commercial banks held with SBP (cash reserve requirements).

4/ In months of next year's imports of goods and services.

5/ Total external debt is inclusive of PPG debt, IMF debt, short-term external debt and private debt.

6/ Projections are taken from IMF's World Economic Outlook.

## CAS Annex B7 - Pakistan Key Exposure Indicators

Indicator	Actual						Projections		
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total debt outstanding and disbursed (TDO) (US\$m) <sup>a</sup>	35,890	38,947	44,516	50,301	53,844	58,119	57,887	56,507	54,610
Net disbursements (US\$m) <sup>a</sup>	1,237	1,034	1,232	4,529	2,324	-114	-232	-1,380	-1,897
Total debt service (TDS) (US\$m) <sup>a</sup>	2,781	2,654	2,985	4,570	4,057	3,528	5,036	6,268	6,847
Total PPG debt service (PPGDS)	2,242	2,081	2,175	3,545	3,179	2,653	3,261	2,744	2,965
Debt and debt service indicators (%)									
TDO/XGS <sup>b</sup>	144.0	144.7	146.1	162.1	159.3	138.0	126.0	113.5	101.9
TDO/GDP	28.2	27.2	27.2	31.1	30.4	27.5	24.5	22.6	20.4
TDS/XGS	11.2	9.9	9.8	14.7	12.0	8.4	11.0	12.6	12.8
PPG/XGS	131.7	131.1	132.2	134.7	125.2	108.5	101.2	95.9	91.3
PPG/GDP	25.7	24.6	24.6	25.8	23.9	21.6	19.7	19.1	18.3
PPGDS/XGS	9.0	7.7	7.1	11.4	9.4	6.3	7.1	5.5	5.5
Concessional/TDO	72.0	72.8	68.3	63.8	62.4	59.6	60.0	65.0	66.0
Interest payments/GDP	0.7	0.7	0.7	0.7	0.5	0.5	0.6	0.6	0.6
IBRD exposure indicators (%)									
IBRD DS/public DS	18.0	18.6	17.6	9.2	7.6	8.0	5.8	7.0	6.7
IBRD DS/XGS	1.6	1.4	1.3	1.1	0.7	0.5	0.4	0.4	0.4
IBRD TDO (US\$m) <sup>c</sup>	2,289	2,167	2,033	1,857	1,725	1,643	1,612	1,593	1,604

a. Includes public and publicly guaranteed external debt, private non-guaranteed external debt, and IMF debt.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Includes present value of guarantees.

Note 1: Years refer to fiscal years.

Note 2: World Bank Staff Estimates.

Source: State Bank of Pakistan, Economic Affairs Division, World Bank Debt Recording System for actuals.

**ANNEX B8: PAKISTAN - STATUS OF WORLD BANK GROUP OPERATIONS**  
As of 11/17/2011

<b>IBRD/IDA</b>	
Total Disbursed (Active)	1,869
of which has been repaid	1
Total Disbursed (Closed)	5,160
of which has been repaid	3,775
Total Disbursed (Active + Closed)	7,029
of which has been repaid	3,776
Total Undisbursed (Active)	1,932
Total Undisbursed (Closed)	0
<b>Total Undisbursed (Active + Closed)</b>	<b>1,932</b>

Project Name	Last PSR			Original Amount in US\$ M				Difference Between Expected and Actual Disbursements a/		
	Supervision Rating		Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undish.	Orig. Frm	Rev'd
	Dev. Objectives	Imple. Progress								
3rd Partnership for Polio Erad.	MS	MS	2009		115.7			20.2	-25.2	
Balochistan Educ Support Project	S	MS	2006		22.0			8.7	7.2	2.6
Balochistan SSIP	MS	MS	2008		25.0			18.6	14.5	
Flood Emergency Cash Transfer Project	S	S	2011		125.0			87.0	16.7	
HIGHWAYS REHAB	S	S	2004	215	280.0			111.2	-203.1	-38.1
Karachi Port Improvement Project	S	S	2011	115.8				115.5		
KP and FATA Emerg Recovery Project	MU	MU	2011		250.0			263.4	41.7	
PIFRA II	S	MS	2006		108.5			38.0	10.3	2.5
PPAF III	S	S	2009		250.0			199.9	29.0	
Punjab Barrages Improvement II Proj	S	S	2011	145.6				140.2		
Punjab Education Sector Project	MS	MS	2009		400.0			45.7	-16.9	0.9
Sindh Water Sector Improvement Proj	MS	MS	2008		150.2			114.1	32.2	
Sindh Education Sctr Project (SEP)	S	MS	2009		350.0			35.1	-26.1	20.0
Sindh On-Farm Water Management Proj	S	MU	2004		111.1		4.12	40.9	-5.9	
Skills Development Project	S	S	2011		21.0			21.1	1.3	
Social Safety Net TA	MS	MS	2009		60.0			24.5	5.4	
Social Safety Nets DPC	S	S	2010		200.0			53.5		
Tax Administration Reform Project	MS	MS	2005	24.4	78.5		49.16	13.4	58.4	
Tertiary Education Support Project	MU	MU	2011		300.0			299.7	28.3	
Water Sector Capacity Buidling Proj	MS	MU	2008		38.0			26.0	10.4	11.0
Electricity Distribution & Transmissi	MU	U	2008	173.6	83.1			173.6	147.1	-79.7
Land Records Mgmt & Information Syst.	S	MS	2007		45.7			36.1	25.2	
Punjab Municipal Services Improvemen	S	MS	2006	50				22.9	22.9	13.5
Second Trade & Transport Facilitation	U	MU	2009		25.0			23.5	8.4	
<b>Total</b>				<b>724.4</b>	<b>3038.8</b>		<b>53.3</b>	<b>1932.7</b>	<b>17.1</b>	<b>-67.0</b>

