COUNTRY STRATEGY AND PROGRAMME EVALUATION

Islamic Republic of Pakistan

Executive summary

Independent Office of Evaluation
IFAD
Investing in rural people

Executive summary

A. Background

1. As approved by the 128th session of the IFAD Executive Board in December 2019, the Independent Office of Evaluation of IFAD (IOE) undertook a country strategy and programme evaluation (CSPE) in the Islamic Republic of Pakistan in 2020.

2. **Objectives.** The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD country programme; and (ii) generate findings and recommendations to steer the future partnership between IFAD and the Government. The findings, lessons and recommendations are expected to inform the preparation of a new country strategy.

3. **Scope.** The CSPE covered the period 2009-2020. The key dimensions assessed in the CSPE were: (i) project portfolio performance; (ii) non-lending activities, namely, knowledge management, partnership-building and country-level policy engagement; (iii) performance of IFAD and the Government; and (iv) relevance and effectiveness of the country strategy and programme.

4. **IFAD in Pakistan.** Pakistan became a Member State of IFAD in 1977. Its first IFAD loan was approved in 1979. Since then, IFAD has approved the financing of 27 projects (excluding two that were cancelled after approval) for a total cost of US$2.58 billion, with IFAD financing of US$780 million (75 per cent on highly concessional terms, 17 per cent on intermediate terms and 8 per cent on blend terms). The total cost of the seven investment projects covered by the CSPE is approximately US$520 million,[1] of which US$362 million was financed by IFAD. In the CSPE period, IFAD prepared two country strategic opportunities programmes (COSOPs) – in 2009 and 2016.

5. Two types of implementation arrangements were used for the projects covered in the CSPE. For the four area-based projects (covering Azad Jammu and Kashmir, Balochistan, Gilgit-Baltistan and Punjab), the Government of each province/territory is the lead implementing agency (through the Planning and Development Department/Board). For the other projects with wider geographical coverage and without pre-determined areas, the Pakistan Poverty Alleviation Fund (PPAF) has been the lead implementing agency. The main areas of project interventions were social mobilization and community development, microfinance, infrastructure (community-level and larger-scale such as roads), asset transfer and skills training, irrigation support with land development and value chain development.

6. **Country context.** Pakistan is the sixth most populous country in the world. Two thirds of the population are below 30 years old. It is a country of diversity in many aspects, e.g. agro-ecological conditions, population density, level of economic development, language and socio-cultural context. Significant progress has been made in reducing the poverty level over the past two decades, but about one quarter of the population still live under the national poverty line and about 39 per cent in multi-dimensional poverty. There are wide disparities in poverty/wealth levels between urban and rural areas, and between and within provinces or districts. Land ownership, in particular access to irrigated land, is highly concentrated. The extent of inequality in farmland holdings and landlord-tenant relationships and arrangements varies greatly across areas. Pakistan ranked 151st out of 153 countries on the Global Gender Gap Report in 2020.

7. The Government has had a number of anti-poverty initiatives. The PPAF, the National Rural Support Programme (NRSP) and a number of other Rural Support Programmes (RSPs) have been established with federal and provincial government funding. The Government supports one of the largest social protection programmes in the world,

[1] Actual cost for closed projects and planned costs for ongoing projects.

notably the Benazir Income Support Programme (BISP) which provides basic income support to the poorest households for consumption smoothing (reported to be about 5.7 million households in 2016). Eligible households for BISP were identified based on a proxy means test (known as poverty scorecard in Pakistan) and a survey conducted in 2010-2011. The current Government formed in 2018 launched the Ehsaas programme in 2019 as a major government umbrella anti-poverty initiative, with the objective "to reduce inequality, invest in people, and lift lagging districts".

B. Project portfolio performance

8. **Relevance.** Overall, the projects have been aligned with the Government's policy priorities and IFAD's Strategic Framework. Project interventions were relevant to the needs of the rural poor, such as access to clean drinking water and improved sanitation, livestock and other productive assets, finance, skills training and access roads. Some adjustments during implementation were made in response to emerging needs, as was the case in the face of COVID-19 (e.g. cash transfers to participating households as start-up or working capital to be used for the protection of assets provided by the project).

