

Pakistan

National Poverty Graduation Programme Supervision Report

Mission Dates: 15 November to 8 December 2021

Document Date: 22/12/2021

Project No. 2000001467

Report No. 5967-PK

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

AWP/B	Annual Workplan and Budget
BISP	Benazir Income Support Programme
BRSP	Balochistan Rural Support Programme
CDD	Community Demand Driven
CIG	Common Interest Group
CO	Community Organization
CRP	Community Resource Person
EAD	Economic Affairs Division
EHSAAS	Poverty Graduation Initiative of the Government of Pakistan
GoP	Government of Pakistan
IFAD	International Fund for Agricultural Development
IUCN	International Union for Conservation of Nature
IFL	Interest Free Loan
KP	Khyber Pakhtunkhwa Province
LIP	Livelihood Investment Plan
LSO	Local Support Organization
M&E	Monitoring and Evaluation
MER	Monitoring, Evaluation and Research
MIS	Management Information System
MoU	Memorandum of Understanding
NOC	No Objection Certificate
NPGP	National Poverty Graduation Programme
NRSP	National Rural Support Programme
NSER	National Socio-Economic Registry
PASSD	Poverty Alleviation and Social Safety Division
PIM	Programme Implementation Manual
PME	Planning, Monitoring and Evaluation
PMIFL	Prime Minister's Interest Free Loan Scheme
PMU	Project Management Unit
PO	Partner Organization
PPAF	Pakistan Poverty Alleviation Fund
PSC	Poverty Score Card
PWR	Participatory Wealth Ranking
RCT	Randomized Control Trial
RIMS	Results and Impact Monitoring System
RSP	Rural Support Programme
SDG	Sustainable Development Goal
SLED	Sustainable Livelihood Development Framework
SMT	Social Mobilization Team
SOP	Standard Operating Procedures
SRSO	Sindh Rural Support Organization
ToT	Training of Trainers
TRDP	Thardeep Rural Development Programme
UC	Union Council
VO	Village Organization
WHH	Women Headed Households

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Actual problem
Country:	Pakistan	Environmental and Social Category:	Moderate
Project Name:	National Poverty Graduation Programme	Climate Risk Classification:	Moderate
Project ID:	2000001467	Executing Institution:	Pakistan Poverty Alleviation Fund
Project Type:	Rural Development	Implementing Institutions:	Pakistan Poverty Alleviation Fund
CPM:	Hubert Boirard		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date:	14/09/2017	Last audit receipt:	04/01/2021
Signing Date:	03/02/2017	Date of Last SIS Mission:	08/12/2021
Entry into Force Date:	14/11/2017	Number of SIS Missions:	13
Available for Disbursement Date:	27/06/2019	Number of extensions:	0
First Disbursement Date:	02/07/2019	Effectiveness lag:	2 months
MTR Date:	19/10/2020		
Original Completion Date:	31/12/2023		
Current Completion Date:	31/12/2023		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$82,600,000
Domestic Financing breakdown	National Government	\$49,900,000
Co-financing breakdown,		
Project total financing:		\$149,800,000

Current Mission

Mission Dates:	15 November to 8 December 2021
Days in the field:	6
Mission composition:	Hubert Boirard, Country Director/Mission Leader; Fida Muhammad, Deputy Mission Leader; Rab Nawaz, Institutions Specialist; Arsalan Hanif, Financial Management Specialist; Abdul Hakeem Khan, Transversal Aspects; Sumaira, Knowledge Management Specialist; Inshan Ali Kanji, Access to Finance and Innovative Poverty Graduation; Federica Martina Siviglia, Procurement (some consultants participated remotely in the supervision mission).
Field sites visited:	Jhang (Chak Ghumnana), Multan, Sukkur, Kashmore (Goth Ghulam Qadir Khokhar), Badin, Tharparkar (Nainsar and Khario Nara).

B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		4.14	Assessment of the Overall Implementation Performance		3.42

Effectiveness and Developmental Focus		4	Project Management		4
Effectiveness		4	Quality of Project Management		3
Targeting and Outreach		4	Knowledge Management		4
Gender equality & women's participation		5	Value for Money		4
Agricultural Productivity		N/A	Coherence between AWPB and Implementation		3
Nutrition		4	Performance of M&E System		4
Adaptation to Climate Change		4	Social, Environment, and Climate Standards requirements		4

Sustainability and Scaling-up		4	Financial Management and Execution		3
Institutions and Policy Engagement		4	Acceptable Disbursement Rate		3
Partnership-building		5	Quality of Financial Management		3
Human and Social Capital and Empowerment		4	Quality and Timeliness of Audit		3
Quality of Project Target Group Engagement and Feedback		4	Counterparts Funds		4
Responsiveness of Service Providers		4	Compliance with Loan Covenants		3
Environment and Natural Resource Management		4	Procurement		3
Exit Strategy		3			
Potential for Scaling-up		4			

Relevance		5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The National Poverty Graduation Programme (NPGP), a USD 149.8 million programme, with a highly concessionary IFAD loan of USD 82.6 million, was approved by IFAD's Executive Board in September 2017 and entered into force in November 2017. The programme completion and closing dates are 31 December 2023 and 30 June 2024 respectively. The lead programme agency is the Pakistan Poverty Alleviation Fund (PPAF).
2. The programme development objective is to enable rural poor people – especially women and youth – to fulfil their development potential and attain a higher level of social and economic well-being through a proven, flexible and responsive assistance package. This would be achieved through two components: Component 1: Poverty graduation. This component includes three subcomponents: (1.1) asset creation; (1.2) interest-free loan (IFL); and (1.3) livelihood training for IFL beneficiaries. Component 2: Social mobilisation and programme management.
3. The programme envisages the provision of productive assets to 177,000 households (PSC Band 0-18) in 23 districts of four provinces. The households in PSC band 12-40 will be supported with access to finance through the PMIFL. Each loan will be recycled three to four times during the life of the programme, with 214,000 loans expected to be disbursed to approximately 160,000 households. In aggregate, the programme is expected to reach nearly 320,000 households (representing over 2 million individuals). The programme will follow a tested and proven social-mobilization-based approach to community targeting, organization and implementation, for which the PPAF will engage some experienced suitable partner organizations (POs) for the delivery of programme interventions.
4. Since November 2017, NPGP has benefited from nine IFAD implementation support missions. The main objectives of this supervision mission were to: (i) assess the progress made in the implementation of the project; (ii) review progress against the 2021-22 AWPB and procurement plan; (iii) identify actual and potential/emerging operational problems; and (iv) propose solutions, corrective measures or improvements to be done for an accelerated implementation of the programme.
5. The Mission held meetings with Secretary EAD, Secretary PASS Division, PPAF Management and the representatives of the 6 Partners Organizations (POs) before the start of the field visit to understand the level of progress, the current challenges and the expectations of the parties from this mission. The mission conducted extensive field visits in the target districts of Punjab and Sindh Provinces where detailed progress review meetings were held with POs and field interview / visits were undertaken in the target Union Councils/Village Organizations (VOs). The Secretary PASSD joined the mission during the field visit in the Sindh province. After the field visit, a pre-wrap-up meeting were held with POs, PPAF and PASSD on the key conclusions of this supervision mission. A wrap-up meeting was held with EAD on 30 November 2021 to discuss Mission findings and recommendations. A project steering committee meeting was organized on 8 December to validate and decide on the key NPGP Supervision mission recommendations.

Key Mission Agreements and Conclusions

6. **The overall progress is rated “4” as moderately satisfactory.** The mission has observed a significant quantitative and qualitative improvement in some of the deliverables since last year. As of today, the disbursement rate is 39.5 % (57% once the Withdrawal Application under process will be disbursed) and all the Partner Organizations (POs) are operational in the around 4000 villages and 21 districts where NPGP is operating (two districts of North and South Waziristan still not covered due to NOC issues).
7. As of today and two years before the completion date, a cumulative 74,547 tangible assets have been transferred to the target beneficiaries (around 50 % of the overall NPGP target) with a satisfactory quality of outputs (accurate targeting, satisfactory community procurement process, responsiveness to the demand and the needs of the target groups, good management of the assets by beneficiaries and incremental income generated by the assets transferred) but with an unsatisfactory overall cumulative 1.2% delivery of the intangible asset (200 / 16 000 Vocation Training). The pilot in terms of collective Village Business approach has been initiated, some business plans have been elaborated but no business plan has yet been finalized, nor any village organization registered and no field activity has yet been launched.
8. The mission also observed that the poverty graduation package (asset transfer combined with Interest free loan and training) is extremely relevant for the poorest households and has allowed them (where implemented) to double and sometime quadruple their income. But the mission also observed that this Poverty Graduation package is not currently properly and systematically implemented due to an important coordination mechanism issue. As of today, of the 40 414 loans delivered against a target of 221,926 (18%) by the 19 IFL POs (Asset POs and microfinance POs) equivalent to 1.3 billion PKR, less than 1 % have benefitted to the asset beneficiaries. PPAF leveraged PKR 977 million as revolving fund in phase 1 (implemented through POs already under PPAF contract) while PKR 2.1 billion additional allocation (from the PKR 5 billion received by PPAF from the GoP in June 2020) has been made in June 2021 and contracts with existing and additional POs are currently being finalized. The IFL achievement is consequently far below expectation both in terms of overall delivery and its systematic integration with assets. PPAF and POs will have to ensure that the cumulative available IFL funds are revolved at least three times over the remaining project life, ensuring at least 50% coverage of the asset beneficiaries, to reach the project objective in terms of impact and counterpart financing of PKR 8 billion.
9. In terms of training, most of the 3600 Community Resources Persons have now been identified and 30% have been already trained in different thematic areas such as Asset management, basic business and numeracy, Health, Nutrition and Climate Change and disaster risk reduction awareness. These CRPs have provided 35,600 training to the communities (16% of the overall achievement). The mission observed that in most of the cases, the training was well managed with a satisfactory understanding / implementation at beneficiary level. The mission also observed that the 1 village / 1 Village organization approach recommended by MTR, by clustering all the Community Organization (COs) of a same village into a single VO, has been well implemented and

extremely well received by the community and POs themselves. The 2008 poverty Score Card update, through Community based Wealth Ranking, has been well managed by the POs, with the joint re-assessment by the POs and the community of each PSC category beneficiaries. As per the last mission recommendation, NPGP is now concentrating its effort on BISP beneficiaries found eligible through the fresh Wealth ranking exercise. Once these beneficiaries are fully covered, the programme will consider the coverage of fresh identified ultra-poor and very poor (0-11) and (12-23) through asset and IFL package subject to a policy decision by Steering Committee. The mission also confirms the relevance and the importance of the livestock package for the ultra-poor in terms of income generation and management as well as the satisfactory community procurement process handled jointly between the POs and the VOs. Mission commends the SRSO initiative of insuring livestock assets with very efficient processing of claims in case of mortality and encourages all POs to adopt the same model. The mission also observed that with the current inflation and fluctuation of the USD/PKR exchange rate, the initial amount of 60 000 PKR for the asset transfer needs to be revised.

10. In terms of project management, some of the last NPGP supervision mission recommendations have been implemented (recruitment of the procurement specialist, PIM revision, etc..) but the mission observed that even after 4 years, (i) An autonomous and fully empowered NPGP PMU has not yet be set up by PPAF as mentioned in the NPGP financing agreement and this, despite constant reminder / requests and (ii) the accounting software is still not yet operational for this USD 150 million project. In addition to that, the mission has discovered during this supervision that (i) PPAF, the lead implementing agency has declared itself as a private company and has initiated two cases in justice against the GoP and (ii) that because of this situation, the Ministry of Finance has not provided the necessary Rupee Cover to PPAF resulting in a penalization of the IFAD funded NPGP (currently around USD 5 million from the advance provided to NPGP is in the Pakistan State Bank but cannot be utilized by PPAF for any NPGP activities financing). The MOF will not release this Rupee Cover to PPAF until the PPAF legal status is formally clarified. After several non-successful tentative of mediations, it has become obvious that the justice case between PPAF and the GoP will have to be solved by the court which will take several months. A special NPGP steering committee was consequently organized on 8 December 2021 with senior representative of EAD, MOF, PASSD, PPAF, NPGP and IFAD as observer for an ultimate tentative of conciliation. As PPAF maintained its position (private company) and in order to ensure a smooth implementation of the project, the Steering Committee decided to de-link NPGP from PPAF in order to release the rupee cover constraint from NPGP.
11. In line with the Steering committee decisions and conclusions of the supervision, the main recommendations are:
 - Expedite the request of amendment of the NPGP Financing agreement (transfer of the lead implementation responsibility to the PASS Division and review of all articles in order to align the FA with the new situation)
 - Ensure smooth NPGP continuity with (i) the transfer of the current NPGP PMU staff under PASSD (list / position for IFAD NOC), (ii) the submission by EAD of the new signatories of the existing NPGP Account, (iii) the necessary amendment to ensure continuity of the POs contracts and (iv) the revision / cancellation of all arrangements in order to formalize legally this new situation.
 - Submit the revised NPGP PIM including the new institutional arrangement and all the changes generated by this situation (for IFAD NOC)
 - Organize a new steering committee by end of January 2022 to ensure that (i) the 2021 / 2022 NPGP AWPB will be achieved as initially planned and (ii) that the technical recommendations of this supervision mission will be integrated by the POs during the 2022 first semester implementation period (POs to implement the full Poverty Graduation Package (Asset transfer / IFL / Training), IFL provided only to the NPGP Asset beneficiaries, Separate targets and budgets between Tangible Asset and Intangible Asset, Pilot proposal on the Business Village Organization, Concept note repositioning of the CRPs, Asset value revalorized from 60 000 PKR to 75 000 PKR.

D. Overview and Project Progress

12. Component 1: Poverty Graduation

13. Progress under Poverty Graduation (Component 1) which is composed of the following 3 sub-components: (1.1) Asset creation, (1.2) Interest Free Loan (IFL), (1.3) Training of Livelihood / IFL Beneficiaries, **is rated 4 as moderately satisfactory**.
14. **Sub-Component 1.1:** Asset Creation: This sub-component aims at transferring assets and relevant skills training to beneficiaries in selected Union Councils (at district level) having some potential for employment or entrepreneurial competencies and based on their categorization identified through the PSC. In addition, this sub-component supports the establishment of Community platforms to promote socio-economic activities.
15. It is reassuring to note that all the agreed actions with relation to improving quality of operations and field implementation have been complied with and/or are ongoing. Specifically areas highlighted in the last mission related to inclusion and targeting, focus on social mobilization at the village level, household livelihood investment plan process, role of community resource persons, business pilots, and expected income benefits from applying the graduation package, have all been addressed. A total of 74,547 assets have been transferred as of 31 October 2021 which amounts to approximately 47% of the total project target. However, livestock still makes up a high percentage of cumulative assets, and efforts need to be made by NPGP team and implementing partners to reduce this number to 80% of the total assets provided. Specifically, central Sindh and South Punjab which have access to larger markets and urban centers are areas where the switch to non-livestock can be more easily made. 402 youth were enrolled for vocational trainings out of which 33 have completed. Most partners have been linking up with government training agencies (TVETs) or firms that have received accreditation from National Vocational and Technical Training Commission (NAVTTTC). However, during field visits, NPGP has identified/raised some concerns with regards to the management and quality of trainings provided, particularly in the case of some public training institutes and the difficulties to procure private training institutes with the current procedures. This issue is one that many organizations are facing, and it is further highlighted in the external challenges section.
16. Pilot business plans have been developed but the level of implementation is below expectation. After one year, none of the

cooperatives are registered and consequently no activities have started on the ground. As requested by PASSD in 2020, a pilot with experienced new POs in this specific area should be initiated in 2022.

17. **Sub-Component 1.2:** Interest Free Loans: This sub-component aims at supporting both eligible non-poor and poor in the target communities and leverage non-interest-bearing products as per the existing eligibility criteria under the IFL program. The objective is to extend 222,000 interest free loans to project target households (50% women) in combination with productive assets and support through counselling, market linkages and improved financial literacy. NPGP is expected to disburse Rs. 8 billion (USD 50 million) to NPGP beneficiaries over the project life.
18. Counterpart funding for the Interest Free Loan component was received in June and has led to an additional top-up investment by Government of Pakistan of PKR 2.1 billion to the current investment of PKR 1.5 billion. This means that a total amount of Rs. 3.6 billion is now available for utilization and will be revolved two-three times over the next 2.5 calendar years. Eight new implementing partners along with the original 12 are beginning work in some of the most remote districts of the country, including Kohistan, Torghar and Umerkot. These are areas where outreach is extremely tough and potential partnerships limited.
19. As at September 2021, 40,414 loans have already been provided at a cumulative investment of PKR 1.3 billion. This IFL sub component has now effectively started but, as of today, of the 40 414 loans delivered against target of 221,926 (18%) by the 19 IFL POs (Asset POs and microfinance POs) equivalent to 1.3 billion PKR, less than 1 % have benefitted to the asset beneficiaries. PPAF leveraged PKR 977 million as revolving fund in phase 1 (implemented through POs already under PPAF contract) while PKR 2.1 billion additional allocation (from the PKR 5 billion received by PPAF from the GoP in June 2020) has been made in June 2021 and contracts with existing and additional POs are currently being finalized. The IFL achievement is consequently far below expectation both in terms of overall delivery and its systematic integration with assets. PPAF and POs will have to ensure that the cumulative available IFL funds are revolved at least three times over the remaining project life, ensuring at least 50% coverage of the asset beneficiaries, to reach the project objective in terms of impact and counterpart financing of PKR 8 billion.
20. **Sub-Component 1.3:** Training of Assets and Interest Free Loan Beneficiaries: 14,768 (1494 male and 13,274 female) asset beneficiaries have received the trainings on asset management and functional literacy against the planned targets of 77,678 households. While 751 IFL beneficiaries received training on financial literacy against the planned targets of 46,943. Trainings to the target households were to be imparted by the CRPs, but due to the resurgence of Covid, ToTs of CRPs could not take place till October 2021. The CRPs have started cascading the capacity building sessions with the target households. However, the POs faced lack of availability of funds (owing to the Rupee Cover issue with Ministry of Finance) during April – June 2021 owing to which all project activities including the trainings of asset and IFL beneficiaries remained halted.
21. Till October 31, 2021, total 584 relevant CRPs have been trained who are cascading the trainings to the target asset and IFL beneficiaries. The POs have been pursued to complete ToTs of all the CRPs by December 2021 so that trainings of asset and IFL beneficiaries are carried out simultaneously in all the UCs to cover the backlog in the remaining two quarters of FY 2021-2022.

