



Enabling poor rural people  
to overcome poverty

## COUNTRY PROGRAMME EVALUATION



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 Barani Area Development Project  
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**Islamic Republic of Pakistan**  
**Country Programme Evaluation**

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(\*) Annexes are available from IFAD's Office of Evaluation ([evaluation@ifad.org](mailto:evaluation@ifad.org)).

## Abbreviations and Acronyms

ADBP	Agricultural Development Bank of Pakistan
AKRSP	Aga Khan Rural Support Project
AsDB	Asian Development Bank
AJK	Azad Jammu and Kashmir
BADP	Barani Area Development Project
BVDP	Barani Village Development Project
CBO	Community-based Organization
CDP	Community Development Programme
COSOP	Country Strategic Opportunities Paper/Programme
CO	Community Organization
CPE	Country Programme Evaluation
CPM	Country Programme Manager
EAD	Economic Affairs Division
DASP	Dir Area Support Project
EIRR	Economic internal rates of return
ENRAP	Electronic Networking for Rural Asia and Pacific Projects
EVEREST	Evaluation of IFAD's Regional Strategy in Asia and the Pacific
FATA	Federally-administered Tribal Areas
GAD	Gender and Development
GDP	Gross Domestic Product
GOP	Government of Pakistan
ICARDA	International Center for Agricultural Research in the Dry Areas
IEE	Independent External Evaluation of IFAD
IFI	International financial institution
M&E	Monitoring and evaluation
MDB	Multilateral development bank
MDG	Millennium Development Goal
MFE	Methodological Framework for Project Evaluation
MFI	Microfinance institution
MIOP	Microfinance Innovation and Outreach Programme
NADP	Northern Areas Development Project
NCA	National Commission on Agriculture
NGO	Non-governmental organization
NJVCDP	Neelum and Jhelum Valleys Community Development Project
NRSP	National Rural Support Programme
NWFP	North-West Frontier Province
O&M	Operations and Maintenance
ODA	Official development assistance
OE	Office of Evaluation
PBAS	Performance-based Allocation System
PCR	Project completion report
PCU	Project Coordinating Unit
PFCADP	Pat Feeder Command Area Development Project
PI	Asia and the Pacific Division (IFAD)
PMD	Programme Management Department
PMU	Project Management Unit
PMN	Pakistan Microfinance Network
PPAF	Pakistan Poverty Alleviation Fund
PSC	Project Steering Committee
R&D	Research and Development
REACH	Restoration of Earthquake Affected Communities and Households
RIMS	Results and Impact Management System
RSP	Rural Support Programme
SBADP	Second Barani Area Development Project
SFATADP	Southern Federally Administered Tribal Areas Development Project

SRSP	Sarhad Rural Support Programme
UNDAF	United Nations Development Assistance Framework
SWRCP	Smallholder and Women's Rural Credit Project
TAG	Technical Assistance Grant
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
VO	Village organizations
WFP	World Food Programme
WO	Women's Organization



## FOREWORD

Since the start of its operations in the country in 1978, IFAD has approved 22 loans for Pakistan for an overall amount of US\$422.6 million. This corresponds to 14 percent of IFAD's lending in the region, making Pakistan IFAD's fifth largest borrower in Asia and the Pacific. An additional US\$810 in government counterpart funds and US\$468 million from co-financiers brings the overall portfolio to a total of US\$1.7 billion.

IFAD's activities in Pakistan have been governed by a country strategy which was developed in 1991 and by the Country Strategic Opportunities Paper (COSOP) formulated in 2003. The 2003 COSOP proposed assisting the Government in five main areas: (i) agricultural and rural development; (ii) women's empowerment; (iii) access to natural resources; (iv) decentralization; and (v) household food security. These main areas are consistent both with the Government's agenda in terms of country priorities and strategies as well as with IFAD's regional strategy in Asia. Moreover, decentralization is particularly timely and relevant to the devolution process initiated in Pakistan in 2000. However, there are some gaps in the last COSOP, such as the development of the non-farm sector, access to markets, and the promotion of linkages to the private sector. In addition, the evaluation noted that the COSOP would benefit from wider synergies among the investment projects and non-lending activities such as policy dialogue, the strengthening of partnerships and knowledge management. Finally, despite working in various remote, disadvantaged and conflict areas, the approach to project design and implementation needs greater differentiations to respond more effectively to the local context.