9. The sectoral/subsectoral focus of some area-based projects was relevant in terms of supporting inclusive growth and systemic changes, for example, with ETI-GB[2] in Gilgit-Baltistan. Two microfinance programmes[3] in the earlier part of the CSPE period were geared towards fostering an enabling environment and strengthening the capacity of financial service providers to better serve the rural population. On the other hand, as the portfolio investment in asset transfer (mostly goats) and skills training targeted at households selected based on the poverty scores has significantly increased over the CSPE period, some project strategies are less geared towards addressing structural constraints and systemic influence (e.g. value chain governance, regulatory environment). Similarly, support for financial inclusion has shifted away from a systemic approach to direct credit-focused interventions.

10. In a number of projects, the implementation arrangements had weak linkages with relevant institutions: limited attention was paid to fostering meaningful linkages between the target group and service providers and to investing in existing institutions at provincial and local levels to prepare them for future delivery and sustainability.

11. The projects have generally had a strong poverty focus, mainly using poverty scorecard as a targeting tool and including the Government's cash transfer programme recipients, especially for interventions such as asset transfer, skills training and small housing units. At the same time, some issues with the overreliance on poverty scorecard for geographical and household targeting have not been critically reflected upon. For example, the poverty scores are based on observable indicators (e.g. assets) and may not be necessarily an accurate reflection of households' capacity for sustainable livelihoods. Poverty status can also be highly transitory. Furthermore, even though poverty scorecard status is revalidated in the projects, those households whose poverty scores were above the threshold in the original registry (from 2010-2011) or who were not in the registry for some reason are not included in this revalidation process.

12. **Effectiveness.** The outreach of the closed and ongoing projects is estimated at 319,055 households: 126,660 (128 per cent of the combined target in the two closed projects in Azad Jammu and Kashmir, and Balochistan); and 192,395 (58 per cent achievement against the combined target in the two ongoing projects in Southern Punjab and Gilgit-Baltistan). Community organizations have often been the main medium of project support, following the model widely adopted in Pakistan by the

[2] Economic Transformation Initiative – Gilgit-Baltistan.
[3] Microfinance Innovation and Outreach Programme (MIOP) and the Programme for Increasing Sustainable Microfinance (PRISM).

PPAF, NRSP and RSPs over the past decades. In the evaluated portfolio, 12,724 community organizations were reached with a total membership of 234,092. Overlapping with these figures, there were borrowers who benefited from the microfinance programmes as well as a broader population who benefited through rural infrastructure.

13. IFAD's infrastructure-related investments (e.g. drinking water schemes, roads) have led to highly positive outcomes in terms of enhanced livelihoods, access to basic services and living conditions for beneficiary communities. Apart from large-scale infrastructure such as roads, many of these schemes were planned and implemented effectively through community-led approaches.

14. Productive asset transfer (mostly livestock) and skills training have improved income opportunities and resilience, mostly for women. Vocational training support could have been more market-oriented and more effective with better planning and implementation. While irrigation rehabilitation or development has enhanced – or has the potential to enhance – agricultural productivity and crop diversification, promotion and adoption of improved agricultural techniques and practices were generally limited. In terms of access to markets, road improvement was the most effective: for example, in remote areas in Balochistan, the investment in link roads from the landing sites to the main roads greatly facilitates the transport of fish catch, resulting in a significant reduction in their spoilage. There are also promising early results from public-private-producer partnership initiatives in Gilgit-Baltistan, albeit still on a small scale.

15. There were good achievements in strengthening microfinance service providers in the earlier period through two sectoral programmes, but overall, the effectiveness in improving the access of the rural poor to community-based funds and financial services was found to be modest.

16. **Efficiency.** On the positive side, the share of project management costs has been low (2 per cent for one microfinance programme with PPAF) or reasonable (8 to 14 per cent for area-based projects). Despite the implementation and disbursement delays, the utilization of funds at completion has been high, with the disbursement rate for IFAD funds at 95 to 100 per cent. For the recently completed and mature ongoing projects, economic efficiency is likely to have been affected by implementation delays or changes in the main benefit streams, but they are still expected to be viable.