22. Component 2: Social Mobilization and Programme Management

23. As per last supervision mission recommendation (1 village, 1 village organization (VO)), the POs have clustered all the COs of the same village into one revitalized VO. As of today, about 3051 VOs in 306 UCs have consequently been revitalized in the 21 districts where NPGP is effective. PPAF has two types of POs for tangible and intangible assets management. In some cases, the same PO is responsible for both activities but in many cases the two are different and are working under tripartite MoUs signed among PPAF and the two POs. PPAF has conducted poverty graduation survey in randomly selected districts and UCs for tangible asset beneficiaries, who had received the asset at least six months before the survey (till June 2020), shows that overall 52.64 percent beneficiaries have graduated to higher poverty bands. Among the 11,847 beneficiaries surveyed, 44.14 percent graduated to PSC 12-18, 4.84 percent to PSC 19-23, 3.01 percent to PSC 24-34 and 0.63 percent to PSC 35-50. In some cases, no change or decline in poverty has also been reported. For example 2.80 percent beneficiaries in KP, 39.57 percent in Punjab and 6.20 percent in Sindh have reported no change in their status. The status of 6.90 percent surveyed beneficiaries has declined in Sindh. Recipients of livestock and small enterprise have shown more improvement than others while there is almost no difference in the status improvement of men and women (both 82 percent).
24. PSCs are being updated based on participatory wealth ranking in consultation with the concerned communities. NPGP is targeting to hire 3630 CRPs but only 1287 (888 males, 399 female) have been identified and trained so far. Their qualification varies Grade 8 to Masters with most of them having 10-12-year education. Most of the CRPs are young with 30 year or less age (70 percent) while there are a few who are above 50 years of age. Most of them have some kind of experience of social work with NGOs or something else but there are 104 students (8 percent) who have also been selected. Some of them are very good in communication and imparting trainings to community as was seen in Tharparkar district. Trainings for CRPs and communities have been conducted in 19 out of the total 21 districts. So far, CRPs have received 47 trainings while beneficiaries have received 669 trainings in functional literacy and basic business, 31 in IFL, 120 in climate resilience and disaster mitigation, 89 in nutrition and one for intangible asset beneficiaries. The programme has distributed 72,392 tangible assets throughout the project area but few trainings have been arranged on the management of these assets for the beneficiaries. Majority of the trainings have been conducted in Lower Sindh—Badin, Tharparkar, Thatha, Sujawal and Umerkot while there have been no trainings in Layya and Jhang for communities and any delay will affect the quality because fresh CRPs can deliver more effectively. A total of 65,870 people have attended these trainings including 36,016 (55 percent) males and 29,854 females.
25. The trainings in intangible assets include driving, air conditioners, electricians, computer software, welding, motor cycle mechanic tailoring and livestock extension, however, only three trainings in computer, motor cycle mechanic and agriculture extension have been completed only two districts—Layya and Sujawal. Progress of community training by CRPs is quite slow—one due to delay in CRPs own training and two, CRPs personal interest and motivation to do the same. Lack of funds and communities' engagement with rice harvesting were also mentioned as limiting factors but these were not critical and alternatives could be arranged.

Coordination between CRPs and public services does not seem to be strong which could be very useful in health, livestock and agriculture fields. Similarly, targeting and the link between trainings and tangible/intangible assets not only needs to be improved but be very clear to the beneficiary and the CRPs.

26. **Exit strategy:** During the mid-term review a number of refinements and new avenues of work were identified and during the course of the year there has been substantive work done on moving these forward. The project decided to await some learnings from these changes in order to better develop an exit strategy. The current proposed timeline for the strategy is March 2022.

Best Practices and Lessons Learnt

- Innovative and technology-based livelihood assets such as hand tractors provided in Shangla, Upper Kohistan, Lower Kohistan and Palas Kolai have been instrumental in transforming the rural agriculture of small landholders who have been relying on manual ploughing through bulls for decades. The hand tractors have reduced the cost, time and labour for women involved in farming as it is now the men who use the tractor. Further, these have also potential to increase cultivable land, agriculture productivity and pave the way for the introduction of high-value crops that could lead to significant income benefits. NPGP has decided to continue promoting such technology-based productive assets in all the target UCs.
- The output validation and review exercise by PMU in 14 districts with 6 POs has been instrumental in informing the PMU about the returns on investment – specifically to assess if the given assets are utilized for the intended purpose and are yielding the income benefits as prescribed in the log frame and during the Mid-term review. PMU plans to conduct future such systematic exercises to internally review and document the achievements, challenges and lessons learnt on biannual basis.
- Under the social mobilization component of NPGP, awareness campaigns and youth engagement events have been instrumental in enhancing engagement of other key stakeholders (besides eligible households) such as community institutions, CRPs, elected representatives, local teachers, social activists and officials from line departments. These campaigns not only helped increasing public awareness on different socio-economic issues but also helped in enhancing programme visibility and image building in the programme districts.

Project Management.

27. The mission has observed significant quantitative and qualitative improvements in some of the deliverables since last year. The project has transferred assets to 74,547—50% of the target beneficiaries. The IFLs component—which is a critical ingredient of the poverty graduation model under the NPGP has become operational. However, several of the last MTR's recommendations have been implemented i.e. recruitment of the procurement specialist, PIM revision, etc. but several core issues remain to be addressed.
28. The PMU structure notified in May 2021 does not provide for a genuinely autonomous PMU for efficient and accountable project implementation. The Ministry of Finance has not provided adequate Rupee cover to the NPGP in the absence of which the project is unable to replenish its account with an estimated USD 15.15 million to keep the project afloat. The NPGP's efforts to resolve the matter have not worked so far. Contract for the procurement of accounting software is ready for being awarded. The project should make direct payment and install it. Action on several MTR recommendations is tied to the use of accounting software. The IFL component is working but a weak coordination between the IFLs component and the NPGO explains why the number of loans given to the NPGP out of the 74,574 beneficiaries is less than 1% till the reporting date. A closer coordination between the IFLs component and the NPGP is critical to ensuring that the beneficiaries actually get out of poverty with the aid of full package of assistance.
29. **Designated Account and LPA Ops Costs Withdrawal:** There was a new revision in GoP's Revolving Fund procedures for Assignment Account (AA) according to which PPAF cannot write a cheque in its own name for transfer of funds from the Assignment Account. NBP asked PPAF to get exemption of the relevant clause of revolving fund procedures from Ministry of Finance; after rigorous follow-ups and reminders sent to MoF through PASSD, MoF issued their decision of rejection of the case. PPAF has requested IFAD to replenish the outstanding amount through WA reimbursement.
30. **NOCs** for district D.I. Khan and Tank was cancelled by the provincial authorities in September 2020. PPAF together with IFAD and partner SABAWON held a number of follow-up meetings and shared follow-up request letters with relevant authorities. As a result of vigorous efforts, SABAWON received third extension for a period of 3 months from June 07 to September 07, 2021, with extendible status from PDMA/PARRSA authority for D.I. Khan and Tank districts. The NOCs for district South and North Waziristan are still not issued and in the discussion with PPAF both parties (SABAWON and NPGP) are agreed to limit this project in to two districts (Tank and D I Khan).
31. **COVID-19 Pandemic:** The fourth spike of COVID-19 affected the programme's progress in all the districts. POs' staff faced difficulties in organizing community gatherings, social mobilization activities, hiring of consultants for trainings and awareness activities with communities at village level. Government Training Institutes were also closed from April-June, 2021 due to COVID-19 which affected skills training for youth under intangible assets.
32. **Financial Action Task Force (FATF) Implications:** The registration of Community Institutions (CIs) and subsequent opening of their bank accounts has become a pressing issue following the FATF regulations. The recent ban on registration of existing CIs by the Sindh Government has also posed a major challenge to the registration of CIs.

Agreed Action	Responsibility	Agreed Date
Transfer the NPGP PMU under PASS Division amendment of Financing agreement and all contracts / MOUs as needed	PASSD / EAD	12/2021
Ensure the change of signatories of the NPGP dedicated account	PASSD / EAD	12/2021
Inform MOF of the new NPGP implementing arrangement and request the release of the Rupee Cover	PASSD / EAD	12/2021
Submit for IFAD NOC, the composition of the new PMU	PASSD / EAD	12/2021
Delegate at POs level, the full implementation responsibility of the integrated NPGP Poverty Graduation Package (Asset transfer / IFL / Training) in order to respond efficiently to the current coordination mechanism issue.	PMU	12/2021
Separate the targets and budgets between Tangible Asset and Intangible Asset. The Tangible Asset should remain targeted on the BISP household beneficiaries. The Intangible Asset (vocational training) should henceforth focus on the youth (under 29 years old) from PSC 0-23 households, including BISP beneficiary households and separate budget provision be made for this. Each Intangible Asset beneficiaries should also benefit from an IFL. This part of the PIM should be modified consequently and submitted to IFAD for NOC.	PMU	12/2021
Increase the Tangible and Intangible Assets value from currently 60 000 PKR to 75 000 PKR	PMU	12/2021
Submit a concept note repositioning of the CRPs in order to increase their effectiveness, efficiency and impact to the VOs and NPGP target groups (IFAD NOC requested).	PMU	12/2021
Submit a pilot proposal on the Business Village Organization involving a co-financing of TVO and ASF. This pilot will be agreed with PASSD and should be aligned with PASSD 2020 request to IFAD related to (i) the re-organization of the centre for rural economy and (ii) the importance to test a collective and inclusive poverty graduation model.	PMU	12/2021
Submit a revised selection and procurement process for the Public or Private training institute necessary for the implementation of the Intangible Asset Transfer (for IFAD NOC by 15 January 2022).	PMU	01/2022
Initiate a discussion at PASSD / BISP levels in order to agree on a strategy / approach updating officially and regularly the PSC and BISP beneficiaries in the villages where NPGP intervene in order to fully integrate into the Pakistan national data the result of the NPGP poverty graduation process for inclusion and exclusion purpose.	PMU / PASSD / BISP	03/2022
Calculate / Monitor only IFL provided to the NPGP Asset beneficiaries under the IFL counterpart funds (As per financing agreement and poverty graduation package concept)	PMU	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 3

Justification of rating

33. Moderately Satisfactory. Project interventions exhibit effectiveness in terms of increase in income and being relevant, and timely. The project outputs demonstrate contribution towards achievement of outcomes and overall goal of the programme. Cumulatively 53% of the beneficiary households have reported an increase monthly income of 34%, on average, against the income reported in Baseline Report. Among non-livestock related surveyed beneficiary households 94% have reported their current monthly income as PKR 17,718 compared to the baseline income of PKR 12,740. The comparative analysis indicates 39% increase in average monthly income of the target households. The income potential of beneficiaries of intangible assets and the combined impact of the graduation package is yet to be ascertained.

Log-Frame Analysis & Main Issues of Effectiveness

34. The log frame remains valid and is updated annually. The project has made considerable achievements since MTR mainly in reaching the physical targets under tangible assets. In terms of outreach, 31% achievement (100,012 households against the planned 320,000 households) has been achieved. While 29% households falling between 0 - 16.17 in score card have graduated out of this category, 19% hhs in PSC 0-18 receiving asset transfers, move to a higher PSC band and 6% HHs that have move out of poverty altogether (over 23 on the PSC). At the outcome level progress continue but yet to be systematically assessed.
35. The achievement against the outcome 3 remains underperforming when assessed in the framework of poverty graduation package. Although 40 414 households have been provided IFL, less than 1% are those coming from the households receiving other support under NPGP. In addition 22,327 interest-free loans (IFL) provided to PSC 12-40 households. Of the total beneficiaries, 751 persons in rural areas have been trained in financial literacy and/or use of financial products and services. The achievement against the outcome 4 include 3 policy-relevant knowledge products completed against the planned target of 9 products.

Development Focus

Targeting and Outreach

Rating: 4

Previous rating: 3

Justification of rating

36. The rating is moderately satisfactory. The field mission confirmed that the targeting done by the POs under NPGP is extremely well done and relevant. In addition, the Village Poverty Score Cards in all Union Councils have been well updated in a participatory manner and validated at village and POs levels. All the tangible and intangible assets provided have targeted effectively the ultra and chronically poor households. Only on the IFL (not provided by the same POs), the target is also well respected (PSC 0 – 23) but is not respecting the poverty graduation package concept. Discussion and agreement have been reached on this points in order to address that issue from now.

Gender equality & women's participation

Rating: 5

Previous rating: 4

Justification of rating

37. Satisfactory. The project targeting is well structured, in line with the Government of Pakistan's empowerment of women through poverty graduation. So far, 85 percent of tangible assets have been effectively transferred to women. Women participation at VO level is important and in this context have truly been involved in the VO participatory mapping, update of the PSC, households LIPs, choice of their assets, training for management of their assets. Furthermore, 86 percent participants in health and nutrition trainings were females. Women make 31 percent of CRPs trained so far which is appreciable in some of the very traditional context where NPGP operates. Gender quality and women empowerment is pursued in line with the gender action plan and are monitored.

Agricultural Productivity

Rating: N/A

Nutrition

Rating: 4

Previous rating: 3

Justification of rating

38. Moderately Satisfactory. The trained 416 CRPs in health and nutrition have organized sessions where a total of 17,322 participants were trained including 14,811 females (86 percent) and 2,611 males. The contents of the training included hygiene, vaccination for children, protection against Covid-19, nutrition for expecting and lactating mothers, contagious diseases, washing hands and use of water.

Adaptation to Climate Change

Rating: 4

Previous rating: 3

Justification of rating

39. Moderately Satisfactory. About 120 trainings have been started to help the target group to develop and strengthen off-farm alternate livelihoods. The project focuses on training of CRPs on climate change adaptation and DRR/CBDRM in each Union Council. Training manuals on DRR and CCA have been developed in local languages and 287 CRPs have been trained who have started capacity building with target households. The content of manual suits local requirements emphasizing on drought resistant

crops, water conservation and crops that require less water. Sessions are arranged on IPM, kitchen gardening, plantation, fodder, vaccination and pasture management for cattle. Participants are also informed about risk insurance and transfer, early warning systems and responsible institutions at federal and provincial level.

Agreed Action	Responsibility	Agreed Date
Adaptation to Climate Change Provide a concept note paper on Adaptation to climate change that will integrate the new NPGP Union Council / village approach and provide clear objectives / targets for POs in 2021.	PMU	01/2021

b. Sustainability and Scaling up

Institutions and Policy Engagement	Rating: 4	Previous rating: 3
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Justification of rating

40. Moderately satisfactory. The NPGP is a critical arm of the Government's Poverty Alleviation and Social Safety Strategy (EHSAS) and both the asset transfer component and the interest-free loan component provide complementarity to the main social protection programme (BISP). Annual targets are requested by the Prime Minister's Office against both assets and loans, and monthly updates are provided in terms of assessing achievement. The PM, SAPM Poverty Alleviation continually use examples from the NPGP to showcase the success of government's poverty alleviation efforts and focus on the ultra-poor.

Main issues

41. There is significant potential for scaling up of the programme. Currently only 23 districts have been identified for this intervention but within these districts we have not yet reached 100% coverage of the target population (as per the financial allocation for NPGP). There is need and scope to further enhance this project so that the GoP will be able to show 100% coverage of all current districts. There are also a number of districts which remain in severe levels of poverty and distress. As of today, the mission has observed the relevance and tremendous impact on the target group of the poverty graduation approach concept when the full package (AT, IFL, Training) is delivered by the POs. The change of the lead implementation agency will allow with immediate effect the NPGP full implementation package and consequently will authorize to think that scaling up of this programme through additional internal or external extra allocations will be envisaged in 2023.

Partnership-building	Rating: 5	Previous rating: 3
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Justification of rating

42. Satisfactory. The project continues in building synergies and coordination with other corporate sector and international organizations to enhance the effectiveness of project outcomes for the target beneficiaries. In particular, NPGP has establish the following partnerships.

Main issues

43. **MoU with PxD**
44. Precision Development (PxD) is a global non-profit organization that harnesses technology, data science and behavioural economics to build digital services that empower people to change their own lives. The MoU between NPGP and PxD aims at transforming livelihoods and rural economy of the target population through designing of phone-based augmentations to NPGP interventions, such as disseminating knowledge, IEC messages, and advisory service, connecting target populations with service providers, sending out time sensitive nudges for key activities required for project success. The initial coordination and planning meetings between PxD and NPGP have been held during June-October 2021 and the draft MoU has been finalized for the final review and approval by the Chair of the NPGP Project Steering Committee.
45. **MoU with IUCN**
46. Two meetings among IUCN country team, TRDP and NPGP teams have been held to identify the areas of collaboration and synergies for promoting climate smart livelihood strategies among NPGP target communities. The parties have principally agreed to collaborate and are drafting the MoU for collaboration.
47. **Synergies and Coordination with BISP**
48. **Collaboration for Data Sharing with BISP:** In line with the MoU signed between PPAF and BISP regarding data sharing for effective poverty graduation, NPGP drafted a concept note that outline detailed strategy for data sharing protocols between BISP and NPGP. The draft concept note was presented in the second Project Steering Committee meeting held on 6May 2021. The concept note was endorsed by the PSC and BISP agreed to take it forward for the approval by BISP BoD for further collaboration and implementation.
49. **MoU for One Window of Ehsaas Programme:** An MoU with BISP and PPAF was signed to collaborate for One Window under Ehsaas programme of Government of Pakistan. One Window aims at integrating all Ehsaas programs under one roof to ensure beneficiaries can get information on all benefits and services available to them in one space.

50. Synergies with Pakistan Agricultural Research Council (PARC) Umerkot

51. NPGP held coordination meetings with PARC Umerkot to seek technical support in developing contract agriculture model for promoting climate-smart technologies among NPGP beneficiary households of Tharparkar. As a research institute, PARC works on various varieties of fruit trees that can tolerate a high level of Total Dissolve Solid (TDS) in water and perform optimally under dry conditions. The purpose of this coordination is to identify the varieties of fruit trees most suited to the contract-agriculture business model. The partnership is also intended to develop a formal partnership in the future for the provision of technical assistance under a contract farming model with the climate smart technologies like installation and functioning of drip irrigation system, provision of information regarding weather forecasting to the farmers and other climate change adaptation practices.