The evaluation found that, overall, IFAD's operations in Pakistan have achieved satisfactory results, despite challenges encountered during implementation, like time overruns and frequent staff turnover. IFAD-supported projects have been successful in improving agricultural productivity, constructing community assets in the form of wells, mini-dams and irrigation facilities, increasing the asset base of beneficiaries, and in enhancing food security. The evaluation also noted significant results on mobilizing community organizations and in the empowerment of women.

Performance, however, fell short in some areas. IFAD's contribution to the devolution process and to strengthening the capacity of local government institutions has been limited. In addition, the potential of livestock and high-value crops for rural poverty reduction has not been fully appreciated, and the coverage and range of financial services have been weak. Furthermore, sustainability and innovation, as well as the replication and scaling up of successful innovations, remain a challenge.

IFAD's focus on Pakistan has been largely on pursuing agricultural-based interventions, which is certainly significant in the light of the current surge in food and commodity prices and related shortages. The evaluation concluded that higher results could have been achieved by IFAD through a more careful balance between agricultural and non-farm activities, given that a large number of rural poor derive their livelihoods from non-farm households. The evaluation also concluded that IFAD needs to take a wider approach to decentralization, especially in providing capacity development support to decentralized entities, given their importance in the governance framework for rural development at the local level.

The evaluation recommends the continuation of IFAD support to the Government in its engagement in disadvantaged, remote and conflict-ridden areas, but taking a more differentiated approach that is flexible and adapted to the context. In this respect, the Fund's capacity to promote innovations requires a more systematic approach, plus additional resources need to be invested to engage in policy dialogue and establish closer synergies between the mix of instruments available. Its overall development effectiveness would be enhanced by establishing a more consolidated, permanent and better-funded country presence.

The evaluation report includes an Agreement at Completion Point. This summarizes the main findings of the evaluation and sets out recommendations agreed with the Government of Pakistan, together with proposals as to how, when and by whom the recommendations should be implemented.



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**Islamic Republic of Pakistan**  
**Country Programme Evaluation**

**Executive Summary**

**A. Introduction**

1. At its eighty-ninth session in December 2006, the Executive Board requested the Office of Evaluation (OE) to undertake a Country Programme Evaluation (CPE) in Pakistan in 2007/2008.

2. **Evaluation objectives, methodology and process.** The main objective of the evaluation was to: (i) assess the performance and impact of IFAD operations in the country; and (ii) generate findings and recommendations to serve as building blocks for preparation of the next results-based Country Strategic Opportunities Programme (COSOP) for Pakistan. To that end, the CPE assessed the quality and implementation of the COSOP, and the performance and impact of IFAD operations (including non-lending activities such as policy dialogue, the forging of partnerships and knowledge management). The evaluation covers 14 IFAD loan-funded projects approved for Pakistan since 1990.

3. A CPE preparatory mission took place in April 2007. The main CPE mission took place from 2 to 31 July which visited IFAD-funded project areas, held discussions with beneficiaries, project staff, federal and provincial government authorities, international organizations and others. In January 2007, the Asia and the Pacific Division of IFAD (PI) undertook a self-evaluation of its operations in Pakistan to serve as an input for the CPE.

4. **Economy and poverty.** Approximately 67.5 per cent of Pakistan's population and 80 per cent of its poor live in rural areas. The majority (57 per cent) of the rural poor are from non-farm households (excluding agricultural labourer households, which are a minority), with the poorest 40 per cent of rural households deriving only 30 per cent of their income from agriculture. According to the 2008 World Development Report, Pakistan is categorized as a 'transforming country', where agriculture is no longer a major contributor to economic growth and poverty remains a largely rural phenomenon. Remittances amounted to US\$5.5 billion in fiscal year 2006-2007, representing 9 per cent of total rural income. Pakistan has one of most developed irrigation systems in the world. Only 20 per cent of the cropped areas remain rain-fed (*barani*).