17. On the other hand, more than half of the portfolio has experienced significant delays in start-up, implementation and disbursement, which in turn affected the results. Common factors included: delays in government processes; staffing issues (e.g. high turn-over, delays in recruitment); under-design of some interventions and delays in their elaboration (e.g. value chain fund in ETI-GB); and security issues and delayed or non-issuance of no-objection certificates by the Government (e.g. in Balochistan).

18. There is also an important efficiency issue at the country portfolio level, given the number of projects developed that in the end fell through. During the evaluation period, two projects were cancelled after the signing of financing agreements. Another project was fully developed but in the end was not presented to the IFAD Executive Board.

19. **Rural poverty impact**. The portfolio had a very positive impact on human capital through infrastructure support. Interventions such as drinking water schemes, drainage and sanitation, and link roads have contributed to improving health conditions (e.g. a reported decline in intestinal diseases) and general well-being. The provision of small housing units to women has not only alleviated rural homelessness but also liberated poor household members from exploitative arrangements of exchanging free labour for shelter.

20. Rural road improvement also had a visible impact on household incomes – notably by reducing travel time and costs, and wastage of fish catch and perishable crops. There are indications that productive assets – goats in the majority of cases – contributed to increased incomes. The evidence on impact of vocational and enterprise training on household incomes is mixed, due to the issue with the selection of trades and training quality, as well as differences in the market and economic opportunities in different areas.

21. Food banks in the Southern Punjab Poverty Alleviation Project (SPPAP) have mitigated the food gap during the lean season. More broadly, increases in incomes, coupled with the provision of livestock, are likely to have had a positive impact on food security and nutrition, but there is little data and evidence to confirm this. Agricultural productivity was not an explicit objective of the portfolio and the impacts in this regard were relatively limited. The portfolio made significant investments in supporting community institutions in collaboration with the PPAF, NRSP and other RSPs, but the portfolio impact on community empowerment is not evident: the project approach has mostly focused on community organizations as a channel of project service delivery. Apart from the microfinance programmes, impacts on policies and institutions were minimal.

22. **Sustainability of benefits.** Community physical infrastructure schemes (e.g. drinking water scheme, road pavements) generally have a high likelihood of sustainability owing to strong community ownership and clear responsibilities and arrangements for operation and maintenance. For the larger-scale roads developed in the Gwadar-Lasbela Livelihoods Support Project, operation and maintenance are ensured by the Communication and Works Department, which collaborated effectively with the project.

23. Conversely, the weak alignment of technical and vocational training with market needs and contextual realities poses risks to the sustainability of results in terms of employment generation and income opportunities. The longer-term sustainability of community institutions is uncertain, as these institutions have remained somewhat "project-centred". In fact, community organizations are often reorganized based on the requirements of individual projects. There were also missed opportunities for closer engagement and institutional strengthening of government institutions for better sustainability. Furthermore, sustainability of benefits in terms of improved operations, outreach and services by microfinance service providers after MIOP (completed in 2011) and PRISM (completed in 2013) is mixed: some partner organizations expanded the operations, some stagnated and others stopped microfinance services. A major factor were the changes to the regulatory framework for microfinance, including the introduction in 2016 of the minimum capital requirement of PKR 50 million, which many were unable to comply with.

24. **Innovation.** IFAD's portfolio shows several scattered examples of technological innovations, some of which have potential for significant impacts for communities (e.g. vertical farming), as well as innovations in approach and implementation modality (e.g. credit enhancement facility support in MIOP). However, some of these approaches remain untested, and knowledge management has been limited. Moreover, IFAD's portfolio falls short of meeting the recommendation of the 2008 country programme evaluation, in that it has not explored innovative partnerships and the capacity for innovation has been constrained by weak linkages between loans and grants.

25. **Scaling up.** In general, examples and evidence of scaling up of successful interventions introduced in the IFAD portfolio by other actors are limited. The Government's National Poverty Graduation Initiative and some recent donor-funded projects are described as examples of scaling up of the "poverty graduation approach" supported in the IFAD portfolio, but there are some caveats to be noted. The available evidence indicates that PPAF has been the active promoter of the

"poverty graduation approach" and it is probably more accurate to say that IFAD, the Government and other development partners have collaborated with PPAF and financed the piloting and scaling up of PPAF-supported or promoted initiatives, rather than say that a development approach was newly introduced by IFAD and scaled up by other actors. Similarly, the poverty-scorecard-based household targeting has been presented as an example of scaling up but the idea to use poverty scorecard for development-oriented programmes existed earlier and its use has been studied and promoted by PPAF. Of the various technological innovations introduced by the projects, as yet, there is little sign of replication or scaling up by other actors.