52. Synergies with Growth for Rural Advancement and Sustainable Progress (GRASP)

53. The GRASP project has been launched with the objective of supporting micro, small and medium enterprises (MSMEs) in Sindh and Balochistan. The project plans to support MSMEs through technical assistance and grant for business development, food certification, and advancement in value addition etc. NPGP on recommendation of IFAD initiated pilot business joint business model in all target districts of Sindh and Balochistan. Most of the approved business model are related to processing fruits, vegetable and value addition in the form of different milk products. Both projects are working on similar value chains in both provinces. Therefore, the NPGP team had initial collaboration meetings with GRASP project team to provide technical assistance to joint business cooperatives established under NPGP for certification of processing units in food Hygiene (ISO 22000). Both the project teams agreed to provide technical assistance to business cooperatives in NPGP communities as well as provide them grant facility for business expansion under MSME grants component of the GRASP project.

54. Sindh and Khyber Pakhtunkhwa Department of Cooperative societies

55. NPGP team held meetings with Sindh Department of Cooperative Societies to seek cooperation and support for facilitating registration of joint business co-operatives. This collaboration will help in building capacities of business groups to comply with cooperative law and work for the promotion of thrift, self-help, and mutual aid among members with common economic needs among the cooperative groups.

56. Treadways International as investment partner in small stitching unit at Tharparkar

57. Tradeways Pvt. Ltd is a garment exporter based in Karachi. The NPGP team held meetings with Tradeways to establish private sector partnership among Tradeways and joint business cooperatives for ensuring continued supply of raw material with product design as well as marketing of the products developed by business cooperative established under NPGP in Tharparkar.

Human and Social Capital and Empowerment

Rating: 4

Previous rating: 4

Justification of rating

58. Moderately Satisfactory. Transition from multiple COs to a single VO representing the majority of the village households, has greatly improved the development of human and social capital and community empowerment. Beneficiary participation and programme transparency has greatly enhanced. Though still small in numbers compared to the overall target, the deployment of CRPs and the beneficiary and community trainings in asset management, enterprise development/IFL usage, health and nutrition and climate change has already started showing great promise in enhanced human capital and empowerment.

Quality of Project Target Group Engagement and Feedback

Rating: 4

Previous rating: 4

Justification of rating

59. Moderately Satisfactory. Transition to 'One village-one VO' has greatly strengthened the target group's holistic engagement and brought more coherence and consistency to the programme delivery approach. This has ensured that over 90 per cent of village households are members of VO including all 0-23 households. The Community Wealth Ranking exercise and PSC validation effectively address the inclusion of beneficiaries on one hand and the exclusion of errors on the other, in a highly participatory manner. NPGP, through its POs, has established an effective grievance redress system. Community led procurement of assets was found to be working effectively, ensuring value for money and relevance. Capacity building of CRP, who in turn provides services to communities, is greatly contributing to beneficiary engagement in the long run.

Responsiveness of Service Providers

Rating: 4

Previous rating: 4

Justification of rating

60. Moderately satisfactory. NPGP's partner organisations are well placed and have strong acceptability in communities. All POs have been responsive in adapting the social mobilization approach to make it more holistic, are using LIPs as graduation monitoring tools and have diversified the asset types delivered. Significant progress has been made by the POs in the distribution of the relevant tangible assets. Innovative business models have been initiated but not yet operationalised. Progressive improvement also remains to be done in the case of intangible assets and aligning IFL as an integral part of the graduation package. Inter-PO experience sharing needs to be facilitated by NPGP's PMU.

Environment and Natural Resource Management

Rating: 4

Previous rating: 3

Justification of rating

61. Rating is 'moderately satisfactory'. Trainings have been provided to most beneficiaries in asset management and their upkeep and maintenance. Some assets seen by Mission during field visits were in good health and physical condition. CRPs discussed about environment protection in their discussion with the Mission members. Grazing, protection of trees, clean water and fodder management, proper disposal and use of excreta, proper sheds for summers and winters are included in training. Maintenance of rickshaws, tractors and loaders to minimize emissions and lubricants leakage and spillage are part of the training. Trainings to shop owners on functional literacy and numeracy and book keeping and on climate smart agriculture for other beneficiaries.

Exit Strategy

Rating: 3

Previous rating: 3

Justification of rating

62. Moderately Unsatisfactory. Moderately Unsatisfactory. Against NPGP's objective, an intelligent convergence at household level, (a well-crafted LIP, covering productive asset, training and IFL) and sustained service provision are critical. The exit strategy has to ensure that this convergence at household level ensures that a majority of beneficiaries attain higher status of economic well-being and a higher PSC. A clear path is the continuation of IFL and VOs in the programme area beyond the NPGP life. The role and capacity of CRPs to act as continued community based source of knowledge and support for poverty graduation is being strengthened. The development of exit strategy has been initiated but not yet fully elaborated. The NPGP POs shall be involved in elaboration of the exit strategy.

Agreed Action	Responsibility	Agreed Date
Elaboration of Project Exit Strategy Develop project exit strategy, with clear measurable targets and means of verification and submit to IFAD for no objection	PMU, NPGP/POs	06/2022

Potential for Scaling-up

Rating: 4

Previous rating: 4

Justification of rating

63. Moderately Satisfactory. There is significant potential for scaling up of the programme. Currently, only 23 districts have been identified for this intervention but within these districts, NPGP has not yet reached 100% coverage of the target population (as per the financial allocation for NPGP). There is a need and scope to further enhance this project in order to reach 100% coverage of all current districts. There are also a number of additional districts which remain in severe levels of poverty and distress and that could be added to the NPGP geographic coverage.

c. Project Management

Quality of Project Management

Rating: 3

Previous rating: 3

Justification of rating

64. Moderately Unsatisfactory. The Project Steering Committee (PSC), headed by the Secretary PASS Division, is operational and the PPAF has notified a PMU with 39 dedicated positions for NPGP of which 30 are already filled. The NPGP has transferred assets to 74,547 beneficiaries which represent around 50% of the NPGP target. Baseline survey and district level value chain analysis are complete. The contract for the procurement process is ready to be awarded. The IFL component for the NPGP beneficiaries has become operational. However, several issues remain to be resolved. The PMU's notification does not address the issue of multiple staff exercising authorities for one function, thereby making it difficult to hold the staff accountable. The federal government is not providing the NPGP sufficient rupee cover for the implementation of AWPBs. The project implementation is likely to stall in December 2021 as the PMU has no funds to disburse to the FOs in the absence of rupee cover.

Knowledge Management

Rating: 4

Previous rating: 4

Justification of rating

65. Moderately Satisfactory. Knowledge Management has improved after MTR. An appropriately budgeted time-bound knowledge management plan has been followed and executed. The significant improvement in information and communication flow between POs and PPAF has led to the knowledge generation and dissemination opportunities. This has resulted in the development of numerous case studies, one project documentary, special TV/Radio programmes and calendar of awareness campaigns. The project was able to capture visibility in social media. Success stories and progresses against SDGs were well captured in UN Response to COVID19 newsletter. However, there is a need for improvement in analytical assessment and targeted knowledge products development and its wider dissemination.

Value for Money

Rating: 4

Previous rating: 3

Justification of rating

66. Moderately Satisfactory. NPGP has delivered over 70,000 assets of different types. The annualized incremental return on investment (RoI) is estimated at 46% - an increase of 34% in their monthly income (Rs. 5000/US\$28). The potential of intangible assets in terms of increase in income and sustainability seems higher. However it has not yet been initiated at full scale. The

project implementation arrangement represent efficiency (value for money), at 8% for POs and 4% for PPAF. The innovative business models of producers organisations indicate a projected income of US\$100 per month which is yet to be progressively rolled out.

Main issues

67. The annual output review survey is currently carried out while the annual outcome survey is yet to be carried out. The project should undertake the annual outcome survey without further delay. It was recommended in the MTR that NPGP and its partners shall develop a criteria of minimum expected income objective under the LIP, since it is the income potential that will play a decisive role in asset retention and poverty graduation. This has not yet been taken aboard. A critical issue remains the continued time lag in the implementation pace. The project should avoid further delay and augment implementation progress so that investment in the project remains viable.

Coherence between AWPB and Implementation

Rating: 3

Previous rating: 3

Justification of rating

68. Moderately Unsatisfactory. The project planned to spend USD 41.20 million under AWPB 2020-21(USD 35.46 million IFAD Loan and USD 5.74 million government counterpart funding under PMIFL). The project was able to spend USD 14.26 million (40%) under the IFAD Loan and USD 6.32 million (110%) under the PM IFL. The overall execution rate works out to be 50% for the AWPB 2020-21. The AWPB 2021-22 envisages a spending of USD 51.66 million, against which an amount of USD 8.61 million (17%) has been spent. Cumulatively, the project execution rates for the IFAD Loan at 37% and the IFL component at 16% are below expectation. The progress review indicates some temporally deviations between the AWPBs and implementation as the poverty graduation package is not being fully delivered as planned and intended.

AWPB Inputs and Outputs Review and Implementation Progress

69. In the first four (4) months of FY 2021-22, the project has made less than 25% progress. At the current, rate, the project will miss the targets of AWPB 2021-22 also. The table depicts incoherence between project implementation and the AWPBs which needs fixing going forward:

70. Amounts in millions (USD)

Description	FY 2020-21			FY 2021-22			Cumulative		
	AWP&B	Actual	%	Actual - (Jul-Oct 2021)			till 31-Oct-2021		
				AWP&B	Actual	%	Allocation	Actual	%
IFAD Funding (A)	35,457,063	14,265,595	40%	34,253,445	6,846,592	20%	82,600,000	30,284,539	37%
Asset Transfer	27,265,941	12,502,145	46%	24,227,403	5,900,713	24%	59,649,333	26,456,538	44%
Assets for Joint businesses		-	0%	1,516,167	-	0%	2,168,961	-	0%
Trainings	1,614,661	10,018	1%	1,960,424	56,261	3%	5,961,817	66,278	1%
Social Mobilization	876,129	123,073	14%	680,399	117,326	17%	1,099,388	243,391	22%
Activities Plan by Cis	135,161	12,742	9%	159,785	10,546	7%	417,947	23,288	6%
Community Trainings	1,184,484	10,971	1%	1,511,030	28,183	2%	3,380,798	41,061	1%
Operating Cost – Pos	3,860,467	1,528,456	40%	3,865,280	733,560	20%	8,860,802	3,244,772	37%
Training of Partners/Experience Sharing	7,316	-	0%	9,648	-	0%	33,769	9,454	28%
Consultancies	512,903	78,189	15%	323,309	-	0%	1,027,186	199,756	19%
GoP Funding - IFLs (B)	5,744,677	6,323,769	110%	17,409,955	1,770,038	10%	50,000,000	8,093,807	16%
Total NPGP (A+B)	41,201,740	20,589,364	50%	51,663,400	8,616,630	17%	132,600,000	38,378,346	29%

Agreed Action	Responsibility	Agreed Date
Prioritize Implementation of Training Component Prioritize integrated/coordinated implementation of Project's training component and achieve 100 percent annual target	PMU, POs	

Performance of M&E System **Rating: 4** **Previous rating: 3**

Justification of rating

71. Moderately Satisfactory. M&E data is collected quarterly / periodically depending on the timelines as indicated in the overall M&E plan that provides the framework within which PMU staff and POs operate. Quarterly review ensures that procurement processes are followed, statement of expenditures validated and quality of activities and achievements against targets are met. Reports are provided to PD. Feedback mechanism to POs need improvement in terms of sharing back the feedback based on lesson learned and monitoring.
- Regular implementation support field visits by the PMU progress is tracked, issues and challenges highlighted, and improvements sought. The monitoring framework is based on field visits and back to office reports that are prepared after each visit with a set of identified actions agreed with the PO against which progress updates are requested quarterly by NPGP. This approach to M&E has inherent flaw of disconnect and is not a holistic M&E function which has roles for PMU, POs and community organisation. There is a need to develop and implement a holistic M&E framework with elaborate roles/responsibility for all actors engaged in implementation with a robust validation mechanism.

M&E System Review

72. Internal and external assessments are conducted on a regular basis. To date annual output review report has been prepared by the PMU to assess the income gains resulting from asset transfers. An annual PSC survey update is also carried out to check progress against outcome indicators with regard to graduation across poverty bands, and graduation out of poverty.
73. Data entered into MIS is checked both at PO management level and locked and subsequently at PMU level. Auditor General of Pakistan has provided compliments to the quality and extent of data kept in the NPGP MIS. Disaggregation on the basis of gender, age and other criteria (such as poverty bands) is available.
74. A third party validation exercise of environmental and social compliance systems (ESMF) under NPGP districts is planned for 2021-22 and the procurement of the firm is currently underway. This exercise provides robust information and insight with regards to the effectiveness of ESM mitigation measures on the project outputs/outcomes and recommendations for improvements where necessary

Social, Environment, and Climate Standards requirements **Rating: 4** **Previous rating: 4**

Justification of rating

75. Moderately Satisfactory. Major activities under the project are transfer of tangible and intangible assets including livestock, enterprise development, transport and loading rickshaws, agriculture equipment, loans and trainings in different trades like driving, plumbing, electrician and computers where majority of beneficiaries are women and youth. Targeting of beneficiaries follows a predefined process to ensure that most-vulnerable, women-headed and marginalised households are selected. The scale, spread and nature of these interventions do not warrant SECAP requirements. At the same time, trainings are provided to the beneficiaries by CRPs in climate change adaptation and disaster risk reduction to the beneficiaries. About 70 percent of CRPs, males as well as females, are less than 30 years of age.

d. Financial Management & Execution

Acceptable Disbursement Rate **Rating: 3.0** **Previous rating: 3**

Justification of rating

76. The disbursement rate is 39.5% (inclusive of advances). In terms of USD, the project has spent USD 30.28 million—or 37% of the IFAD Loan by the end of October 2021. The project was effective (implementation started and 1st disbursement received) from FY 2019-20 and the average monthly spend has been USD 1.08 million from Jul 2019 till Oct 2021. Since MTR, the project monthly spending has accelerated notably to an average USD 1.5 million—despite the issues of rupee cover and sub-optimal organizational structure for project implementation, and significant appreciation of USD against the PKR. The project has justified expenditure amounting to USD 28.98 million—89% of USD 32.65 million transferred to it in two tranches since its inception.

Main issues

77. **Rupee Cover.** The rupee cover provided in FY 2020-21, and FY 2021-22 has been grossly inadequate vis-à-vis the respective AWPBs. Because of this issue, a payable of PKR 1.056 billion from the AWPB 2020-21 in FY 2020-21 was cleared against the Rupee cover of FY 2021-22. The project started the FY 2021-22 with a Rupee cover that meets only 12.5% of the financing requirement of the AWPB 2021-22. The PMU is struggling to cope with the situation by cutting back the advances payables to the POs as per the terms and conditions of contracts. Resultantly, the project implementation and disbursement rates have decelerated notably and there is risk of project implementation coming to a virtual halt in December 2021 when the POs would

run out of funds. In the absence of the required Rupee cover, the project is not able to submit a withdrawal application for USD 15.15 million—based on the unspent balance on 31 September 2021, the funds justified under the IFRs (Jul-Sep 2021), and the expenditure forecast for next six months (Oct 2021-Mar 2022) as the project would not be able to use this amount in the absence of commensurate Rupee cover.

78. **Designated Account Reconciliation.** The NPGP DA reconciliation at 30/09/21 shows a difference of USD 1,053,851 which includes (a) program cost incurred by the LPA but not drawn (USD 132,583), (b) operating cost incurred by the LPA to be drawn subject to its clearance by the Auditor-General (USD 1,035,039), (c) net receivable after adjustments on account of reimbursements to/deduction from the POs (USD 109,125), (d) adjustment due to question/disallowed cost (USD 4,053) and (e) other receipt into DA (USD 45). Items (a) and (b) are pending clearance for a long time. IFAD has provided “No Objection” for payment of these reimbursable amounts through “Direct Payment”. This is a reimbursement and not an advance for expenditure.

Agreed Action	Responsibility	Agreed Date
Immediate resolution of the Rupee cover issue EAD/MOF to provide the required Rupee cover to the NPGP to get project implementation back on track.	PD/PPAF	12/2021
Clearance of pending reconciliation items Follow up with the MoF through PASSD to get exemption for receipt of 4% operational costs and reimbursement of prior expenses in the PPAF Account	PD/PMU	03/2022

Fiduciary aspects

Quality of Financial Management

Rating: 3

Previous rating: 3

Justification of rating

79. The FM unit has been strengthened by the addition of two additional positions and its reporting directly to PD. Financial reporting is timely. Four (4) out of six (6) observations of the external auditors have been resolved. Internal audit is raising pertinent issues which are followed up also. Action on the three (3) of the ten (10) MTR recommendations is complete and progress is underway in other cases.

Main issues

80. The procurement and installation of accounting software—which is tied to several other MTR recommendations—has yet to be completed. SOEs continue to be reviewed/validated by the PPAF staff—and not the FM team—which blurs the responsibility and accountability for FM function. The FM unit is not conducting periodic field visits of POs through FMC conducts periodic fields visits and FM team holds monthly meetings with the POs to assess and improve internal controls.
81. **Organization and staffing.** The PPAF has yet to establish a PMU with full authority and responsibility for making decisions for project implementation. Key responsibilities—including those of FM function continue to be shared between the FM team (PMU), and the PPAF management. The SOEs are not reviewed by the FM team. The Activity Monitoring Unit (AMU) questions project costs—a domain of the FM (PMU).
82. **Budgeting.** The AWPB is without any narrative and breakdown into related activities The AWPB was not submitted on time due to delay in the convening of Project Steering Committee (PSC). A delay in the approval of AWPB creates uncertainty and slows project implementation. The AWPB is not inputted into the accounting software for proper monitoring.
83. **Funds Flows:** The funds are traceable down to end beneficiaries. However, a weak coordination between the NPGP and the IFL component is preventing NPGP beneficiaries from accessing the IFLs conveniently. The project is facing significant project delivery risk because it is not getting the required Rupee cover to replenish the advances made to the POs as stated above.
84. **Internal controls.** The FM team does not conduct field visits to assess internal controls and build capacity for improved documentation and compliance with the requirements. The POs are not submitting annual external audit reports covering the use of IFAD funds only as per their obligation; The review of SOEs indicate (a) instances of attendance sheets for youth events/trainings not being properly signed off, one person signing for several participants, no signatures against participants, no contact information even in cases of male participants etc. (b) NRSP awarding contract to itself for a training event; (c) purchase order with the amounts in figures and words not agreeing with each being approved; (d) evidence of tax payment to treasury/tax exemption not being properly provided as supporting document.
85. **Accounting and Financial Reporting.** The project has yet to procure and install a suitable accounting software for financial management. The PMU inputs financial transactions manually in Microsoft Excel for aggregation and the manual system is fraught with risk of errors/inaccuracies. Currently, the financial management system does not provide readily disbursement rates by category, AWPB execution, treasury situation/forecast, POs financial situation, IFL program status, procurement plan execution. The POs are not submitting external audit reports as required under the financing agreements.
86. **Internal Audit:** The PPAF has an Internal Audit Unit (IAU) which conducts risk-based internal audit. The unit is headed by a Chief Internal Audit, prepares and executes Annual Plan, submits reports to the Audit Committee which meets quarterly. The POs also have internal audit arrangements—except for LASOONA where it needs to be established. However, the effectiveness of the internal audit at POs level is not being subject to oversight of the PMU.