5. Agriculture's contribution to gross domestic product has declined from a little over 25 per cent in 1990 to 23.1 per cent by 2005. Average annual official development assistance (ODA) commitments to agriculture and rural development during the period evaluated amounted to US\$146 million. IFAD's average annual commitment in the period 2001-2005 was US\$11.2 million, equivalent to 7.7 per cent of ODA dedicated to the same category.

**B. IFAD Strategy in Pakistan**

6. IFAD's work in Pakistan has been governed by a country strategy developed in 1991 and by the COSOP of 2003. The 1991 strategy targeted less favoured areas, following a rural development model adapted from the Aga Khan Rural Support Project (AKRSP). The 2003 COSOP continued the process of consolidating and improving that model, and proposed assisting the Government in five main directions: agricultural and rural development; women's empowerment; access to resources; decentralization; and household food security and diversification of production. These main directions were consistent both with key country priorities and strategies, and with IFAD's regional strategy. Moreover, decentralization, in the sense of government having a greater local experience with appropriate delegation of authorities, is particularly timely and relevant to the devolution process initiated in Pakistan in 2000.

7. The geographic niche selected by the COSOP contains a number of remote, disadvantaged and conflict-affected areas including the Federally Administered Tribal Areas (FATAs), parts of the North-West Frontier Province (NWFP) and Azad Jammu and Kashmir (AJK). These areas account for some of the lowest social indicators in the country and are characterized by poor infrastructure, scarce communications and weak administrative institutions. Nevertheless, IFAD and the Government do not appear to have taken a differentiated approach to project design and implementation in these areas, and have not paid enough attention to special measures aimed at ensuring flexibility, deploying suitable expertise and seeking alternative partnerships in comparison with other parts of the country. This led to difficulties in implementation and jeopardized results.

8. There are some important gaps in the COSOP. The development of the non-farm sector, including the development of rural microenterprises as well as the role of remittances, received little attention. Moreover, access to markets -which is fundamental in order to ensure wider opportunities to the rural poor- and promoting linkages to the private sector were not addressed in the strategy. Environmental issues also received little attention in the COSOP.

9. Despite the limitations of the Pakistan COSOP as a strategic instrument when it was prepared the COSOP presents little synergy among the projects and limited interface with non-lending activities or with technical assistance grants. The COSOP was also rather vague as to who IFAD's partners might be. It seems that, in most projects, IFAD's business model of implementing projects/programmes in partnership with government has meant that areas with the most complex rural problems have been handled by agencies with the least capacity to deal with them. However, the more recent projects, approved after the 2003 COSOP was prepared, represent a move in the right direction as they are being implemented with the support of the Pakistan Poverty Alleviation Fund (PPAF).

### **C. Performance and Results of IFAD-supported Operations**

10. **Portfolio performance.** By and large, the results of IFAD-funded projects in Pakistan are in the satisfactory zone, despite delays and other challenges to implementation. Projects have increased both the asset base of beneficiaries and their preparedness to deal more actively with government, which has also changed the way it perceives the beneficiaries. The IFAD-supported programme has been particularly strong in improving agricultural productivity; constructing priority community assets to be owned by the community; increasing beneficiaries' financial assets; mobilizing community organizations; boosting the confidence of women to engage in economic activities; and enhancing food security.

11. Projects scored satisfactorily with regard to relevance, demonstrating that such interventions fit well into Pakistan's agricultural policies, although in quite a number of cases insufficient attention has been given to effectively targeting the poor. The evaluation noted, however, that efforts were made through mid-term reviews and follow-up missions for three projects<sup>1</sup> to sharpen the focus on targeting. Overall efficiency has been moderately satisfactory despite time overruns (two years on average). By and large, gender has been an area of success in the country programme. However, performance fell short in some areas. IFAD's contribution to the devolution process and to strengthening the capacity of local government institutions has been limited. Results in the area of microfinance have been weak, mainly for reasons having to do with the operating environment. Despite being recognized as important in project design, livestock -as well high-value crops- have not yet received the attention necessary to maximize their potential for rural poverty reduction.