a/ Intended disbursements to date minus actual disbursements to date as projected at appraisals.

Source: World Bank.

**Annex B8 (IFC) for Pakistan - Committed and Disbursed Outstanding Investment Portfolio**  
As of 10/31/2011  
(In USD Millions)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Partici pant	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant
1993/97	Crescent bahuman	0	0.51	0	0	0	0	0.51	0	0	0
2004	Csibl	0	0	4.57	0	0	0	0	4.57	0	0
2006	Dewan petroleum	12	4.28	0	0	17.86	12	3.06	0	0	17.86
2003	Dewan salman	17.5	0	4	0	0	17.5	0	4	0	0
2007/10	Engro asahi	24	9.54	0	0	24	24	9.54	0	0	24
2007	Engro energy	49.56	2.79	0	0	0	49.56	2.79	0	0	0
2010/11	Engro fertilizer	0	0	80	0	0	0	0	80	0	0
2006	Habib bank ltd	0	0	50	0	0	0	0	50	0	0
2008	Intsl	0	5.69	0	0	0	0	5.69	0	0	0
2005	Js large cf	0	0.6	0	0	0	0	0.6	0	0	0
1995	Jsil (mgt co.)	0	0.17	0	0	0	0	0.17	0	0	0
2006	Jspe fund	0	19.99	0	0	0	0	6.89	0	0	0
2008	Kashf mfb	0	0.14	0	0	0	0	0.42	0	0	0
2007	Kesc	80	0	37.24	0	0	65	0	37.24	0	0
1995	Kohinoor	0	4.71	0	0	0	0	4.71	0	0	0
2011	Kpt	70	0	0	0	0	0	0	0	0	0
2010	Laraib	35	0	0	0	0	20.3	0	0	0	0
0	Mashal	0	0	3	0	0	0	0	0	0	0
2002/11	Micro bank	0	2.97	0	0	0	0	2.97	0	0	0
2011	Nrsp mfb	0	1.88	0	0	0	0	0	0	0	0
2006	Orix leasing pak	6.68	0	0	0	0	6.68	0	0	0	0
1965/87/91/94/95/05/09	Packages	0	45.41	0	0	0	0	45.41	0	0	0
2010/11	Qict	40	0	0	0	0	28.1	0	0	0	0
2008/10	Silkbank limited	0	16.14	0	0	0	0	15.99	0	0	0
2006/08	Tameer bank	0.93	0.44	0	0	0	0.93	0.44	0	0	0
2007	Tps (p)	0	16	0	0	0	0	16	0	0	0
2004/07	Trg pakistan	0	0.66	0	0	0	0	0.66	0	0	0
1996	Uch power	0	0	0	0	0	0	0	0	0	0
2011	Uch-ii	101.97	0	0	0	0	34.42	0	0	0	0
2011	Zorlu pakistan	38.1	0	0	0	0	0	0	0	0	0
<b>Total Portfolio:</b>		<b>475.74</b>	<b>131.92</b>	<b>178.81</b>	<b>0</b>	<b>41.86</b>	<b>258.49</b>	<b>115.85</b>	<b>175.81</b>	<b>0</b>	<b>41.86</b>

\* Denotes Guarantee and Risk Management Products.

\*\* Quasi Equity includes both loan and equity types.

Source: World Bank.