Agreed Action	Responsibility	Agreed Date
<p>Strengthen Internal Controls- Field checks</p> <p>Finalize the selection field auditors and establish the practice of at least quarterly inspection of POs for assessing/improving internal controls over the use of IFAD loans and IFLs</p>	PMU/FM Unit	02/2022
<p>Strengthen Internal Controls- Documentation</p> <p>Ensure complete documentation of all transactions—including evidence of tax payment/exemption</p>	PMU/FM Unit	02/2022
<p>Recover payments from POs (NRSP Sindh and NRSP Baluchistan)</p> <p>Disallow (a) payment of PKR 207,500/-to NRSP Sindh against voucher no. BPV 0542-806, and (b) payments of PRK 46,610/-to NRSP-Baluchistan against voucher no.BPV-016-054</p>	PMU/FM Unit	02/2022
<p>Strengthen Organization and Staffing</p> <p>-Assess FM responsibility of PMU carefully & adjust to actual requirements -Conduct due diligence of the POs and enable (on-the-job handholding/mentoring) the FM staff at POs to use online SOEs system effectively ----- Update after Nov 2020 mission; Not completed yet. - FM responsibility: The MTR Mission has recommended a restructuring of PMU into an autonomous body with fully dedicated staff; all FM functions will be handled by the PMU. - Due diligence of POs is ongoing (see above). -SOE reporting by POs: The MTR Mission has recommended recording of all NPGP transactions in a single accounting software system ----- Update 28.04.2021; Partially Completed *IFAD update; No restructuring of PMU into an autonomous body with fully dedicated staff has been established *PPAF update: '- FM role and responsibility is defined in the PDR and PIM. - Due diligence of POs/FM assessments were carried out. The assessment consisted of self assessment by POs which was validated by the finance unit of LPA. Standard Financial Assessment checklist was developed and used during the assessment covering various areas of financial management. Validation of all POs, except NRSP, is complete. Once restriction on travelling is lifted the validation exercise for NRSP will be carried out. ----- Update July 2021: FMC Dept has started assessment validation for NRSP Head Office on June 25. The Mission has reviewed the FMC reports on the PO self-assessments and noted that this 'due diligence' process did not include an evaluation of POs' internal controls systems, or an assessment of their fiduciary risk level. The Mission recommends that this be part of the assessment process by FMC. The field auditors (currently being contracted) should also evaluate the POs' internal controls systems. Regarding on-the-job training of POs FM teams, this is carried out through monthly FM review meetings currently held via Zoom. The PMU FM unit will resume field visits starting July 2021. ----- Update November 2021: Pending government decision about LPA and the structure of the new PMU</p>	PPAF/PMU	03/2022

<p>Enhance internal control</p> <ul style="list-style-type: none"> •Implement a reliable internal controls system at PMU level as part of reorganization •Follow-up on results of PO assessments by PPAF FMC Unit and ensure external and field audits include evaluations of PO IC systems •At Lasoona, mitigate the lack of segregation of duties (due to limited staff) by assigning some duties (e.g. bank reconciliations) to another staff not involved with NPGP •Improve POs bank reconciliations by attaching G/L extract, having both preparer and review sign and date the reconciliations and promptly clearing outstanding transactions <p>-----</p> <p>Update 28.04.2021 *IFAD update: not finalized yet mainly as no separate PMU has been established within PPAF. *PPAF update: The FM assessment will further be validated by field audits and external auditors evaluations. The results of which will be shared with IFAD.</p> <p>-----</p> <p>Update July 2021; This is not completed: NPGP still has not implemented a full FM unit</p> <p>-----</p> <p>Update November 2021; The reorganization of PMU did occur but not to the extent as expected by IFAD. PPAF as LPA has not made a separate autonomous PMU yet. Field auditors are being hired and the mission recommend that FM team use the auditors to continuously monitor internal controls processes at POs level.</p>	<p>PMU PD/FMS, Lasoona PO, POs</p>	<p>03/2022</p>
<p>Prepare monthly dashboard-type financial reports</p> <p>Prepare monthly dashboard-type financial reports featuring analyses of disbursement rates by category, AWPB execution, treasury situation/forecast, POs financial situation, IFL program status, procurement plan execution and any significant administrative matters</p> <p>-----</p> <p>Update 28.04.2021 All the required analysis reports will be available in the new accounting software (as explained by the vendor); once the software is implemented all such reports will be extracted and shared with the POs, NPGP management and other stakeholders for better decision making. For now, "financial progress report" is shared with the PMU management which gives an overall picture of NPGP disbursement, utilization against disbursement, IFL disbursement status, bank balances available, etc. The same information pertaining to POs is also shared with the relevant POs.</p> <p>-----</p> <p>Update July 2021 This is not completed, as it is partly linked to Accounting software implementation timeline. The Mission has shared a model monthly financial report with the PMU FMS</p> <p>-----</p> <p>Update November 2021 mission; Linked to implementation timeline of accounting software i-e, Mar 2022. The formats will be included in the software as well. Summary of monthly progress is shared with the NPGP management.</p>	<p>FMS</p>	<p>03/2022</p>

<p>Budgeting improvements (AWPBs, documentation and budget monitoring)</p> <p>Modify future AWPBs with: (i) breakdown of budget into detailed activities by PO, (ii) codification of all activities; (iii) input of budget into accounting software by activity and according to chronogram; (iv) full documentation of unit costs assumptions and calculations; and (v) formalization of budget monitoring mechanism including POs and PPAF</p> <p>-----</p> <p>Update 28.04.2021; partially completed. A breakdown per activity per PO has been included in the AWPB. Integration in the accounting software and formalization of the budget monitoring mechanism still pending finalization of the accounting software and restructuring the PMU.</p> <p>*PPAF update:</p> <p>The AWP&B 2021-22 is prepared in line with the recommendations of MTR.</p> <p>(i) PO wise breakup provided in the AWP&B 2021-22, which is further broken down into activities. Moreover, Category and Component analysis of each PO is also provided in AWP&B 2021-22</p> <p>(ii) Proper codification of activities done in AWP&B 2021-22 (Matched with the codes of Implementation Plans)</p> <p>(iii) In the new accounting software, PO wise Implementation plans will be added to budget module; all these implementation plans (IP) will then be consolidated with the LPAs IP forming the AWP&B for NPGP for the year. AWP&B module is also mentioned in the TORs of accounting software.</p> <p>(iv) Composition of unit cost is provided in AWP&B 2021-22.</p> <p>This working also includes line item wise maximum limit and mode of payment.</p> <p>(v) POs finance staff conduct informal monthly progress review meetings (budget monitoring) with their field office/district office staff.</p> <p>During NPGP finance staff monthly meetings with POs finance staff, progress against AWP&B is thoroughly discussed and POs are requested to formalize those meetings and share the reports and minutes with NPGP PMU. POs have agreed to comply at their level.</p> <p>Since the AWP&B 2021-22 submission date is before 30 April 2021, therefore the deadline will be 30 April 2020 for this recommendation. For input in accounting software point, this will be done with the implementation of accounting software.</p> <p>-----</p> <p>Update July 2021;</p> <p>This is only partially completed, as it is inked in part to the accounting software implementation timeline. The 2021-22 AWPB was approved by the PSC on 30/06/21 and has been uploaded on NOTUS for IFAD NO the same day. The implementation of a formal budget monitoring system by POs and PPAF would therefore start in FY 2021-22. The Mission found the documentation of unit costs to be incomplete (not all unit costs are documented, and the sources/assumptions used to determine the unit costs are not indicated), and recommends that the PMU develop an exhaustive document for internal purposes, to use as a reference for future AWPBs, as well as a basis for the analysis of variances.</p> <p>-----</p> <p>Update November 2021 mission;</p> <p>Linked to implementation timeline of accounting software. (Jul 2022).</p> <p>The unit costs exercise will be carried out at the time of preparation of AWP&B 2022-23 in Mar 2022. Each PO will provide their input, which will be consolidated and made part of the working for AWP&B but not necessarily included as part of approved AWP&B. This unit cost working will be for NPGP management only.</p>	<p>PMU PD/FMS</p>	<p>03/2022</p>
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<p>Implement a fully functional accounting software</p> <p>Implement a fully functional accounting software allowing for automated budget monitoring; recording of all project transactions by category, component, AWPB activity, financier, PO and district; automated bank account and designated account reconciliations; production of SOE/WAs; and generation of financial reports and statements according to IFAD requirements</p> <p>-----</p> <p>Update 28.04.2021 *IFAD update:Ongoing discussion with TOMATE service provider to consider installation of TOMPRO for NPGP. Project submitted NOC request for direct contracting and TOR but this was not granted as proposed package and cost do not match project cost. *PPAF update: We have initiated the procurement of new accounting software process. Meetings with TOMATE representative were conducted and required documents/reporting formats were shared, customization requirements were discussed in detail. The vendor has provided implementation period of 3 months from the contract award date. The request for direct contracting along with the TORs have been uploaded on NOTUS for issuance of IFAD on 19th April 2021. Upon issuance of No Objection, TORs will be sent to vendor for provision of financial and technical proposal.</p> <p>-----</p> <p>Update July 2021; This is not completed. Based on discussions held during this ISM, the PMU FMS has requested the software provider to consider POs as a system parameter (same as category, component, AWPB activity, financier, district...), rather than DCCs - thus reducing the quotation by 10 000€. The TOR, finalized on this basis, will be submitted to IFAD for NO. The software is expected to be operational in October 21</p> <p>-----</p> <p>Update November 2021 The project need to improve budgeting, conduct monthly budget vs actual analysis, cash/disbursement forecasting down to POs level etc. to implement pending MTR recommendations The No Objection on draft contract with Tomate was provided on 19-Sept-2021. However, there was a delay from IFAD's end on approval for "direct payment" mechanism. No Objection on Direct payment was issued by IFAD on 26-November-2021. The contract will be signed before 01-Dec-2021.</p>	<p>PMU PD/FMS</p>	<p>03/2022</p>
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<p>Reorganization of PMU Finance Unit</p> <p>•Submit to IFAD a proposal for a restructured PMU Finance Unit (including staffing and detailed TOR) responsible for all fiduciary functions (budgeting, funds management, accounting, and financial controls), with monthly field visits to assess POs' financial systems/performance, review/validate SOEs, and provide support/training •Based on new structure agreed with IFAD, recruit additional staff needed ----- Update 28.04.2021; no action has been taken on establishing the PMU within PPAF. *PPAF update: To address issues raised by IFAD additional refinements have been made to the PMU: a) The Interest Free Loan programme has been brought under the direct supervision of the PD. b) External field audit firm has been brought on board reporting directly to PD to further support independence; c) Within PMU, the grant management teams have been streamlined and strengthened to ensure that NPGP provides continuous nurturing, support and capacity building to PO staff on key areas of operations; d) Financial Management Specialist and Procurement Specialist will be reporting directly to PD; e) To ensure the project performs at 100%, CEO PPAF has included NPGP's success as part of every relevant Group Head's performance appraisal. Any further problems faced by NPGP will affect them all. The PD and SGH FMCA are committed (as part of their performance reviews) to ensure timely review processes are conducted so that no delays happen; f) PPAF is providing technical backstopping and financial support through its own funds to NPGP POs in areas where there has been little or no social mobilization, and where internal capacities need support, so as to enhance the impact of NPGP. ----- Update July 2021; This is not completed. The FMS has indicated that this issue was discussed during the last PSC meeting early May (when the 21-22 AWPB was approved) and that the PSC expressed its disagreement on the recommendation to implement a fully dedicated PMU. Given its importance, this issue may have to be discussed at a higher level, between IFAD and the Borrower's representatives. Regarding the field auditors, the Mission reiterates its recommendation that they should report to the PSC. ----- Update November 2021: Pending government decision about LPA and the structure of the new PMU</p>	PMU PD/FMS	03/2022
<p>External Audit Reports of POs</p> <p>Ensure that each POs submits an external audit report—issued by reputable chartered accountant on the use of IFAD funds within two (2) months of the close of a financial year.</p>	PMU/FM Unit	03/2022
<p>Revise PIM to include all changes after MTR</p> <p>Following implementation of MTR fiduciary recommendations, revise PIM to include a full finance section reflecting new structure, responsibilities, IC system, workflows and accounting/FM procedures, and submit revised PIM to IFAD for no objection ----- Update 28.04.2021; An outline on FM functions and policies and procedures has been drafted. However, the FM procedures need to be finalized based on the PMU restructuring ----- Update July 2021 This is not completed, as it is linked to PMU restructuring. In addition, TOMPRO workflows will also have to be reflected in the revised PIM ----- Update November 2021 Finalize FM Manual as agreed in the MTR—including sufficient guidance for the use of accounting software which is being procured Linked to implementation timeline of accounting software. No Objection on Direct payment was issued by IFAD on 26-November-2021. The contract will be signed before 01-Dec-2021.</p>	FMS	05/2022

Quality and Timeliness of Audit

Rating: 3

Justification of rating

87. Audit report was submitted with 4 days delay. The Financial statements were informative and were prepared in accordance with IFAD financial reporting and auditing guidelines and the cleared TOR.

Main issues

88. The quality of the report is Satisfactory and was down-graded due to the delay in the submission. The report was prepared in accordance with IFAD requirements on reporting and auditing, all required financial statements with the Notes were included. There are minor improvements that could be applied on the financial statement for better presentation as summarized in the quality of the financial statement section. Project should ensure that Government contribution is reported next year retrospectively.
89. Overall, the financial statements were informative and provided sufficient details of the financial performance for the audited Financial Year. In addition, the statements matched the IFRs submitted for the period since the project is on the Report-based mechanism.
90. The Management letter included 6 audit findings that will be discussed in order to settle them during the next formal Special Departmental Accounts Committee (SDAC) meeting. Project must follow up with the Auditor General until all audit findings are settled.

Agreed Action	Responsibility	Agreed Date
<p>Settle the audit findings with the Auditor General of Pakistan</p> <p>Project to arrange for DAC meeting in order to discuss and settle the audit findings identified in the Management Letter with the Auditor General. Project to affirm to auditors where the finding is in accordance with IFAD agreement, clearances, GA agreements, provide evidence when correction action is taken and to comply and take correction action where applicable. Final minutes of the DAC meeting to be shared with IFAD FO.</p> <p>1-Conflict of Interest among PPAF and POs. 2-Payment of project expenditure out of PPAF operational account i/o DA. 3-Non-deduction of Sales Tax (Government fund). 4-Direct payments by POs to vendors 5-Improper reconciliation of the project with AGPR 6-Excess Operational cost charged by POs</p> <p>-----</p> <p>Update July 2021 DAC meeting was conducted on 19-Apr-2021. Out of 6 observations pertaining to NPGP, 4 are settled and action against remaining 2 points needs to be taken. The final approved DAC minutes were shared on 21 June 2021. For point 1 - Agenda item will be added in next BoD meeting scheduled in September 2021 For point 2 - Letter to be sent to PASSD for taking FBR's opinion. The case will be sent to tax advisors of LPA by 15th July 2021 and the query will then be sent to PASSD for further processing 30-sept-21 for action from PMU/BoD and 31-mar-22 for DAC approval</p>	<p>PMU and Auditor General</p>	<p>12/2021</p>
<p>Apply improvements on the Financial statements and the Notes</p> <p>-Ensure Notes references match Notes numbers. -Government contribution to be reported and included in the FS. -Note 5 "Adjustments"; to include columns for previous year and current year figures. -WAs statement; to include only WAs submitted in the reporting period (whether received or pending). -Sources and Uses of Fund statements; each statement to be in a separate page. Include one statement that includes breakdowns per project components, categories and financiers instead of 3 statements or two Sources and Uses of Funds statements could be included; one by components and financiers and one by categories and financiers. -DA reconciliation; for next year to be as per IFAD requirements for reconciliation of revolving funds (i.e. to include recovered amounts). In addition, balance under point 6 must be reported under point 7 as amount was not claimed when the statement was prepared.</p>	<p>PMU and the Auditors</p>	<p>12/2021</p>

Counterparts Funds

Rating: 4

Previous rating: 3

Justification of rating

91. The government has to provide an amount of USD 50 million as part of the NPGP to disburse IFLs to 221,926 beneficiaries 50% of whom should be the asset beneficiaries of the NPGP. PPAF has leveraged PKR 1.44 billion 1,447 million as revolving fund in phase 1 (implemented through POs already under PPAF contract) while PKR 2.1 billion additional allocation (from the PKR 5 billion received by PPAF from the GoP in June 2020) has been made in June 2021.

Main issues

92. Contracts with existing and additional POs are currently being finalized. As at September 2021, 40,414 loans—18% of the target under the NPGP, have been provided at a cumulative investment of PKR 1.447 billion. The revolving funds requirement is around 2.4 billion per year to achieve these targets and—as such the existing provisioning is sufficient to achieve USD 50 million counterpart funding by GoP as defined in PDR.
93. The mission notes that the IFL component's performance is far below expectation both in terms of overall delivery and its systematic integration with assets. The funds have been made available by the government but the disbursement among the NPGP beneficiaries remains negligible. The NPGP has transferred assets to 74,547 people of whom less than 1% have also got the IFL under the project. The project needs to work closely with the IFL component and ensure acceleration in loan disbursement to the NPGP beneficiaries. Field visits show that average incomes of those getting assets from the project has increased. However, the project's impact in terms of graduating the poor out of poverty would be realized only if IFL is properly integrated under the NPGP.