12. Sustainability remains a challenge, particularly as it pertains to the maturity of community-based organizations (CBOs), public infrastructure and access to credit<sup>2</sup>, despite progress made by a number of microfinance institutions supported by IFAD in Pakistan towards profitability. With regards to innovation, IFAD promoted the participation - for the first time in a government-financed and -

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<sup>1</sup> Barani Village Development Project, Dir Area Support Project, and Northern Areas Development Project

<sup>2</sup> The designs of the last two microfinance projects (Microfinance Innovation and Outreach Programme, and the Programme for Increasing Sustainable Microfinance) pay careful attention to sustainability and exit strategies.

managed project – of non-governmental organizations (NGOs) and has contributed to introduce new agricultural products and innovative financial instruments (particularly through the most recent microfinance projects). There are few examples, however, of a systematic approach to the replication and scaling up of successful innovations by the Government, the larger international financial institutions (IFIs) and the private sector.

13. **The performance of partners.** In the past, IFAD has been a rather passive player in terms of its non-lending activities in Pakistan. The change in the Country Portfolio Manager for Pakistan in 2004, together with the decision to establish a proxy country presence (PCP) (in the form of a retainer consultancy) in 2005, has improved IFAD’s visibility, donor coordination and relations with government partners. However, even though the PCP seems to be well-established, it is not institutionalized, having limited authority and resources allocated to it. IFAD’s decision to assume responsibility for the supervision and implementation support of four ongoing projects as of January 2008 deserves recognition inasmuch as it swiftly responded to corporate priorities. Pakistan is one of eight United Nations Member States selected to pilot UN reform in 2007-2008. The country presence has also facilitated IFAD’s engagement in the ‘One UN’ initiative, including participation in all UN Country Team meetings.

14. In the projects supervised by the United Nations Office for Project Services, the fiduciary aspects were supervised well although technical aspects and implementation support tended to be neglected. The Government performed as well as could be expected within the limitations imposed by its capacity constraints, especially in the remote areas targeted by the Fund. IFAD has established good relations with rural support programmes and the PPAF.

15. **Non-lending activities** were not a strong part of the programme. Policy dialogue has been reinvigorated by IFAD’s country presence, which has allowed for more frequent discussions and interaction with the Government. All in all, however, IFAD has not managed to translate its project-based experience into providing effective pro-poor policy advice to the Government. Good relations have been established with federal and provincial levels of government, two major IFIs operating in Pakistan, the PPAF and with some research institutions such as the International Center for Agricultural Research in the Dry Areas. However, the range of partnerships could be expanded further, including the private sector. Knowledge management has been pursued through various means such as project exchanges, regional electronic networking and a bi-annual newsletter. However, more could have been done to systematically review and analyse IFAD’s experience in Pakistan with a view to extracting lessons and knowledge for sharing across projects.

**Aggregate Evaluation Ratings<sup>a</sup> of IFAD-funded projects in Pakistan**

<b>Evaluation Criteria</b>	<b>Pakistan CPE<sup>b</sup></b>
Relevance	4.6
Effectiveness	4.2
Efficiency	3.8
<b><i>Overall portfolio performance</i></b>	<b>4.2</b>
Rural poverty impact	4.2
Sustainability	3.4
Innovations, replication and scaling up	4
<b><i>Overall portfolio achievement</i></b>	<b>4</b>
<b><i>Performance of IFAD and its partners</i></b>	
IFAD	3.8
Government	3.8
Cooperating institutions	4

a) OE uses a six-point rating scale, whereby 6 is the highest score and 1 the lowest.

b) Ratings considered here are those of five projects for which substantial documented evaluative evidence is available: Mansehra Village Support Project, Pat Feeder Command Area Development Project, DIR Area Support Project, Barani Village Development Project and the North-West Frontier Province Barani Area Development Project.

## D. Conclusions

16. The Fund has made an **important contribution to agriculture and rural development in Pakistan**, which is even more significant in the light of the current surge in food, commodity prices and related shortages. This has been achieved despite its relatively limited investments in the country and the lack, until recently, of a permanent country presence. It is also particularly noteworthy as several IFAD operations have been implemented in highly challenging environments.