26. **Gender equality and women's empowerment**. Women's participation was generally strong, with many project activities targeted at women, such as vocational training, small land plots and housing, distribution of goats, and kitchen gardening. The projects have contributed to the social and economic empowerment of women by enhancing their access to resources, assets and services. Interventions such as water supply schemes reduced women's workload and improved their health and well-being. Some projects have challenged social norms and enabled women to participate in activities that were not seen as women's domains earlier, e.g. economic activities in the market and ownership of small housing units and land plots. At the same time, it is worthwhile noting BISP's reported impact on women's decision-making power and empowerment, given that many of the project beneficiaries were BISP recipients.

27. While the overall positive achievements are noted, there were also missed opportunities to maximize the benefits of some interventions and to diversify the income-generating opportunities. Vocational training mainly focused on traditional roles of women (e.g. tailoring, embroidery) without exploring opportunities to break down occupational segregation. Also, the important roles of women in the fishery and livestock sectors were not adequately taken into consideration.

28. **Environment and natural resource management.** There is no evidence of major environmental damage from IFAD-supported interventions, and even large-scale infrastructure works have been conducted in an environmentally-sensitive manner (e.g. tree planting to compensate for the loss of trees for road works in ETI-GB). SPPAP made efforts to reduce open defecation by introducing household latrines in Southern Punjab. On the other hand, the potentially negative impacts of goat distribution on the environment have not been carefully considered. Furthermore, considering how essential water is as a scarce commodity in Pakistan, there is insufficient emphasis on improved water use efficiency.

29. **Adaptation to climate change.** There are some examples of climate change adaptation co-benefits and enhanced resilience of communities as a result of IFAD's interventions (e.g. through resilient roads, rainwater harvesting and irrigation development with attention to disaster risk reduction). However, these were not always intentionally based on a climate risk analysis. While climate change is mentioned in the project design documents, there has been limited analysis of context-specific risks within the project areas, also given the extensive geographic coverage.

C. Performance of non-lending activities

30. **Knowledge management.** The projects have invested significant effort in promotional and communication products, but there has been less emphasis on critically analysing and synthesizing successes, failures and challenges to draw lessons and to feed into policy briefs. Inputs by IFAD at the country programme level to distil learning from the project level have also been limited. Recently, IFAD has supported South-South knowledge-sharing activities with China at the country level, utilizing the corporate-level facility, but outcomes and linkages with the country programme are not yet clear.

31. **Partnership-building.** IFAD has generally had good relationships with the government agencies at federal and provincial levels. It has also long pursued partnerships with well-established not-for-profit organizations such as PPAF, NRSP and other RSPs, mostly as implementing agency/partners for the loan projects, but the evaluation noted a lack of diversity. Collaboration with research and academic institutions has also been limited.

32. There were some examples of collaboration with other development partners and initiatives in earlier projects (e.g. the Food and Agriculture Organization of the United Nations in the Community Development Programme; the World Bank in microfinance programmes), but in other cases, linkages proposed at design often did not materialize and there were also missed opportunities. Overall, strategic and structured partnerships with other bilateral and multilateral development agencies have been minimal. There are emerging attempts to promote partnerships with the private sector within the project framework.

33. **In-country policy engagement.** For most areas proposed for policy linkage in the COSOPs (except for microfinance), there have been few or no achievements. While there is a recent case of directly providing support to the Government's Poverty Alleviation and Social Safety Division, in general, IFAD's inputs on policy engagement and concrete outputs/outcomes have been relatively limited – in terms of providing technical inputs to policy-related interventions under the projects, identifying emerging policy bottlenecks in the projects and tabling them for analysis and actions, helping systematize the experience and evidence at project level, and taking them to a higher level for broader debate and influence. This is also due to weak partnerships and under-utilization of non-lending activities and instruments – which are, in turn, also due to the human resource capacity constraints in the IFAD Country Office (ICO).