Agreed Action	Responsibility	Agreed Date
Establish coordination linkages for disbursement of IFLs to NPGP beneficiaries Establish a stronger coordination mechanism between the POs (those involved in the IFLs and those that are not but executing assets transfers under NPGP) to increase accelerate disbursement of IFLs to the assets beneficiaries under the NPGP	PMU	01/2022

Compliance with Loan Covenants

Rating: 3

Previous rating: 4

Justification of rating

94. Moderately Unsatisfactory. PPAF has declared itself as private entity which was not the understanding of the GoP and IFAD when the agreement was reached for PPAF to be the lead Implementing Agency of NPGP. In addition to that, PPAF never set up an autonomous PMU for NPGP as requested by the FA; but complied with most loan covenants except for timely submission of the AWPBs and finalization of a comprehensive PIM

Main issues

95. The project is required to establish an independent PMU to make independent decisions about project planning, execution, and financial reporting etc. IFAD has emphasized the urgency for this action time and again but even the latest notification of PMU—made at the recommendation of the MTR, does not meet the requirement of legal covenants. The project delivery risk remains very high in the absence of a truly independent PMU. This issue has also been highlighted throughout the supervision mission report.

Agreed Action	Responsibility	Agreed Date
AWPB preparation Improve planning process to ensure submission of draft AWPB to IFAD by 30 April each year	Programme Director	
Periodic reporting Ensure quarterly progress reports, IFRs and unaudited project financial statements are submitted within prescribed deadlines	Programme Director and FMS	

Procurement

Procurement

Rating: 3

Previous rating: 3

Justification of rating

96. Moderately Unsatisfactory. The Mission confirms the rating of the previous MTR mission: processes, procedures and systems applied exhibit shortcomings and inconsistencies across some of the requirements. Although some improvements have been made thanks to the respect of previous recommendations and the hiring of a procurement officer; resolution of issues/constraints is likely but will take some time. Challenges encountered included delays in the implementation, difficulties in mechanisms to review achievement of quarterly contract deliverable targets by implementing partners and some gaps in the evaluation processes.

Procurement Review

97. **Procurement Planning:** The PP draft submitted to the Mission contains activities which were carried out in 2019-2020 and all the planned activities for 2021 have not been finalized to date. Methods of procurement applied in the Procurement Plan are consistent with the provision of the Financing Agreement and Letter to the Borrower (LTB); however, no references to the AWPB are inserted. The summary page is incomplete and significant delays have been noted based on the planned procurement dates.
98. The mission also focuses on the planned activities carried out by the POs and at Community level. With the revision of the PIM on August 2021, a stronger control mechanism has been put in place to track both POs and community purchases, but despite this,

the Mission noted the difficulty to look at these activities and therefore recommends including the single plans as an annex to the NPGP procurement plan as well as to share with IFAD the QPRs containing physical and financial progress, in order to improve the monitoring implementation of the Program.

99. **Procurement Processes:** The review showed that, on the basis of the procurements analysed, processes and procedures realized in 2020 exhibit shortcomings and inconsistencies across some of the requirements; the samples reviewed revealed issues of non-compliance with the IFAD Project Procurement requirements, while the on-going procedures started in 2021, also thanks to the use of the IFAD Standard Bidding Documents and the hiring of a Procurement Officer in July 2021, demonstrated a gradual improvement and inclusion of important aspects such as SECAP provisions and references to the IFAD Policy on Preventing Fraud and Corruption as well as on Preventing and Responding to Sexual Harassment, Exploitation and Abuse.
100. An important aspect concerning an ongoing dispute between the PPAF and the PPRA due to the legal status declared by PPAF which should not be identifiable with that of a public sector company was highlighted. PPAF is encouraged to clarify its status and position. Besides this, to support and increase competition, transparency and value for money, the Mission recommends the advertisement of all open competitive bidding on the PPRA website and UNDB platform for activities funded by IFAD which are secured by the Government of Pakistan and implemented through PPAF. On the other end, the mission acknowledges that NPGP published previous advertisements in local newspapers and PPAF website.
101. **Contract Administration and Management:** Final awards must be made available to bidders and processes and timelines must be defined in bidding documents. The mission advises to publish on UNDB the NOITA (using the IFAD template) in order to allow any unsuccessful bidders – upon receipt of the NOITA – to request a debrief and/or submit a protest.
102. The shortcomings highlighted above did not have a significant impact on activities carried out, although they show the need to improve some aspects of the procurement process in terms of transparency and fairness.
103. **Record Retention and Monitoring:** The mission was undertaken remotely, therefore it was not entirely possible to confirm the appropriateness of the physical document retrieval. However, the requested documents were provided by the Procurement Officer on time by using the Microsoft OneDrive application with a secure password.

Agreed Action	Responsibility	Agreed Date
Procurement Plan -Submit the PP 2021/22 for IFAD NO using the latest IFAD PP template and applying the recommendation of the Mission (consistency with AWPB; new thresholds, etc.) and finalize the planned activities to ensure timely delivery of agreed outputs and outcomes. - Insert the single POs plans as an attachment to the NPGP Procurement Plan to have track of activities. (on a quarterly basis).	Procurement Officer and/or POs	
IFAD prior review and direct contracting/sole source selection Always submit a procurement activity to IFAD prior review through NOTUS when the selected method is direct contracting or sole source selection.	Procurement Officer	
Advertising on PPRA website and UNDB platform Advertisement of all open competitive bidding on the PPRA website and UNDB platform for activities funded by IFAD which are secured by the Government of Pakistan and implemented through PPAF	Procurement Officer	
Completeness of evaluation reports and NOITA Ensure that evaluation reports always contain technical evaluation, so as to justify the recommendation to award to a specific supplier.	Procurement Officer	
CMT data and contract monitoring - Share with IFAD Monthly progress reports and quarterly progress report as per section 3, point 3.3.1 and 3.3.2 of the revised PIM and in line with the provisions of the contract. -Enhance contract monitoring by improving the quality of data entered into the Contract Monitoring Tool and align it with the contract register. (On monthly and quarterly basis).	Procurement Officer/POs	

e. Key SIS Indicators

Likelihood of Achieving the Development Objective

Rating: 4.14

Previous rating: 3.29

F. Relevance

Relevance

Rating: 5

Previous rating: 4

Justification of rating

104. The design and approach of NPGP is based on a number of proven poverty graduation approaches successfully demonstrated in Pakistan and the region under various initiatives. The programme is also fully aligned with objectives of Government's National Poverty Graduation Initiative and already co-opted by the government as part of its flagship Programme "EHSAAS". The relatively low rating on this count is due to current lags in full integration and convergence of programme interventions at household level i.e. a package of direct support in terms of assets provision, training, inclusion of poor in VOs and linkage to IFL. To a limited extent where this convergence has happened is already showing the relevance of NPGP design and approach for poverty graduation.

G. Project Modifications

Responsibility	Modification type	Description
Government of Pakistan	Other	Change of the lead implementing agency and establishment of PMU at Poverty Alleviation and Social Safety Division: During 2019, PPAF's parent ministry (Ministry of Finance) was changed and it was put under the Poverty Alleviation and Social Safety Division as its ancillary organisation. Upon PPAF's self-declaration as a private company (through a letter of 8 th November 2021). In a sequel to this and while the matter is pending before the court, the NPGP's Project Steering Committee decided to immediately shift the Project Management Unit of NPGP to PASS Division as with the status of PPAF declared to be private, the Government regulation of on-lending or competitive selection of lead implementing agency may apply. Amendment of Financing Agreement is warranted. Government of Pakistan is required to send formal request through the Ministry of Foreign Affairs which was being organised towards the end of the supervision mission.
PMU	Project Area	The project area remains the same (National programme). Some of the original selected districts in Balochistan had to be dropped due to access restrictions for security reasons. The districts of Gwadar and Lasbela have been included in the project scope. The PIM would need to be modified.

H. Lessons Learned

Hand tractors

105. Innovative and technology-based livelihood assets such as hand tractors provided in Shangla, Upper Kohistan, Lower Kohistan and Palas Kolai have been instrumental in transforming the rural agriculture of small landholders who have been relying on manual ploughing through bulls for decades. The hand tractors have reduced the cost, time and labour for women involved in farming as it is now the men who use the tractor. Further, these have also potential to increase cultivable land, agriculture productivity and pave the way for the introduction of high-value crops that could lead to significant income benefits. NPGP has decided to continue promoting such technology-based productive assets in all the target UCs.

Project Graduation is a Continuous Package of Support

106. An integrated approach to poverty graduation, leveraging support in the form of assets provision, access to interest free loans, skills enhancement and appropriate level of mentoring has to be part of the support package to initiate and sustainably ensure poverty graduation – a process which is interlinked and requires sustained efforts.

Need of early establishment of autonomous and capable PMU

107. Early establishment of a fully autonomous and capable Project Management Unit, led by a suitably qualified and motivated leader, is key to smooth take off and effective implementation during the initial phase of the project.

I. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Transfer the NPGP PMU under PASS Division amendment of Financing agreement and all contracts / MOUs as needed	PASSD / EAD	12/2021
Ensure the change of signatories of the NPGP dedicated account	PASSD / EAD	12/2021
Inform MOF of the new NPGP implementing arrangement and request the release of the Rupee Cover	PASSD / EAD	12/2021
Submit for IFAD NOC, the composition of the new PMU	PASSD / EAD	12/2021
Delegate at POs level, the full implementation responsibility of the integrated NPGP Poverty Graduation Package (Asset transfer / IFL / Training) in order to respond efficiently to the current coordination mechanism issue.	PMU	12/2021
Separate the targets and budgets between Tangible Asset and Intangible Asset. The Tangible Asset should remain targeted on the BISP household beneficiaries. The Intangible Asset (vocational training) should henceforth focus on the youth (under 29 years old) from PSC 0-23 households, including BISP beneficiary households and separate budget provision be made for this. Each Intangible Asset beneficiaries should also benefit from an IFL. This part of the PIM should be modified consequently and submitted to IFAD for NOC.	PMU	12/2021
Increase the Tangible and Intangible Assets value from currently 60 000 PKR to 75 000 PKR	PMU	12/2021
Submit a concept note repositioning of the CRPs in order to increase their effectiveness, efficiency and impact to the VOs and NPGP target groups (IFAD NOC requested).	PMU	12/2021
Submit a pilot proposal on the Business Village Organization involving a co-financing of TVO and ASF. This pilot will be agreed with PASSD and should be aligned with PASSD 2020 request to IFAD related to (i) the re-organization of the centre for rural economy and (ii) the importance to test a collective and inclusive poverty graduation model.	PMU	12/2021
Submit a revised selection and procurement process for the Public or Private training institute necessary for the implementation of the Intangible Asset Transfer (for IFAD NOC by 15 January 2022).	PMU	01/2022
Initiate a discussion at PASSD / BISP levels in order to agree on a strategy / approach updating officially and regularly the PSC and BISP beneficiaries in the villages where NPGP intervene in order to fully integrate into the Pakistan national data the result of the NPGP poverty graduation process for inclusion and exclusion purpose.	PMU / PASSD / BISP	03/2022
Calculate / Monitor only IFL provided to the NPGP Asset beneficiaries under the IFL counterpart funds (As per financing agreement and poverty graduation package concept)	PMU	
Development Effectiveness		

Adaptation to Climate Change Provide a concept note paper on Adaptation to climate change that will integrate the new NPGP Union Council / village approach and provide clear objectives / targets for POs in 2021.	PMU	01/2021
Sustainability and Scaling up		
Elaboration of Project Exit Strategy Develop project exit strategy, with clear measurable targets and means of verification and submit to IFAD for no objection	PMU, NPGP/POs	06/2022
Project Management		
Prioritize Implementation of Training Component Prioritize integrated/coordinated implementation of Project's training component and achieve 100 percent annual target	PMU, POs	
Financial Management & Execution		
Settle the audit findings with the Auditor General of Pakistan Project to arrange for DAC meeting in order to discuss and settle the audit findings identified in the Management Letter with the Auditor General. Project to affirm to auditors where the finding is in accordance with IFAD agreement, clearances, GA agreements, provide evidence when correction action is taken and to comply and take correction action where applicable. Final minutes of the DAC meeting to be shared with IFAD FO. 1-Conflict of Interest among PPAF and POs. 2-Payment of project expenditure out of PPAF operational account i/o DA. 3-Non-deduction of Sales Tax (Government fund). 4-Direct payments by POs to vendors 5-Improper reconciliation of the project with AGPR 6-Excess Operational cost charged by POs ----- Update July 2021 DAC meeting was conducted on 19-Apr-2021. Out of 6 observations pertaining to NPGP, 4 are settled and action against remaining 2 points needs to be taken. The final approved DAC minutes were shared on 21 June 2021. For point 1 - Agenda item will be added in next BoD meeting scheduled in September 2021 For point 2 - Letter to be sent to PASSD for taking FBR's opinion. The case will be sent to tax advisors of LPA by 15th July 2021 and the query will then be sent to PASSD for further processing 30-sept-21 for action from PMU/BoD and 31-mar-22 for DAC approval	PMU and Auditor General	12/2021
Apply improvements on the Financial statements and the Notes -Ensure Notes references match Notes numbers. -Government contribution to be reported and included in the FS. -Note 5 "Adjustments"; to include columns for previous year and current year figures. -WAs statement; to include only WAs submitted in the reporting period (whether received or pending). -Sources and Uses of Fund statements; each statement to be in a separate page. Include one statement that includes breakdowns per project components, categories and financiers instead of 3 statements or two Sources and Uses of Funds statements could be included; one by components and financiers and one by categories and financiers. -DA reconciliation; for next year to be as per IFAD requirements for reconciliation of revolving funds (i.e. to include recovered amounts). In addition, balance under point 6 must be reported under point 7 as amount was not claimed when the statement was prepared.	PMU and the Auditors	12/2021
Immediate resolution of the Rupee cover issue EAD/MOF to provide the required Rupee cover to the NPGP to get project implementation back on track.	PD/PPAF	12/2021

<p>Establish coordination linkages for disbursement of IFLs to NPGP beneficiaries</p> <p>Establish a stronger coordination mechanism between the POs (those involved in the IFLs and those that are not but executing assets transfers under NPGP) to increase accelerate disbursement of IFLs to the assets beneficiaries under the NPGP</p>	PMU	01/2022
<p>Strengthen Internal Controls- Field checks</p> <p>Finalize the selection field auditors and establish the practice of at least quarterly inspection of POs for assessing/improving internal controls over the use of IFAD loans and IFLs</p>	PMU/FM Unit	02/2022
<p>Strengthen Internal Controls- Documentation</p> <p>Ensure complete documentation of all transactions—including evidence of tax payment/exemption</p>	PMU/FM Unit	02/2022
<p>Recover payments from POs (NRSP Sindh and NRSP Baluchistan)</p> <p>Disallow (a) payment of PKR 207,500/-to NRSP Sindh against voucher no. BPV 0542-806, and (b) payments of PRK 46,610/-to NRSP-Baluchistan against voucher no.BPV-016-054</p>	PMU/FM Unit	02/2022
<p>Strengthen Organization and Staffing</p> <p>-Assess FM responsibility of PMU carefully & adjust to actual requirements -Conduct due diligence of the POs and enable (on-the-job handholding/mentoring) the FM staff at POs to use online SOEs system effectively ----- Update after Nov 2020 mission; Not completed yet. - FM responsibility: The MTR Mission has recommended a restructuring of PMU into an autonomous body with fully dedicated staff; all FM functions will be handled by the PMU. - Due diligence of POs is ongoing (see above). -SOE reporting by POs: The MTR Mission has recommended recording of all NPGP transactions in a single accounting software system ----- Update 28.04.2021; Partially Completed *IFAD update; No restructuring of PMU into an autonomous body with fully dedicated staff has been established *PPAF update: '- FM role and responsibility is defined in the PDR and PIM. - Due diligence of POs/FM assessments were carried out. The assessment consisted of self assessment by POs which was validated by the finance unit of LPA. Standard Financial Assessment checklist was developed and used during the assessment covering various areas of financial management. Validation of all POs, except NRSP, is complete. Once restriction on travelling is lifted the validation exercise for NRSP will be carried out. ----- Update July 2021: FMC Dept has started assessment validation for NRSP Head Office on June 25. The Mission has reviewed the FMC reports on the PO self-assessments and noted that this 'due dilidenge' process did not include an evaluation of POs' internal controls systems, or an assessment of their fiduciary risk level. The Mission recommends that this be part of the assessment process by FMC. The field auditors (currently being contracted) should also evaluate the POs' internal controls systems. Regarding on-the-job training of POs FM teams, this is carried out through monthly FM review meetings currently held via Zoom. The PMU FM unit will resume field visits starting July 2021. ----- Update November 2021: Pending government decision about LPA and the structure of the new PMU</p>	PPAF/PMU	03/2022