17. The Fund was instrumental in further developing the successful AKRSP model to grass-roots development, by scaling it up and adapting it to a government implementation model. IFAD has also contributed to strengthening CBOs, to women's empowerment (including in difficult contexts such as FATAs) and to improving the agricultural productivity of small farmers, which led to better food security and incomes. These achievements are the result of IFAD's focus on pursuing largely **agricultural-based interventions**. However, a number of areas such as environmental issues, rural financial services and market linkages, as well as livestock development and the promotion of high-value crops, did not receive the attention they deserved.

18. Notwithstanding the above, the CPE concludes that even greater results could have been achieved by IFAD through wider consideration of and investments in **non-farm activities and employment**, including attention to the development of rural microenterprises with adequate linkages to rural financial services. Moreover, greater attention to the consequences of migration, and to ways of tapping the vast amount of remittances flows would have been useful. This is particularly relevant in light of Pakistan's categorization as a 'transforming country' and agriculture's modest 30 per cent contribution to the incomes of the poorest rural people.

19. Good results were seen with regard to **social mobilization and the building of CBOs**. However, the CPE concludes that the Fund could have taken a more broad-based approach to supporting Pakistan's devolution plan of 2000 and to overall decentralization, including greater attention being paid to strengthening local governments and representatives of elected bodies through capacity building of locally based employees of different levels of government and encouraging a service orientated culture, as well as proactively seeking partnerships with the private sector.

20. IFAD has worked in various **remote, disadvantaged and conflict-affected areas** of Pakistan, including the FATAs, parts of the NWFP and AJK. Despite the difficulties associated to working in these geographic areas, the performance of IFAD-funded activities in such areas in Pakistan has been moderately satisfactory on the whole, and future IFAD assistance in these areas of the country deserves serious consideration. While the CPE noted the strong desire of the Government to ensure the Fund's continued engagement in such areas, the Fund cannot continue with an undifferentiated approach.

21. Two overarching factors call for special consideration by the Fund. First, **sustainability** – an institution-wide issue for IFAD and also a concern in the Pakistan portfolio; and second, **innovation**, which despite various examples in the portfolio, has not been conspicuous in the country. Moreover, results remain weak in terms of the replication and scaling up of innovations promoted through IFAD operations, which is partly attributed to inadequate attention to non-lending activities, as well as to poor links between grants and loans. Even though limited in terms of resources and authority, the establishment of a proxy **country presence** in 2005 has contributed to better positioning of IFAD in Pakistan. Monitoring and evaluation systems were weak.

## E. Recommendations

22. The CPE proposes five overarching recommendations with regard to IFAD's country programme for Pakistan:

- (a) The need for a **better balance between agricultural and non-farm investments** in the rural sector. The CPE recommends that more resources should be devoted to non-farm opportunities, and underlines the importance of promoting rural financial services and

wider market linkages for both agricultural and non-farm outputs. In terms of agricultural activities, greater attention should be given to livestock and high-value crops that would provide higher returns on investments as well as to domestic production of edible oil, which provides an opportunity to reduce imports and enhance food security. Consideration should be also given strengthen measures for improving environmental and natural resource management.