D. Performance of partners

34. **IFAD.** IFAD has tactfully managed the lending portfolio to meet the corporate targets. IFAD has been proactive and closely involved in supervision and implementation support for the portfolio and handled problem projects. While IFAD is generally well-appreciated by the federal and provincial governments despite its small portfolio, there is some mismatch between their expectations for IFAD's value addition (e.g. agriculture and livestock sectors with attention to improved technologies, advisory services, value chain development, climate change resilience) and the recent/current IFAD portfolio, which is relatively heavy on asset transfer and skills training to the households identified based on poverty scorecard. Limited human resources in the ICO and a non-resident country director have constrained IFAD's performance, particularly for non-lending activities and presence in policy dialogue.

35. **Government.** Overall, the Government has been a collaborative partner. Among other things, Pakistan's contribution to periodical IFAD replenishments has been consistently high. It also supported the alternative implementation arrangements through an institution outside the Government (i.e. PPAF). On the other hand, delays in the Government's internal processes and in setting up project teams and recruitment have continued to be the biggest bottleneck.

E. Conclusions

36. Overall IFAD support has been aligned with the Government's development strategies, demonstrating a strong poverty focus. IFAD embraced the use of the poverty scorecard as the main targeting tool with the aim of reaching the extremely and vulnerable poor, and promoted community institutions inclusive of these households. By including the Government's cash transfer recipients in the target group, the portfolio's efforts were also aligned with and complemented the Government's social protection and poverty alleviation programmes.

37. IFAD has demonstrated a proactive and flexible approach to portfolio management, addressing issues with problem projects (e.g. cancellation of non-performing projects; dropping or scaling down of non-performing interventions in problem projects), while managing the pipeline to ensure the utilization of the available resources for lending. While these actions had positive effects on the portfolio delivery efficiency indicators, IFAD's comparative advantage and value addition as expected by government partners have become less pronounced. The lending portfolio has become skewed towards assets transfer and skills/enterprise training targeted at individual households under the label of "poverty graduation approach". Meanwhile, with one exception (ETI-GB), strategic investment to leverage rural economic growth around natural resources (i.e. agriculture, livestock and fisheries) has declined, and priority issues such as climate resilience and natural resource management (especially, water) have not been systematically integrated. Despite the importance of food security and nutrition among rural poor people, the efforts to integrate these issues into programming have not been adequate.

38. At the operational level, various targeted interventions were relevant to the needs of the rural poor and had positive impacts on their living conditions and livelihoods. Project results were particularly visible with investment in infrastructure, which mostly positively impacted on human capital – and to a varied extent on household incomes. Furthermore, the provision of productive assets, combined with skills training, contributed to improved livelihoods, although the scale, depth and sustainability of the results are not always evident. The portfolio made an important contribution to women's social and economic empowerment, although there were also missed opportunities to promote more gender-transformative changes. Support for community institutions has contributed to the effectiveness and sustainability of community-level infrastructure, but the approach has largely remained project-centred, whereas different development programmes have made substantial investment in forming or reactivating these organizations over the decades.

39. Notwithstanding cases of positive results on the ground, a critical shortcoming has been the limited consideration of how best to leverage systemic and sustainable changes. Project interventions have often lacked an effective strategy to address meso-level and structural constraints to inclusive rural economic development, such as access to advisory and other services. The geographical and household targeting approach, primarily driven by poverty scorecard, followed by asset transfer and vocational training, has overlooked a broader perspective on root causes and drivers of poverty and the opportunities for leveraging changes in agricultural production, agribusiness, and food systems that would benefit the rural poor. The overreliance on poverty scorecard has also not reflected the fact that poverty is dynamic and that many households move in and out of poverty. Furthermore, project efforts have mostly concentrated on delivering goods and services according to the targets rather than on improving and influencing the institutions, policies and systems to remain beyond the project period to create enabling conditions for pro-poor solutions.