<p>Enhance internal control</p> <ul style="list-style-type: none"> •Implement a reliable internal controls system at PMU level as part of reorganization •Follow-up on results of PO assessments by PPAF FMC Unit and ensure external and field audits include evaluations of PO IC systems •At Lasoona, mitigate the lack of segregation of duties (due to limited staff) by assigning some duties (e.g. bank reconciliations) to another staff not involved with NPGP •Improve POs bank reconciliations by attaching G/L extract, having both preparer and review sign and date the reconciliations and promptly clearing outstanding transactions <p>-----</p> <p>Update 28.04.2021 *IFAD update: not finalized yet mainly as no separate PMU has been established within PPAF. *PPAF update:The FM assessment will further be validated by field audits and external auditors evaluations. The results of which will be shared with IFAD.</p> <p>-----</p> <p>Update July 2021; This is not completed: NPGP still has not implemented a full FM unit</p> <p>-----</p> <p>Update November 2021; The reorganization of PMU did occur but not to the extent as expected by IFAD. PPAF as LPA has not made a separate autonomous PMU yet. Field auditors are being hired and the mission recommend that FM team use the auditors to continuously monitor internal controls processes at POs level.</p>	<p>PMU PD/FMS, Lasoona PO, POs</p>	<p>03/2022</p>
<p>Prepare monthly dashboard-type financial reports</p> <p>Prepare monthly dashboard-type financial reports featuring analyses of disbursement rates by category, AWPB execution, treasury situation/forecast, POs financial situation, IFL program status, procurement plan execution and any significant administrative matters</p> <p>-----</p> <p>Update 28.04.2021 All the required analysis reports will be available in the new accounting software (as explained by the vendor); once the software is implemented all such reports will be extracted and shared with the POs, NPGP management and other stakeholders for better decision making. For now, "financial progress report" is shared with the PMU management which gives an overall picture of NPGP disbursement, utilization against disbursement, IFL disbursement status, bank balances available, etc. The same information pertaining to POs is also shared with the relevant POs.</p> <p>-----</p> <p>Update July 2021 This is not completed, as it is partly linked to Accounting software implementation timeline. The Mission has shared a model monthly financial report with the PMU FMS</p> <p>-----</p> <p>Update November 2021 mission; Linked to implementation timeline of accounting software i-e, Mar 2022. The formats will be included in the software as well. Summary of monthly progress is shared with the NPGP management.</p>	<p>FMS</p>	<p>03/2022</p>

<p>Budgeting improvements (AWPBs, documentation and budget monitoring)</p> <p>Modify future AWPBs with: (i) breakdown of budget into detailed activities by PO, (ii) codification of all activities; (iii) input of budget into accounting software by activity and according to chronogram; (iv) full documentation of unit costs assumptions and calculations; and (v) formalization of budget monitoring mechanism including POs and PPAF</p> <p>-----</p> <p>Update 28.04.2021; partially completed. A breakdown per activity per PO has been included in the AWPB. Integration in the accounting software and formalization of the budget monitoring mechanism still pending finalization of the accounting software and restructuring the PMU.</p> <p>*PPAF update:</p> <p>The AWP&B 2021-22 is prepared in line with the recommendations of MTR.</p> <p>(i) PO wise breakup provided in the AWP&B 2021-22, which is further broken down into activities. Moreover, Category and Component analysis of each PO is also provided in AWP&B 2021-22</p> <p>(ii) Proper codification of activities done in AWP&B 2021-22 (Matched with the codes of Implementation Plans)</p> <p>(iii) In the new accounting software, PO wise Implementation plans will be added to budget module; all these implementation plans (IP) will then be consolidated with the LPAs IP forming the AWP&B for NPGP for the year. AWP&B module is also mentioned in the TORs of accounting software.</p> <p>(iv) Composition of unit cost is provided in AWP&B 2021-22.</p> <p>This working also includes line item wise maximum limit and mode of payment.</p> <p>(v) POs finance staff conduct informal monthly progress review meetings (budget monitoring) with their field office/district office staff.</p> <p>During NPGP finance staff monthly meetings with POs finance staff, progress against AWP&B is thoroughly discussed and POs are requested to formalize those meetings and share the reports and minutes with NPGP PMU. POs have agreed to comply at their level.</p> <p>Since the AWP&B 2021-22 submission date is before 30 April 2021, therefore the deadline will be 30 April 2020 for this recommendation. For input in accounting software point, this will be done with the implementation of accounting software.</p> <p>-----</p> <p>Update July 2021;</p> <p>This is only partially completed, as it is inked in part to the accounting software implementation timeline. The 2021-22 AWPB was approved by the PSC on 30/06/21 and has been uploaded on NOTUS for IFAD NO the same day. The implementation of a formal budget monitoring system by POs and PPAF would therefore start in FY 2021-22. The Mission found the documentation of unit costs to be incomplete (not all unit costs are documented, and the sources/assumptions used to determine the unit costs are not indicated), and recommends that the PMU develop an exhaustive document for internal purposes, to use as a reference for future AWPBs, as well as a basis for the analysis of variances.</p> <p>-----</p> <p>Update November 2021 mission;</p> <p>Linked to implementation timeline of accounting software. (Jul 2022).</p> <p>The unit costs exercise will be carried out at the time of preparation of AWP&B 2022-23 in Mar 2022. Each PO will provide their input, which will be consolidated and made part of the working for AWP&B but not necessarily included as part of approved AWP&B. This unit cost working will be for NPGP management only.</p>	<p>PMU PD/FMS</p>	<p>03/2022</p>
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<p>Implement a fully functional accounting software</p> <p>Implement a fully functional accounting software allowing for automated budget monitoring; recording of all project transactions by category, component, AWPB activity, financier, PO and district; automated bank account and designated account reconciliations; production of SOE/WAs; and generation of financial reports and statements according to IFAD requirements</p> <p>-----</p> <p>Update 28.04.2021 *IFAD update:Ongoing discussion with TOMATE service provider to consider installation of TOMPRO for NPGP. Project submitted NOC request for direct contracting and TOR but this was not granted as proposed package and cost do not match project cost. *PPAF update: We have initiated the procurement of new accounting software process. Meetings with TOMATE representative were conducted and required documents/reporting formats were shared, customization requirements were discussed in detail. The vendor has provided implementation period of 3 months from the contract award date. The request for direct contracting along with the TORs have been uploaded on NOTUS for issuance of IFAD on 19th April 2021. Upon issuance of No Objection, TORs will be sent to vendor for provision of financial and technical proposal.</p> <p>-----</p> <p>Update July 2021; This is not completed. Based on discussions held during this ISM, the PMU FMS has requested the software provider to consider POs as a system parameter (same as category, component, AWPB activity, financier, district...), rather than DCCs - thus reducing the quotation by 10 000€. The TOR, finalized on this basis, will be submitted to IFAD for NO. The software is expected to be operational in October 21</p> <p>-----</p> <p>Update November 2021 The project need to improve budgeting, conduct monthly budget vs actual analysis, cash/disbursement forecasting down to POs level etc. to implement pending MTR recommendations The No Objection on draft contract with Tomate was provided on 19-Sept-2021. However, there was a delay from IFAD's end on approval for "direct payment" mechanism. No Objection on Direct payment was issued by IFAD on 26-November-2021. The contract will be signed before 01-Dec-2021.</p>	<p>PMU PD/FMS</p>	<p>03/2022</p>
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<p>Reorganization of PMU Finance Unit</p> <p>•Submit to IFAD a proposal for a restructured PMU Finance Unit (including staffing and detailed TOR) responsible for all fiduciary functions (budgeting, funds management, accounting, and financial controls), with monthly field visits to assess POs' financial systems/performance, review/validate SOEs, and provide support/training •Based on new structure agreed with IFAD, recruit additional staff needed ----- Update 28.04.2021; no action has been taken on establishing the PMU within PPAF. *PPAF update: To address issues raised by IFAD additional refinements have been made to the PMU: a) The Interest Free Loan programme has been brought under the direct supervision of the PD. b) External field audit firm has been brought on board reporting directly to PD to further support independence; c) Within PMU, the grant management teams have been streamlined and strengthened to ensure that NPGP provides continuous nurturing, support and capacity building to PO staff on key areas of operations; d) Financial Management Specialist and Procurement Specialist will be reporting directly to PD; e) To ensure the project performs at 100%, CEO PPAF has included NPGP's success as part of every relevant Group Head's performance appraisal. Any further problems faced by NPGP will affect them all. The PD and SGH FMCA are committed (as part of their performance reviews) to ensure timely review processes are conducted so that no delays happen; f) PPAF is providing technical backstopping and financial support through its own funds to NPGP POs in areas where there has been little or no social mobilization, and where internal capacities need support, so as to enhance the impact of NPGP. ----- Update July 2021; This is not completed. The FMS has indicated that this issue was discussed during the last PSC meeting early May (when the 21-22 AWPB was approved) and that the PSC expressed its disagreement on the recommendation to implement a fully dedicated PMU. Given its importance, this issue may have to be discussed at a higher level, between IFAD and the Borrower's representatives. Regarding the field auditors, the Mission reiterates its recommendation that they should report to the PSC. ----- Update November 2021: Pending government decision about LPA and the structure of the new PMU</p>	PMU PD/FMS	03/2022
<p>Clearance of pending reconciliation items</p> <p>Follow up with the MoF through PASSD to get exemption for receipt of 4% operational costs and reimbursement of prior expenses in the PPAF Account</p>	PD/PMU	03/2022
<p>External Audit Reports of POs</p> <p>Ensure that each POs submits an external audit report—issued by reputable chartered accountant on the use of IFAD funds within two (2) months of the close of a financial year.</p>	PMU/FM Unit	03/2022

<p>Revise PIM to include all changes after MTR</p> <p>Following implementation of MTR fiduciary recommendations, revise PIM to include a full finance section reflecting new structure, responsibilities, IC system, workflows and accounting/FM procedures, and submit revised PIM to IFAD for no objection</p> <p>-----</p> <p>Update 28.04.2021; An outline on FM functions and policies and procedures has been drafted. However, the FM procedures need to be finalized based on the PMU restructuring</p> <p>-----</p> <p>Update July 2021 This is not completed, as it is linked to PMU restructuring. In addition, TOMPRO workflows will also have to be reflected in the revised PIM</p> <p>-----</p> <p>Update November 2021 Finalize FM Manual as agreed in the MTR—including sufficient guidance for the use of accounting software which is being procured Linked to implementation timeline of accounting software. No Objection on Direct payment was issued by IFAD on 26-November-2021. The contract will be signed before 01-Dec-2021.</p>	FMS	05/2022
<p>AWPB preparation</p> <p>Improve planning process to ensure submission of draft AWPB to IFAD by 30 April each year</p>	Programme Director	
<p>Periodic reporting</p> <p>Ensure quarterly progress reports, IFRs and unaudited project financial statements are submitted within prescribed deadlines</p>	Programme Director and FMS	
<p>Procurement Plan</p> <p>-Submit the PP 2021/22 for IFAD NO using the latest IFAD PP template and applying the recommendation of the Mission (consistency with AWPB; new thresholds, etc.) and finalize the planned activities to ensure timely delivery of agreed outputs and outcomes.</p> <p>- Insert the single POs plans as an attachment to the NPGP Procurement Plan to have track of activities. (on a quarterly basis).</p>	Procurement Officer and/or POs	
<p>IFAD prior review and direct contracting/sole source selection</p> <p>Always submit a procurement activity to IFAD prior review through NOTUS when the selected method is direct contracting or sole source selection.</p>	Procurement Officer	
<p>Advertising on PPRA website and UNDB platform</p> <p>Advertisement of all open competitive bidding on the PPRA website and UNDB platform for activities funded by IFAD which are secured by the Government of Pakistan and implemented through PPAF</p>	Procurement Officer	
<p>Completeness of evaluation reports and NOITA</p> <p>Ensure that evaluation reports always contain technical evaluation, so as to justify the recommendation to award to a specific supplier.</p>	Procurement Officer	
<p>CMT data and contract monitoring</p> <p>- Share with IFAD Monthly progress reports and quarterly progress report as per section 3, point 3.3.1 and 3.3.2 of the revised PIM and in line with the provisions of the contract.</p> <p>-Enhance contract monitoring by improving the quality of data entered into the Contract Monitoring Tool and align it with the contract register. (On monthly and quarterly basis).</p>	Procurement Officer/POs	

Pakistan

National Poverty Graduation Programme

Supervision Report

Logical Framework

Mission Dates: 15 November to 8 December 2021

Document Date: 22/12/2021

Project No. 2000001467

Report No. 5967-PK

Asia and the Pacific Division
Programme Management Department

National Poverty Graduation Programme

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project							pls. note total is male/female or youth/not youth			
	Males		20 280	128 000	12 200	20 975	16.387				
	Females		30 420	192 000	48 366	83 011	43.235				
	Young		15 210	96 000	876	12 710	13.24				
	Total number of persons receiving services		50 700	320 000	60 566	103 986	32.496				
	1.a Corresponding number of households reached							Implementing Partners' records and progress reports	Quarterly	PPAF and POs	
	Women-headed households		6 338	40 000	7 571	12 502	31.3				
	Non-women-headed households				52 995	87 510					
	Households		50 700	320 000	60 566	100 012	31.3				
	1.b Estimated corresponding total number of households members										
Household members		361 491	2 281 600	377 932	659 182	28.9					
Project Goal To assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change	households falling between 0 - 16.17 in score card have graduated out of this category by project end							Impact surveys (BISP Poverty Score Card methodology and database)	Mid-term and completion.	PPAF	
	Households	0		50							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
Development Objective To enable the rural poor and especially women and youth, to realize their development potential and attain a higher level of social and economic wellbeing	hhs in PSC 0-18 receiving asset transfers, move to a higher PSC band							Annual Outcome Surveys. Impact surveys. PSC survey for poverty graduation tracking by POs.	Annually, after mid-term. Mid-term and completion.	PPAF and POs	- No major natural disasters in project districts. - Stable political, economic and security situation. - Timely sharing of BISP PSC data.
	Households	0		60	48	48	80				
	hhs in PSC 0-18 move to a PSC band of higher than 23 (= out of poverty)							Annual Outcome Surveys. Impact surveys. PSC survey for poverty graduation tracking by POs.	Annually, after mid-term. Mid-term and completion.	PPAF and POs	
	Households	0		20	26	26	130				
Outcome Outcome 1: Improved livelihoods, living conditions and income-generative capacities for poor households and the youth	2.2.1 New jobs created										- No major natural disasters in project districts. - Stable political, economic and security situation.
	Job owner - men		15 981	37 498	4 198	5 902	15.74				
	New jobs		39 952	93 744	29 576	53 494	57.064				
	Job owner - women		23 971	56 246	25 378	47 592	84.614				
	Job owner - young		11 986	28 123	844	1 345	4.783				
	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices										
	Households			50	30						
	Women-headed households				2 950	5 429					
Households			78 120	23 600	43 430	55.6					
households experiencing 30% increase in income as a result of productive use of assets and access to working capital											

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	Households			60	53	53	88.3				
Output 1.1 Provision of assets	1.1.3 Rural producers accessing production inputs and/or technological packages										- No major natural disasters in project districts. - Stable political, economic and security situation.
	Males		22 830	62 496	3 808	12 583	20.134				
	Females		34 244	93 744	34 257	64 608	68.92				
	Total rural producers		57 074	156 240	38 065	77 191	49.405				
	Common interest groups established							Project M&E Reports			
groups			372	3	3	0.8					
Output 1.2 Provision of trainings (i.e. functional literacy, skills, vocational and business/ asset management training)	2.1.2 Persons trained in income-generating activities or business management							Implementing Partners records and progress reports.	Quarterly	PPAF and POs	Young women and men's motivation to acquire professional skills remains high.
	Males		22 830	62 496	932	932	1.491				
	Females		34 244	93 744	6 834	6 834	7.29				
	Young		17 122	46 872	226	226	0.482				
	Persons trained in IGAs or BM (total)		57 074	156 240	7 766	7 766	4.971				
	Economic CRPs trained and operating in target communities										
	Economic CRPs		446	744	584	584	78.5				
	hh trained in functional literacy, basic business/asset management (PSC 0-16,17)										
	households		49 801	140 616	7 646	7 646	5.4				
	female-headed households										
	Basic EDT to intangible asset beneficiaries										
	Households			15 624							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
Outcome Outcome 2: Women from ultra-poor and poor households experience higher levels of socioeconomic empowerment	Women reporting increased role in hh decision making										Communities and tribal elders fully cooperate to ensure women's participation in programme activities.
	Females			60							
Output 2.1 Community institutions and beneficiaries provided with capacity-building support on issues related to gender, nutrition/ malnutrition prevention (behavior), climate risk management	No. of community institutions that have initiated campaigns on gender issues, nutrition promotion, climate risk management and other SDGs							PO records and progress reports	Quarterly	POs	Community willingness and interest.
	Number of community institutions		10 507	35 712	582	582	1.63				
	No. of trainings conducted by Community Resource Persons trained on gender issues, nutrition promotion, climate risk management and other SDGs and no. of beneficiaries receiving trainings							PO records and progress reports	Quarterly	POs	
	male attendees		6 994	73 073	2 091	2 091	2.9				
	Trainings		17 484	60 894	749	749	1.2				
	female attendees		10 490	109 609	12 653	12 653	11.5				
	youth attendees		5 245	54 805	0	0	0				
	total attendees		17 484	182 682	14 744	14 744	8.1				
	1.1.8 Households provided with targeted support to improve their nutrition										
	Total persons participating		57 074	156 240	13 997	13 997	9				
	Males		22 830	62 496	2 029	2 029	3.2				
	Females		34 244	93 744	11 968	11 968	12.8				
	Households		57 074	19 530	1 750	1 750	9				
Household members benefitted				13 997	13 997						
Young		17 122	46 872		0	0					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	Women-headed households			19 530	1 750	1 750	9				
Outcome Outcome 3: Target populations have improved access to financial services and investment opportunities	Interest Free Loan clients with 30% increase in monthly incomes							Annual Outcome Surveys. Impact surveys. PSC survey for poverty graduation tracking by POs..	Annually, after mid-term. Mid-term and completion.	PPAF and POs	Capacity of POs for reaching out effectively to widely dispersed rural communities in districts with sparse population.
	IFL clients		10	50							
	1.2.5 Households reporting using rural financial services										
	Total number of household members			94 363	22 521	40 414	42.8				
	Target households reporting using interest free loans for income generating purposes										
	Households			90							
Output 3.1 Interest-free loans (IFL) for PSC 12-40	1.1.5 Persons in rural areas accessing financial services										Beneficiary willingness and interest.
	Men in rural areas accessing financial services - credit			62 908	8 395	16 560	26.324				
	Women in rural areas accessing financial services - credit			94 363	14 126	23 854	25.279				
	Young people in rural areas accessing financial services - credit			47 181	5 005	11 709	24.817				
	Total persons accessing financial services - credit			157 271	22 521	40 414	25.697				
	Interest-free loans (IFL) provided to PSC 12-40 households										

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	IFL			214 000	22 327	22 327	10.4				
Output 3.2 Financial training and enterprise development training to IFL clients	1.1.7 Persons in rural areas trained in financial literacy and/or use of financial products and services							PO records and progress reports.	Quarterly	POs	Beneficiary willingness and interest.
	Males			62 908	374	374	0.595				
	Females			94 363	377	377	0.4				
	Young			47 181		0	0				
	Persons in rural areas trained in FL and/or use of FProd and Services (total)			157 271	751	751	0.478				
Outcome 4. Contributed in promotion and enactment of pro-poor & climate resilient poverty reduction policies and dialogues through evidence-based research	Contribution to knowledge products towards improvements in GoP's poverty alleviation policies										
	contribution to products			50							
Output 4.1 (Pro-poor) Research studies and policy briefs developed and disseminated	Policy 1 Policy-relevant knowledge products completed										BISP and Government's interest to engage in policy dialogue remains high.
	Number			9	3	4	44.444				

Pakistan

National Poverty Graduation Programme

Supervision Report

Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 15 November to 8 December 2021

Document Date: 22/12/2021

Project No. 2000001467

Report No. 5967-PK

Asia and the Pacific Division
Programme Management Department

Appendix 1: Financial: actual financial performance by financier; by component and disbursements by category as of 31 October 2021

Table 1A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent Disbursed
IFAD Loan	82,600	30,285	37%
Government	50,000	8,094	16%
Total	132,600	38,378	29%

Notes

1. The actual figures represent amount utilized by POs and PPAF. The amounts till 30-Sept-2021 are as per IFR reported to IFAD. Whereas expenditure for the month of Oct 2021 will be reported in IFR for Oct-Dec21.
2. 2. Advances disbursed to POs amounting to USD 30.265 million.