- (b) **Provide capacity development support to decentralized entities and other bodies working at the local level.** This will call for continued attention to social mobilization and the strengthening of CBOs, local NGOs and rural civil society in general. At the same time, the Fund should take a more inclusive approach to supporting decentralization by establishing the building blocks for a more service orientated relationship between governments and local organizations. This entails building up the capacity of local governments and representatives of elected bodies that play an important role in planning and resource allocation for rural poverty alleviations at the grass-roots level Greater participation of private-sector groups of farmers and enterprises is also warranted to ensure better results.
- (c) The CPE recommends that the Fund should **continue to support the Government in its engagement in disadvantaged, remote and conflict-ridden areas** of the country — but taking a much more differentiated approach, i.e. one that is both flexible and adapted to the context of such areas. The mobilization of expertise, particularly in tribal affairs, conflict resolution and peace-building, is essential. The importance of ensuring the commitment of provincial and federal governments to continued IFAD support in these areas cannot be over-emphasized. In fact, IFAD could play a complementary developmental role - in support of the rural poor - to the Government's own initiatives and those of other donors working in such environments.
- (d) **Strengthening IFAD's capacity to promote innovations that** can be scaled up and replicated by the Government, donor organizations and the private sector, merits more attention and resource allocations. This includes a more systematic approach to identifying, piloting, documenting and sharing innovative approaches to agriculture and rural development, additional resources and capacity to engage in policy dialogue, and careful selection of partner institutions. This will also necessitate closer synergies between, and wider use of, the mix of instruments available. A number of areas are in need of innovative approaches: remittances, migration, promotion of local governance and use of grants (as opposed loans) to support the efforts of larger development actors in conflict-affected areas such as the FATAs.
- (e) The Fund's overall development effectiveness would be further enhanced by **adjusting its operating model** in accordance with the size and specificities of its programme in Pakistan. This includes establishing a more consolidated, permanent and better-funded country presence – one option to strengthen country presence in Pakistan is to outpost the CPM from Rome–, undertaking direct supervision and implementation support of IFAD-funded projects and programmes, and seeking to improve both knowledge management and project and country-level monitoring and evaluation systems.





**Islamic Republic of Pakistan**  
**Country Programme Evaluation**

**Agreement at Completion Point**

**A. Background**

1. In 2007/2008, IFAD's Office of Evaluation (OE) conducted a Country Programme Evaluation (CPE) in Pakistan. The main objectives of the CPE were to: (i) assess the performance and impact of IFAD's strategy and operations in Pakistan; and (ii) develop a series of findings and recommendations that would serve as building blocks for the preparation of the new IFAD results-based country strategy and opportunities programme (COSOP) for Pakistan. The COSOP would be formulated by the Asia and Pacific Division (PI) of IFAD in close collaboration with the Government of Pakistan.
2. This Agreement at Completion Point (ACP) includes the key findings and recommendations contained in the CPE. It also benefits from the main discussion points that emerged at the CPE national roundtable workshop, organized in Islamabad on 17-18 July 2008. This ACP captures the understanding between the IFAD management (represented by the Programme Management Department) and the Government of Pakistan (represented by the Ministry of Economic Affairs and Statistics) on the core CPE findings, and their commitment to adopt and implement the evaluation recommendations contained in this document within specified timeframes.

**B. The Main CPE Findings**

3. The Fund has made an important contribution to agriculture and rural development in Pakistan, the significance of which is highlighted given the current food crisis. This has been achieved despite IFAD's relatively small level of total investments in Pakistan, and in spite of the lack of a permanent country presence until recently. IFAD's results are particularly noteworthy as several of its operations have covered the most remote and marginal areas of the country which manifest amongst the lowest social indicators in the country, and where infrastructure and services are limited, access to input supply and markets is uncertain and institutional capabilities are often inadequate.
4. A number of achievements support the aforementioned overarching conclusion of the CPE, for example, the Fund's instrumental role in scaling up the successful Aga Khan Rural Support Programme (AKRSP) model to grassroots development and adapting it to a government implementation model. IFAD has also contributed to strengthening community-based organizations (CBOs), to women's empowerment and to improving agricultural productivity of small farmers. These achievements are the result of IFAD's focus on agricultural-based interventions including the strengthening of research and extension capabilities, promoting pro-poor agriculture technology, and building community infrastructure. However, insufficient consideration has been given to areas such as the environment, market linkages, livestock development and the promotion of high value crops – which offer crucial opportunities for landless and small farmers.
5. Notwithstanding the above, the CPE concludes that IFAD could have achieved greater results through a wider consideration of and investments in non-farm activities and employment, including attention to the development of rural microenterprises with adequate linkages to financial services. Enhanced attention in project design to the consequences of migration would have been useful. This is particularly relevant in light of Pakistan's categorization as a *transforming country* with a modest 40 percent contribution of agriculture to rural incomes.
6. Good results are to be found in social mobilisation and in building CBOs, both of which are fundamental for promoting country ownership and sustainability of benefits. However, the CPE concludes that the Fund could have taken a more broad-based approach to support decentralization and

Pakistan's devolution plan of 2000, particularly the strengthening of local governments. A more proactive approach to seek partnerships with the private sector could have been beneficial in ensuring growth in the agriculture and rural development sector.