40. The country programme has not demonstrated strong strategic coherence, synergy or linkages between different elements, nor visible learning and capitalization of experiences, thus curtailing the potential for greater influence and impact. This is in part due to a limited focus on non-lending activities and their ability to drive innovation, challenge traditional approaches and enhance IFAD's value proposition. The point for critical reflection would be how the country programme could become much more than a mere collection of stand-alone projects in different areas. In essence, there has been insufficient strategic consideration on how to get the best value out of the relatively small size of the portfolio/programme – in terms of an effective strategy for promoting innovations and scaling up for greater influence and impact that reflects the areas of IFAD's strengths.

F. Recommendations

41. **Recommendation 1. Place greater emphasis on inclusive market systems development with due attention to climate resilience and natural resource management.** There should be careful consideration of the potential thematic foci and value chains/market systems in agriculture, livestock, fisheries and forestry sectors that are most relevant to the rural poor (on- and off-farm), followed by a diagnostic analysis of constraints and opportunities for strategic programming. The programme should also integrate more deliberately the aspects of climate resilience, disaster risk reduction and natural resource management (particularly water use efficiency) with due attention to innovative practices. Where relevant, it would be important that such investment be accompanied by support for addressing basic needs, in the project or through other complementary initiatives.

42. **Recommendation 2. Articulate a strategy to promote innovations and scaling up for greater rural poverty impact**. Given the relatively smaller resource envelope compared to many other development agencies, IFAD, in consultation with the Government, should better articulate how it plans to add greater value for a country programme with a deliberate focus and synergy. Rather than financing the scaling up of initiatives or repeating a similar approach in consecutive projects, there should be a stronger emphasis on introducing innovations (approaches, practices and technologies) with high potential impact on inclusive rural economic development with a strategy to promote scaling up by the Government and other partners. For this, greater attention should be given to leveraging resources and capacity through strategic partnerships, for identifying opportunities for innovations, designing and piloting innovations, and generating and disseminating knowledge – within the project framework and/or utilizing grants. This will require significant strengthening of IFAD’s non-lending activities in Pakistan.

43. **Recommendation 3. Place more emphasis on strengthening and linking with institutions, policies and systems for greater likelihood of sustainability.** Working with, strengthening and preparing the institutions, policies and systems that will continue to exist after the projects should be given priority. This would also mean more systematic engagement of stakeholders right from the project conceptualization phase for greater ownership, and creating sufficient space and budget allocation for their meaningful participation in project implementation, monitoring and evaluation and oversight. It is imperative that the right entry points (in terms of partner institutions, policy and systems issues to be addressed) be identified at the project design stage and complemented by IFAD’s investment in policy engagement. IFAD should also develop a strategy for closer involvement and stronger oversight by project steering committees.

44. **Recommendation 4. Adopt a more flexible and differentiated approach in targeting and programming.** Selection of geographical areas for interventions could be informed not only by the poverty rate or the number of poor households but also by other factors such as vulnerability, causes of poverty and opportunities for inclusive economic development, which IFAD would be well-placed to support. Depending on the nature of interventions, consideration should be given to diversifying the basis for household targeting from strictly relying on the poverty scores, also in recognition of the dynamic and transitory nature of poverty. There should be continued attention to inclusiveness of institutions of the targeted population, based on the analysis of socio-cultural contexts and power relations, but leaving flexibility for adapting the forms and approaches based on the main purposes and a long-term vision for such institutions and the contexts. Furthermore, in-depth differentiated analysis of the actual/potential roles in value chains and market economy of different categories of the rural poor (men, women, young men and women, other vulnerable groups) is needed for effective targeting. Where relevant, non-traditional employment/income opportunities for women should be explored.

45. **Recommendation 5. Broaden and strengthen partnerships with other development agencies partners and non-governmental actors while upgrading the IFAD Country Office and its support systems.** IFAD should seek out opportunities for exchange, coordination and collaboration with other development partners. This could be for: knowledge exchange in areas where IFAD has accumulated experience; collaboration in analytical work and policy engagement; or better capitalizing on the work and lessons of others. IFAD should also explore opportunities to diversify non-governmental partners for different purposes beyond contracting as service providers, for example, to build capacities of smaller civil society organizations to provide services to the rural poor or strengthen the role of advocacy and representation, or for research and technical assistance. These would also require strengthening of the ICO in terms of human resource capacity and/or the technical support systems from its subregional hub or headquarters.