Table 1B: Financial performance by financier by component (USD '000) as of 31 October 2021

Components	IFAD Loan			Contribution by other Financiers'			Total		
	Appraised	Actual	%	Government			Appraised	Actual	%
				Appraised	Actual	%			
1. Poverty Graduation									
1.1 Asset Transfers	59,810	26,457	44%				59,810	26,457	44%
1.2 Interest Free Loans				49,900	8,094	16%	49,900	8,094	16%
1.3 Trainings	5,898	76	1%				5,898	76	1%
Total Poverty Graduation	65,708	26,532	40%	49,900	8,094	16%	115,608	34,626	30%
2. Social Mobilization and Project Management									
2.1 Social Mobilization	7,227	308	4%				7,227	308	4%
2.2 Project Management	9,650	3,445	36%				9,650	3,445	36%
Total Social Mobilization and Project Management	16,877	3,752	22%	-	-	0%	16,877	3,752	22%
TOTAL	82,585	30,285	37%	49,900	8,094	16%	132,485	38,378	29%

Table 1C: IFAD Loan Disbursement as at 31 October 2021 (US \$ 000)

Category	Category Description	Original Allocation	Disbursement	Balance	% Disbursement versus Allocation	Utilization (as per IFRs*)	% utilization to Allocation
I	Grants and Subsidies	53,900	23,814.20	30,086	44%	26,457	49%
II	Training and Workshops	11,800	5,354.75	6,445	45%	383	3.2%
III	Consultancies	800	474.85	325	59%	200	25%
IV	Operating Costs	7,850	3,012.12	4,838	38%	3,245	41%
	Unallocated	8,250		8,250	0%	-	0%
	IFAD funding	82,600	32,656	49,944	40%	30,285	37%
V	V. Credit and Contribution Agreement Grants (GOP)**	49,900	9,074	40,826	0.18	8,094	16%
	Total NPGP	132,500	41,730	90,770	31%	38,378	29%

Notes:

1. Utilization (IFAD sourcing) up to Sep 30, 2021 is as per IFR, whereas utilization for the month of Oct 2021 is as per SoEs and reportable in IFR for Oct-Dec 2021 which will be due on 15 Feb 2021.
2. Utilization (GoP sourcing) up to Sep 30, 2021 is as per IFR. Reporting is on a quarterly basis..

Pakistan

National Poverty Graduation Programme

Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 15 November to 8 December 2021

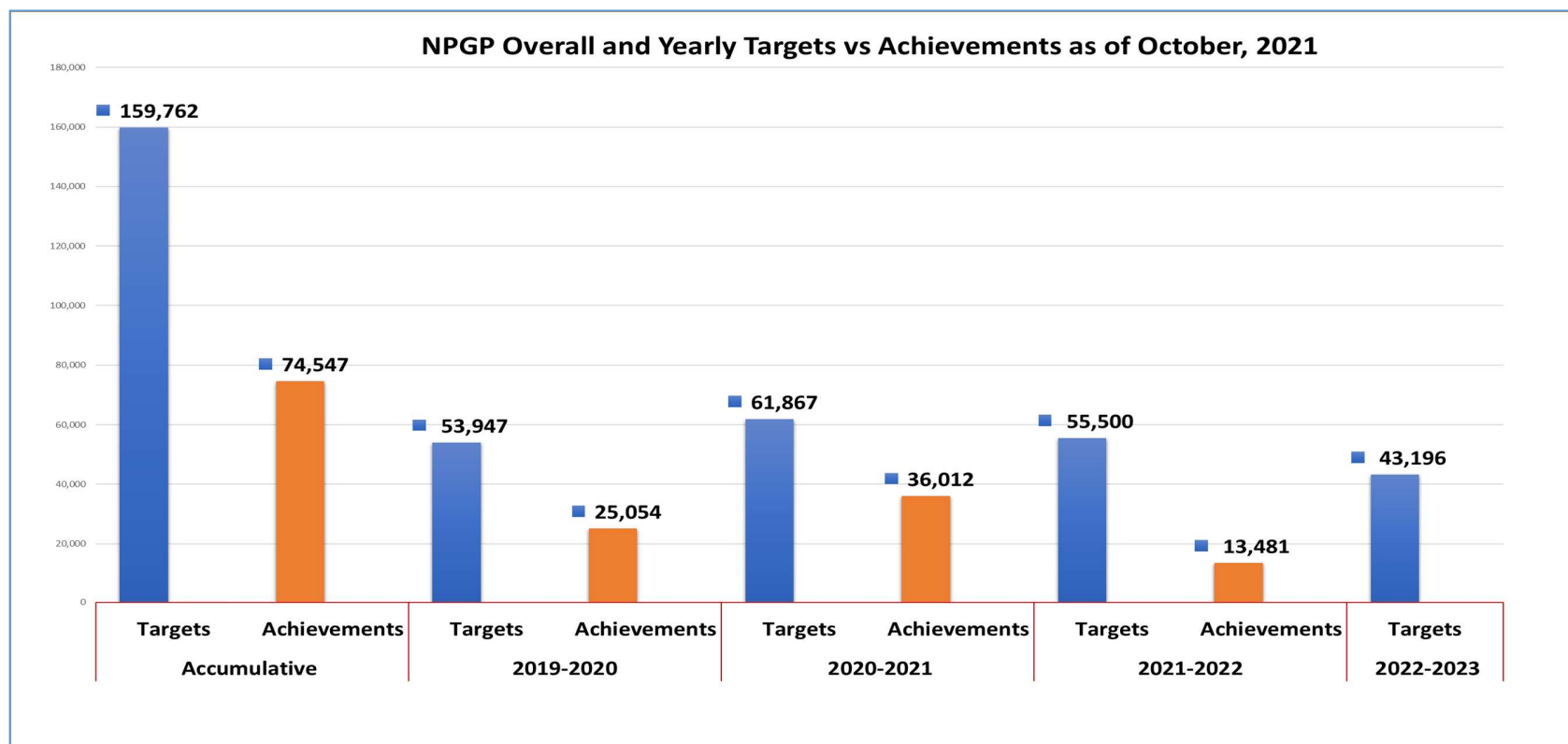
Document Date: 22/12/2021

Project No. 2000001467

Report No. 5967-PK

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B (Beneficiaries Assets Transfers)



Note: NPGP seeks to graduate the target beneficiaries from out of poverty by providing them a package of assistance involving (a) assets—tangible; (b) intangible—trainings; and (c) Interest free loans under the Prime Minister IFL initiative as the counterpart funding.

Financial progress measured against AWP&B

Description	USD											
	FY 2019-20			FY 2020-21			FY 2021-22			Cumulative		
							Actual - (Jul-Oct 2021)			till 31-Oct-2021		
	AWP&B	Actual	%	AWP&B	Actual	%	AWP&B	Actual	%	Allocation	Actual	%
<i>IFAD Funding</i>												
Asset Transfer	22,495,899	8,053,680	36%	27,265,941	12,502,145	46%	24,227,403	5,900,713	24%	59,649,333	26,456,538	44%
Assets for Joint businesses	-	-	0%		-	0%	1,516,167	-	0%	2,168,961	-	0%
Trainings	1,920,754	-	0%	1,614,661	10,018	1%	1,960,424	56,261	3%	5,961,817	66,278	1%
Social Mobilization	891,000	2,992	0%	876,129	123,073	14%	680,399	117,326	17%	1,099,388	243,391	22%
Activities Plan by CIs	62,775	-	0%	135,161	12,742	9%	159,785	10,546	7%	417,947	23,288	6%
Community Trainings	493,425	1,907	0%	1,184,484	10,971	1%	1,511,030	28,183	2%	3,380,798	41,061	1%
Operating Cost -POs	2,106,706	655,168	31%	2,527,728	1,018,971	40%	2,431,053	489,042	20%	5,911,167	2,163,181	37%
Training of Partners/Experience Sharing	13,456	9,454	70%	7,316	-	0%	9,648	-	0%	33,769	9,454	28%
Consultancies	456,510	121,567	27%	512,903	78,189	15%	323,309	-	0%	1,027,186	199,756	19%
Operating Cost - PPAF	1,069,197	327,584	31%	1,332,739	509,485	38%	1,434,227	244,522	17%	2,949,635	1,081,591	37%
	29,509,721	9,172,352	31%	35,457,063	14,265,595	40%	34,253,445	6,846,592	20%	82,600,000	30,284,539	37%
<i>GoP Funding</i>												
Interest Free Loans – Disbursements	7,172,400	-	0%	5,744,677	6,323,769	110%	17,409,955	1,770,038	10%	50,000,000	8,093,807	16%
Total NPGP (IFAD+GoP Source)	36,682,121	9,172,352	25%	41,201,740	20,589,364	50%	51,663,400	8,616,630	17%	132,600,000	38,378,346	29%

Pakistan

National Poverty Graduation Programme

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 15 November to 8 December 2021

Document Date: 22/12/2021

Project No. 2000001467

Report No. 5967-PK

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation as of 31 October 2021

Section	Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
Section B.6	Opening of a Designated Account in USD at the National Bank of Pakistan	Before 1st disbursement	Complied	Designated account opened 24/10/18
Section B.8	Provision of USD 50 million in counterpart funding from the Prime Minister Interest Free Loan (PMIFL) program	Continuous	Complied	As per Financing Agreement - Section B - 8. "The Borrower through the Pakistan Poverty Alleviation Fund (PPAF) shall provide a counterpart financing for the Programme in an amount equivalent to fifty million dollars (USD 50 000 000) from the Prime Minister Interest Free Loan (PMIFL) already deployed in order to provide interest free loan through Partner Organizations (POs) to eligible beneficiary households." Therefore, the funds already deployed in the field will be treated as Counterpart financing/contribution from PMIFL.
Section E.2	Additional general conditions precedent to withdrawal: (a) Signature of Subsidiary Financing Agreement between Borrower and PPAF (b) Appointment of key PMU staff with TOR and qualifications acceptable to the Fund; and (c) Update of existing PIM (as described in section II of Schedule I), with IFAD's prior no objection	Before 1st disbursement	Complied	SFA signed on 10/01/18 Key PMU staff recruited before withdrawal No Objection on draft PIM provided on 01/12/17; NO on revised PIM provided on 28/01/20
Schedule 1-II.10	Signature by LPA of contractual agreements with Partner Organizations and development of implementation plans upon signature	At start of implementation	Complied	Agreements signed with 8 POs and IPs developed for each PO.
Schedule 1-II.12	Joint Midterm Review mission by the LPA, the Borrower and IFAD	December 20	Complied	MTR mission from 19/10/2020 to 12/11/20
Schedule 3	Para 1: Performance-based contracting with the POs Para 2: Financing of taxes (excluding import taxes and duties) from IFAD loan if they are reasonable Para 3: Coverage of poor rural women, men, and youth	Continuous	Complied	Compliance and performance of POs monitored continuously
GC Section 4.02 (b)	Approval of the first AWPB by the Fund prior to 1st withdrawal from the loan account	Before 1st withdrawal	Complied	1st AWPB approved on 25/06/19 (1st withdrawal 28 June 2019)
GC Section 7.01 (b) ii	Submission of an AWPB (and Procurement Plan) to IFAD for no objection	30 April every year	Complied (with delay)	2020-21 AWPB approved by PSC submitted to IFAD on 14/10/2020

				2021-22 AWP&B approved by PSC submitted to IFAD on 30-06-2021
GC Section 7.08 (a)	Insurance of all goods and buildings used in the project in accordance with sound commercial practice.	N/A	N/A	NPGP holds no assets (program uses the LPA's assets)
GC Section 7.11	Insurance of project personnel against health and accident risks	Continuous	Complied	All personnel recruited by the LPA benefit from Life and Health insurance coverage
GC Section 8.03.a)	Submission of periodic progress reports to IFAD (quarterly progress reports and quarterly IFRs (IFRs initially required on half-yearly basis until June 2020; periodicity changed to quarterly in LTB amendment issued 5 June 2020)	45 days after end of each quarter	Complied (delay for first 2 IFRs)	Quarterly progress reports and IFR submitted regularly and within due time i.e. within 45 days of end of each quarter. <ol style="list-style-type: none"> 1. IFR (Oct-Dec19) submitted for review on 05/03/20 2. IFR (Jan- Jun 20) submitted for review on 28/08/20 3. IFR (July- Sep 20) submitted for review on 12/11/20 4. IFR (Oct-Dec20) submitted for review on 14/02/2021 5. IFR (Jan-Mar21) submitted on 12/05/2021 6. IFR (Apr-June21) submitted on 14/08/2021 7. IFR (Jul-Sept21) submitted for review on 15/11/2021
GC Section 8.04	Formulation of a completion report by the closing date	June 2024	Not yet due	
GC Section 9.02	Submission of unaudited project financial statements	31 October each year	Complied	The draft FS for FY 2019-20 were submitted for review before the end of October 2021. IFR For June 2020 were finalized after FM consultants review on 12-Nov-2021. Therefore, final Financial Statements submitted to IFAD on 16/11/20 after review by FM consultant.
GC Section 9.03	Submission of annual audit report and management letter (including management reply)	31 December each year	Complied	Audit report for FY 2019-20 submitted to IFAD directly by AG auditors on 31 Dec 2021. However, it was received at IFAD Pakistan Office on 04-Jan-2021.
LTB	Preparation and update of audit log	Continuous	Complied	Updated audit log (Audit FY 2019-20) maintained and shared with IFAD.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section 4.02	PCU to open and maintain a Project Account (in ...); GO? to make an initial deposit equivalent to USD ??????			
Section 4.02	GO? to replenish Project Account quarterly in advance			
Section 4.03	Procurement of goods, works and services carried out in accordance with the procedures laid down in Schedule 3			
Section 4.04	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.			
Section 4.05, section 11.10(b)	Audit report submitted to IFAD.			
Section 4.06	Progress reports to be submitted to IFAD on a quarterly basis.			
Schedule 4, para 7	AWPB to be submitted to the Fund, for its review and comments			
Schedule 4, para 8(a)	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.			
Schedule 4, para 16	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures			

Pakistan

National Poverty Graduation Programme

Supervision Report

Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates: 15 November to 8 December 2021

Document Date: 22/12/2021

Project No. 2000001467

Report No. 5967-PK

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Substantial
<i>Political Commitment</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Governance</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Macroeconomic</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Fragility and Security</i>	<i>Substantial</i>	<i>Moderate</i>
Sector Strategies and Policies	Substantial	Substantial
<i>Policy alignment</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Policy Development and Implementation</i>	<i>Substantial</i>	<i>Substantial</i>
Environment and Climate Context	Substantial	Moderate
<i>Project vulnerability to environmental conditions</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project vulnerability to climate change impacts</i>	<i>Moderate</i>	<i>Moderate</i>
Project Scope	Moderate	Moderate
<i>Project Relevance</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Technical Soundness</i>	<i>Moderate</i>	<i>Moderate</i>
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial
<i>Implementation Arrangements</i>	<i>Substantial</i>	<i>Substantial</i>
<i>Monitoring and Evaluation Arrangements</i>	<i>Substantial</i>	<i>Moderate</i>
Project Financial Management	Substantial	Low
<i>Project Organization and Staffing</i>	<i>High</i>	<i>Moderate</i>
<i>Project Budgeting</i>	<i>Moderate</i>	<i>Low</i>
<i>Project Funds Flow/Disbursement Arrangements</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Internal Controls</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Project Accounting and Financial Reporting</i>	<i>Substantial</i>	<i>Low</i>
<i>Project External Audit</i>	<i>Moderate</i>	<i>Low</i>
Project Procurement	Substantial	Moderate
<i>Legal and Regulatory Framework</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Accountability and Transparency</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Capability in Public Procurement</i>	<i>Substantial</i>	<i>Moderate</i>
<i>Public Procurement Processes</i>	<i>Moderate</i>	<i>Low</i>
Environment, Social and Climate Impact	Moderate	Low
<i>Biodiversity Conservation</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Resource Efficiency and Pollution Prevention</i>	<i>Moderate</i>	<i>Low</i>
<i>Cultural Heritage</i>		<i>No risk envisaged - not applicable</i>
<i>Indigenous People</i>		<i>No risk envisaged - not applicable</i>
<i>Labour and Working Conditions</i>	<i>Low</i>	<i>Low</i>
<i>Community Health and Safety</i>	<i>Low</i>	<i>Low</i>
<i>Physical and Economic Resettlement</i>		<i>No risk envisaged - not applicable</i>
<i>Greenhouse Gas Emissions</i>	<i>Moderate</i>	<i>Low</i>

Risk Category / Subcategory	Inherent risk	Residual risk
<i>Vulnerability of target populations and ecosystems to climate variability and hazards</i>		<i>No risk envisaged - not applicable</i>
Stakeholders	Moderate	Moderate
<i>Stakeholder Engagement/Coordination</i>	<i>Moderate</i>	<i>Moderate</i>
<i>Stakeholder Grievances</i>	<i>Moderate</i>	<i>Moderate</i>
Overall	Substantial	Moderate