7. IFAD has worked in various remote, disadvantaged and conflict-affected areas including the Federally Administered Tribal Areas (FATAs), parts of the North West-Frontier Province (NWFP) and Azad Jammu and Kashmir (AJK). Despite the difficulties, the performance of IFAD-funded activities in these areas has been moderately satisfactory, and future IFAD assistance deserves serious consideration. While the CPE noted the strong desire of the Government to ensure the Fund's continued engagement in such areas, the Fund cannot continue working in these areas without a differentiated approach.

8. Two overarching factors require special attention by the Fund. First, sustainability – an institution-wide issue for IFAD – is of concern also in the Pakistan portfolio. Second, despite various examples of innovations in the portfolio, such as the introduction of new agricultural products (horticulture and fruits), innovation has not been conspicuous in Pakistan. Moreover, evidence of replication and upscaling of innovations remains weak. The latter can be partly attributed to the inadequate attention to non-lending activities, namely IFAD's engagement in policy dialogue, partnership building and knowledge management, as well as the poor links between grants and loans.

9. Until 2008, none of IFAD's operations in Pakistan were under direct supervision. Supervision and implementation support by cooperating institutions focused on fiduciary aspects, to the detriment of project implementation. Furthermore monitoring and evaluation systems were weak. The establishment of a country presence in 2005 has contributed to a better positioning of IFAD in Pakistan.

### **C. Recommendations**

#### **Recommendation 1: Better Balance Between Agricultural and Non-farm Investments**

10. The need to develop a better balance between agricultural and non-farm investments in the rural sector in Pakistan. This is important, as most (57 per cent) of the rural poor are from non-farm households (that derive their income from activities other than crop and livestock production) and more off-farm opportunities are now being offered by the country's growing business environment. The CPE recommends that more resources be devoted to non-farm opportunities, including small agribusinesses and family-based rural microenterprises. It also stresses the importance of promoting wider market linkages for both agricultural and non-farm outputs. In addition, further developing rural financial services and products for agriculture and non-agricultural activities is central to ensuring that the poor have access to financing for rural poverty alleviation initiatives. In terms of agricultural activities, greater attention should be paid to livestock development and high-value crops such as fruit, vegetables and flowers that provide higher returns on investments. Agricultural land investments should be accompanied by measures aimed at improving environmental and natural resource management, such as integrated catchment management and increasing the efficiency of water use under rainfed conditions, and to instituting environmental assessments for infrastructure constructed by projects.

#### **Recommendation 2: Capacity Development Support to Decentralized Entities**

11. Provide capacity development support to decentralized entities and other bodies working at the local level to complement the work of other larger development partners. This requires that continued attention be given to social mobilization and the strengthening of CBOs, local NGOs and rural civil society in general. At the same time, the Fund should take a more inclusive approach to supporting decentralization by establishing the building blocks for a more service orientated relationship between governments and local organizations. This entails building up the capacity both of local governments (at the district, *tehsil* and union levels) and of representatives of elected bodies (e.g. village councils, local legislative assemblies, etc.) that play an important role in planning and resource allocation for

rural poverty alleviations at the grass-roots level and in promoting accountability and transparency of local administrations involved in IFAD-supported projects. Greater participation by private-sector groups of farmers and enterprises is also warranted to ensure better results.