Country Context	Substantial	Substantial
Political Commitment	Substantial	Substantial
<p>Risk:</p> <p>The Federal Government faces numerous economic and security challenges that may affect project implementation. Key risk include; (i) changing political commitments and priorities; (ii) a strong opposition against government and polarization due to anti-corruption proceedings; and, (iii) unsettled geo-political environment within the region.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>(i)The government has promoted poverty graduation as part of its core poverty alleviation strategy. (ii) NPGP has been brought under the umbrella of the Govt's Ehsaas Strategy. (iii) NPGP will provide evidence in support of the approach that help movement of people out of social protection (BISP registry).</p>		
Governance	Substantial	Substantial
<p>Risk:</p> <p>The economic situation remains under pressure owing to rising inflation and continued low tax collection. In some areas, law and order situation and political unrest may also weaken the state's ability to exert control. The local government system is not properly functional in all the provinces which does not bode well for democratic and transparent governance at local levels. The compliance to Financial Action Task Force (FATF) requirements may delay project implementation. . The devaluation of currency and the related inflationary pressures has rendered unit price of assets and training higher than the allocated amount. It is essential to revise the unit prices commensurate with market rates. The tightening of fiscal management has led to the situation of reduced allocations to PPAF (Rupee Cover) which may slow down project performance.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>The project will continue strengthening; (i) local community institutions to take ownership of project outcomes and to liaise with the district authorities for continued support – legal status of community institutions will be secured as well as banking channels will be used; and, (ii) NPGP will use community procurement mechanisms only with legally recognized community institutions to enhance accountability and transparency using social capital. Engagement by PASS Division at the highest level to secure sufficient funds (equivalent amount withdrawn from IFAD) through grant approvals.</p>		
Macroeconomic	Substantial	Moderate
<p>Risk:</p> <p>The country continues to have large current account deficit, adverse balance of payments, revenue collection shortfalls, continued devaluation of national currency and increasing inflation posing challenges for continuity of counterpart funding (for interest free loan component). In addition, growth rate is predicted to decline thus hampering opportunities in terms of income and employment.</p>	Substantial	Moderate

<p>Mitigations:</p> <p>During the implementation IFAD and executing agency to; (i) ensure continued relevance of project to needs of beneficiaries and government's priorities; (ii) project management to undertake timely projections to determined counterpart funds by PMU, and, (iii) regular monitoring of disbursements.</p>		
<p>Fragility and Security</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk:</p> <p>Law and order situation in some of the project districts of KP (such as North and South Waziristan) and Balochistan provinces had remained unstable which may limit field movement of project staff in these districts. No objection certificates for interventions in KP and Balochistan possess to be a constraint in timely initiation of activities.</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>At the project level the pertinent risks will be mitigated through: (i) NPGP security unit will provide timely and informed input to the project teams to ensure their smooth and safe travel to the project areas; (ii) poverty graduation and community mobilization will enhance local employment/self-employment opportunities and income generation activities. NPGP to engage with federal and provincial government with a view to facilitate timely issuance of NOCs.</p>		
<p>Sector Strategies and Policies</p>	<p>Substantial</p>	<p>Substantial</p>
<p>Policy alignment</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Risk:</p> <p>Existing policy framework with strong government involvement may divert resources from poverty alleviation, social safety nets and community development programmes.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>NPGP will closely work and provide support to the Poverty Alleviation and Social Safety Division and other think tanks to inform policy dialogue around social protection systems and the GoP's poverty alleviation agenda.</p>		
<p>Policy Development and Implementation</p>	<p>Substantial</p>	<p>Substantial</p>
<p>Risk:</p> <p>Limited capacities in place with regards to policy reforms and policy implementation lead to delayed benefits to communities and project beneficiaries.</p>	<p>Substantial</p>	<p>Substantial</p>
<p>Mitigations:</p> <p>(i) The project has provision of research and policy advocacy component for enhancing knowledge of key stakeholders and contributing to the implementation of effective pro-poor policies and poverty graduation; and, (ii) The analysis of macroeconomic policies on micro-economy of the target households will be followed by policy briefs that would help lobby for policy development with a pro-poor lens facilitating enhanced allocations for poverty alleviation initiatives.</p>		
<p>Environment and Climate Context</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Project vulnerability to environmental conditions</p>	<p>Substantial</p>	<p>Moderate</p>
<p>Risk:</p> <p>The project is working in some districts that are prone to droughts as well as soil erosion, flood damages and siltation.</p>	<p>Substantial</p>	<p>Moderate</p>

<p>Mitigations:</p> <p>The project's own climate change awareness activities will support also environmental risk mitigation related awareness, including training on soil and water management and afforestation. In addition, the project partners have established early warning systems in such districts.</p>		
<p>Project vulnerability to climate change impacts</p>	Moderate	Moderate
<p>Risk:</p> <p>The project districts in all the four provinces are highly vulnerable to the effects of climate change and seasonal variability leading to changes in cropping patterns that can negatively impact on project pace of implementation as well as intended outcomes.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The project will implement a package of capacity building activities for the target households and communities on climate resilient livelihood strategies as well as community based disaster risk management. The project will also put in place a responsive and responsible criteria with respect to selection of assets and skills development trades so that it leads to climate change adaptation.</p>		
<p>Project Scope</p>	Moderate	Moderate
<p>Project Relevance</p>	Moderate	Moderate
<p>Risk:</p> <p>The project is currently targeting 375 Union Councils (UCs) in 23 districts. However, owing to exacerbating poverty because of economic slow-down, increased inflation (particularly food related items) and unemployment, the need for poverty graduation support has increased beyond the target UCs and districts. This may result in increased pressure from the local communities, provincial governments and parliamentarians to increase project outreach within the targets districts and to expand it to other areas.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The Government of Pakistan has devised EHSAAAS strategy under which poverty graduation is one of the core initiatives. This makes NPGP highly relevant to the national priorities. NPGP in close coordination with Poverty Alleviation and Social Safety Division of Government of Pakistan is advocating with the government for increased allocation for poverty graduation initiatives. NPGP will help showcasing the success of poverty graduation approach to leverage resources for greater impact and to enable scaling up.</p>		
<p>Technical Soundness</p>	Moderate	Moderate
<p>Risk:</p> <p>The project targeting is based on BISP beneficiaries. However, BISP NSER data has inclusion and exclusion errors as data is now more than 10 years old. This may affect effective targeting for the programme.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The project is adopting a systematic method of triangulation of NSER data which includes participatory community validation as well as baseline PSC to mitigate the risk of inclusion and exclusion.</p>		
<p>Institutional Capacity for Implementation and Sustainability</p>	Substantial	Substantial
<p>Implementation Arrangements</p>	Substantial	Substantial

<p>Risk:</p> <p>Three major risks exist in terms of implementation arrangements: (i) The POs had been selected through single-source selection method and have been assigned with two to six districts, posing a risk of weak performance. (ii) selecting several relatively small implementing partners may become a challenge in terms of project management especially in terms of financial reporting; (iii) smaller POs may have weak capacities in financial and procurement management which may result in slowing down pace of implementation as well as in unsustainable project outcomes; and, (iv) the funds from PO to community institutions (not legally registered entities) and thus having no bank account (lacking traceability) may be transferred with delay thus slowing down implementation.</p>	Substantial	Substantial
<p>Mitigations:</p> <p>The project will engage only experienced POs and will closely work with the POs to; (i) ensure that there is no capacity and communication gap between the HQ of the PO and the field team and to (ii) give equal attention to each district regarding allocation of resources and project implementation; (iii) the project will continue building capacities of community institutions on community driven procurement, financial and organizational management, linkages development etc.; (iv) the community institutions will also be supported in seeking registration and getting bank account opened; and, (v) PPAF will closely monitor disbursement rates from POs to community institutions through a solid MIS system in order to ensure minimal delays.</p>		
<p>Monitoring and Evaluation Arrangements</p>	Substantial	Moderate
<p>Risk:</p> <p>The project may not be allowed by security agencies for geo-tagging of few project areas and interventions, which may result in sub-optimal use of technology for monitoring, evaluation and reporting. There is also risk of delays due non-automated processes and tools used for Poverty Score Card (PSC) and Livelihood Investment Plans (LIPs) thus a time consuming paper-based work resulting in delayed implementation.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>Wherever allowed, the project will continue to; (i) synergize GIS with MIS for effective project reporting; (ii) in areas where geo-tagging is not allowed, the project would adopt other means (such as photographs, maps, videos) to ensure traceability of project areas and interventions; (iii) project will encourage integration of POs MIS to put in place effective automation of tools such as PSC and LIPs.</p>		
<p>Project Financial Management</p>	Substantial	Low
<p>Project Organization and Staffing</p>	High	Moderate
<p>Risk:</p> <p>A dedicated PMU has been notified but the PPAF continues exerting a material influence over project implementation. The multitier oversight process continues to be the cause of process delays. Further, this duplicity of responsibility makes it difficult to hold officials accountable for results. The FM team has yet to get additional resources (two staff and support from field auditors) to work effectively. PPAF, the current LPA, is changing its type to be a private entity which is causing some issues at government level. Currently there are on-going discussions with the government on how this might affect PPAF definition as LPA.</p>	High	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> • Ensure that PMU is fully independent and there is no interference from the PPAF in project operations. • Deploy the additional staff and field auditors under FM Unit at the earliest. 		
<p>Project Budgeting</p>	Moderate	Low

<p>Risk:</p> <p>AWPBs are not timely finalized/approved and submitted to IFAD on time.</p>	Moderate	Low
<p>Mitigations:</p> <p>Ensure the AWPB is submitted to IFAD on time by properly following up with the government's project steering committee.</p>		
<p>Project Funds Flow/Disbursement Arrangements</p>	Substantial	Moderate
<p>Risk:</p> <p>The project is not able to get Rupee Cover in the annual budgets of 2019-20, and 2020-21, which has starved the PMU/POs of funds Failure to resolve this problem could lead to the project implementation stalling in December 2021. A proposed modality to overcome the Rupee Cover is to directly send advances to POs bank accounts in order not to stop project implementation. While PMU will have full responsibility on justification of advances, there is a risk of the increased decentralized level of flow of funds from IFAD directly.</p> <p>The execution is not coherent as the IFL component and trainings are not being aligned with the transfer of tangible assets. Resultantly, the risk of NPGP beneficiaries not realizing planned sustainable increase in their income is material.</p>	Substantial	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> • Resolve the issue of Rupee cover at the earliest through engagement with Poverty Alleviation and Social Safety Nets (PASS) Division. • Strengthen coordination mechanisms with the IFLs component, POs, and PMUs to deliver IFLs and trainings to the NPGP's assets beneficiaries synergistically. • PMU to closely monitor the advances transferred directly to project account and to ensure proper and clear justification on each PO advance from IFAD in case of direct payments 		
<p>Project Internal Controls</p>	Substantial	Moderate
<p>Risk:</p> <p>The FM team does not have sufficient staff to effectively monitor internal controls at POs levels through field visits. The review of SOEs indicate gaps in internal controls that demand closer supervision of POs in the field. In the absence of closer oversight, there is a risk that data reported by the POs is not credible. Further, the project can not take remedial action—where it is needed if it is not monitoring implementation continuously and effectively.</p>	Substantial	Moderate
<p>Mitigations:</p> <ul style="list-style-type: none"> • Monthly field visit by PMU/FM team to ensure that the POs are complying with applicable compliance requirements in undertaking project activities. • Ensure that the recommendations made in the previous supervision missions to strengthen internal controls are implemented. 		
<p>Project Accounting and Financial Reporting</p>	Substantial	Low
<p>Risk:</p> <p>The existing accounting system does not permit timely, reliable, system-generated financial reporting to support decision making and compliance with IFAD requirements. The project needs to have a system in place to track disbursement rates by category, AWPB execution, review treasury situation/forecast, POs financial situation, IFL program status, procurement plan execution and any significant administrative issues.</p>	Substantial	Low

<p>Mitigations:</p> <ul style="list-style-type: none"> • The PMU need to finalize procurement and installation of accounting software, and ensure that the staff is trained adequately in its operation. Also, the FM manual should include necessary guidance for the staff on the use of the accounting software. 		
Project External Audit	Moderate	Low
<p>Risk:</p> <p>Delays in the finalization and submission of Audit Report to IFAD and audit observations not being resolved promptly—increasing the risk that the amount involved in audit observations is treated as ineligible by IFAD.</p>	Moderate	Low
<p>Mitigations:</p> <ul style="list-style-type: none"> • Implement all audit recommendations effectively to ensure the same observations do not show up in future audits. • Ensure that the audit report for financial year 2020-21 is submitted to IFAD by 31 December 2021. 		
Project Procurement	Substantial	Moderate
Legal and Regulatory Framework	Substantial	Moderate
<p>Risk:</p> <p>The risk that the Borrower's regulatory and institutional capacity and practices (including compliance with the laws) are inadequate to conduct the procurement in a manner that optimizes value for money with integrity.</p>	Substantial	Moderate
<p>Mitigations:</p> <ol style="list-style-type: none"> 1). Review periodically the application procurement in accordance with the Project Procurement Manual. 2). Review and clear project procurement plan (consolidated) encouraging the use of competitive procurement methods 3). Provide consolidated procurement information on project website (opportunities and awards) 		
Accountability and Transparency	Substantial	Moderate
<p>Risk:</p> <p>The risk that accountability, transparency and oversight arrangements (including the handling of complaints regarding, for example, SH/SEA and fraud and corruption) are inadequate to safeguard the integrity of project procurement and contract execution, leading to the unintended use of funds, misprocurement, SH/SEA, and/or execution of project procurements outside of the required time, cost and quality requirements.</p>	Substantial	Moderate
<p>Mitigations:</p> <ol style="list-style-type: none"> 1). Provide confidential report of complains received, under investigation and resolved. 2). Establish appropriate level of procurement reviews post and prior based on risk 3). Identify and report on risk flags during procurement supervision 4). Use IFAD standard bidding documents which include provisions for prohibitive practises and safeguards 5). Review of project operation procurement by external project auditors. 		
Capability in Public Procurement	Substantial	Moderate

<p>Risk:</p> <p>The risk that the implementing agency does not have sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>1). Retain procurement professional to support intermittently 2). Periodic training and support to be provided to various implementing agencies teams. 3). Ad-hoc offsite coaching by IFAD accredited procurement consultant.</p>		
Public Procurement Processes	Moderate	Low
<p>Risk:</p> <p>The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.</p>	Moderate	Low
<p>Mitigations:</p> <p>1). To be updated during 2020 supervision mission</p>		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Moderate
<p>Risk:</p> <p>Livestock may emerge as one of the major sought after assets by the target households. The resultant increase in number (through livestock as asset provision to large numbers of beneficiaries) may negatively impact on carrying capacity/vegetation cover, threatening to newly planted trees, and may put presure on grazing areas and pastures.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>The target households will be trained on effective management of fodder for the livestock as well as effective management of grazing areas to minimize the risk of depletion of natural resources. The project population will also be mobilized to increase tree plantation and vegetation cover to meet the increasing fodder needs of their livestock</p>		
Resource Efficiency and Pollution Prevention	Moderate	Low
<p>Risk:</p> <p>The project implementation may involve slight increase in demand for natural resources and result in increased solid wastes notably from livestock .</p>	Moderate	Low
<p>Mitigations:</p> <p>The target households will be trained on safe disposal of waste to ensure that the project intervention does not negatively impact on natural environment.</p>		
Cultural Heritage		No risk envisaged - not applicable
Project activities have no affect on cultural heritage.		
Indigenous People		No risk envisaged - not applicable

No indigenous people in target areas.		
Labour and Working Conditions	Low	Low
Risk: Some assets and vocational skill may entail occupation and health hazards.	Low	Low
Mitigations: Project will raise awareness and provide training to all recipients of assets and vocational skills trainee regarding occupational and health safety aspects.		
Community Health and Safety	Low	Low
Risk: Target households may not have required occupational health and safety awareness and knowledge to avoid any risk for handling certain machinery, equipment and wastes resulting from the tangible assets or used during technical and vocational trainings which may expose them to health hazards.	Low	Low
Mitigations: Capacity building sessions on health and safety will be organized for all the trainees of technical and vocational trainings as well as for those beneficiaries who receive tangible assets.		
Physical and Economic Resettlement		No risk envisaged - not applicable
No physical and economic resettlement expected.		
Greenhouse Gas Emissions	Moderate	Low
Risk: The risk of increased livestock activity - provision of livestock as an asset will result in increased methane gases (greenhouse gases).	Moderate	Low
Mitigations: The project will provide improved breed and impart training on improved livestock management practices thus will facilitate substitution of low yielding livestock.		
Vulnerability of target populations and ecosystems to climate variability and hazards		No risk envisaged - not applicable
Nature of project activities is neutral in this respect.		
Stakeholders	Moderate	Moderate
Stakeholder Engagement/Coordination	Moderate	Moderate
Risk: Failure in engaging and coordinating with different stakeholders may result in; (i) opposition by stakeholders, (ii) duplication/inconsistencies between NPGP and other IFAD funded projects or other agencies working in the same target area that may undermine project implementation and achievement of project development objectives; and, (iii) misunderstanding may increase pressure on the project to add districts and UCs that are not in the approved target list of districts and UCs.	Moderate	Moderate

<p>Mitigations:</p> <p>i) intensive dialogue and consultation with the partner organizations, local communities and federal government to seek required consensus on the approach, targeting and interventions; (ii) transparent criteria-based selection of project interventions and beneficiaries; and (iii) the equitable division of resources among different provinces and districts; (iv) communication efforts on the above points to minimize pressure from stakeholders; and, (v) coordination mechanism in place with other projects and agencies implementing similar initiatives.</p>		
<p>Stakeholder Grievances</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Risk:</p> <p>The project may experience ineffective grievance/complaint redress processes undermining achieving project objectives especially grievances from communities and from civil society organizations regarding selection of individuals and implementing partners.</p>	<p>Moderate</p>	<p>Moderate</p>
<p>Mitigations:</p> <p>A GRM and whistle-blower policy to be put in place which will be shared with partners for onwards circulation to communities. POs will be required to have robust grievance redress mechanisms in place and for timely and effectively management of the grievances of stakeholders. Project quarterly reports will provide updates on this.</p>		