### **Recommendation 3: Working in Disadvantaged, Remote and Conflict-ridden Areas**

12. The CPE recommends that the Fund continue to support the Government in its engagement in disadvantaged, remote and conflict-ridden areas such as the NWFP, AJK and the FATAs. However, this requires a much more differentiated approach which is flexible and adapted to such challenging areas, paying careful attention to the specific social context, culture and priorities of the rural people living there. The importance of ensuring the commitment and ownership of provincial and federal governments to IFAD's efforts in these areas cannot be overemphasized. In addition, it will be also essential to mobilize specific expertise for project design, implementation and supervision. In fact, IFAD could play a complementary developmental role – in support of the rural poor – to the Government's own initiatives and those of other donors working in such environments. The interventions should be given more time in project execution, without having negative impact on country PBAS score

### **Recommendation 4: Promote Innovations**

13. The strengthening of IFAD's capacity to promote innovations that can be scaled up and replicated by the Government, donor organizations and the private sector, merits increased attention and resources in Pakistan. This will include a more systematic approach to identifying and piloting innovative approaches to agriculture and rural development; better documentation; the sharing of successfully tested innovations; greater resources and capacity to engage in policy dialogue (e.g. on local governance issues, rural finance outreach, pro-poor agricultural policies); and carefully selecting partner institutions with a good track record both in introducing and nurturing innovations and in working with the rural poor in similar IFAD priority areas. This will also call for greater synergies between, and the wider use of, the mix of instruments (loans, grants, policy dialogue, etc.) available to the Fund as well as enhanced country involvement in and ownership of grants. Innovative approaches are needed in a number of areas such as remittances (savings accounts, investment opportunities); migration (improving the value of landless people on the employment market through vocational training and helping them find employment in small towns, urban centres and overseas); promotion of local governance; and the use of grants (as opposed to loans) to support efforts by larger development actors in conflict areas such as FATAs.

### ***Proposed Timeframe to Implement the Recommendations 1-4***

The recommendations will be taken into account in formulating the new results-based COSOP and new operations in Pakistan.

### ***Key Partners to Be Involved***

Government of Pakistan (especially the Economic Affairs Division), IFAD, and the concerned technical and financial partners at both the federal and local levels.

### **Recommendation 5: Adjust IFAD's operating model**

14. The Fund's overall development effectiveness would be further enhanced by adjustments to its operating model that take account of the size and specificities of its programme in Pakistan. This includes establishing a more consolidated and permanent country presence in line with Executive Board approved policies and budget allocation (one option to strengthen country presence in Pakistan is to outpost the Country Programme Manager from Rome); undertaking direct supervision and implementation of IFAD-funded projects and programmes which, in fact, IFAD has already started since the beginning of 2008; and making efforts to improve both knowledge management and project- and country-level monitoring and evaluation systems.

***Proposed Timeframe to Implement the Recommendations 5***


2009 onward

***Key Partners to Be Involved***


Government of Pakistan and IFAD

Signed by:

Mr. Waqar Hussain Abbasi  
Deputy Secretary  
Economic Affairs Division (EAD), Ministry of Economic Affairs and Statistics  
Pakistan

 Date 5-9-2008

Mr. Kevin Cleaver  
Assistant President, Programme Management Department (IFAD)

 Date 5-9-2008



**Agreement at Completion Point signing in Rome on 5 September, 2008 by Mr. Waqar Hussain Abbasi and Mr. Kevin Cleaver, in the presence of Mr. Luciano Lavizzari, Director OE**

**Islamic Republic of Pakistan**  
**Country Programme Evaluation**

**Main Report**

**I. INTRODUCTION**

**A. IFAD Strategy and Programme in Pakistan**

1. Since the start of its operations in Pakistan in 1978, IFAD has approved 22 loans for a total of US\$422.5 million, corresponding to 4.1 per cent of IFAD total lending and 14 per cent of regional lending, and making Pakistan IFAD's fifth largest borrower in Asia and the Pacific region after China, India, Bangladesh and Indonesia. Cofinanciers have provided a further US\$468 million, the World Bank and the Asian Development Bank (AsDB) being the main contributors. When the latter cofinanciers were involved, they also supervised the interventions; otherwise supervision has been entrusted to the United Nations Office for Project Services (UNOPS) up to January 2008, when IFAD has assumed responsibility for supervising and supporting the implementation of all four ongoing projects previously supervised by UNOPS. The total cost of IFAD's programme in Pakistan amounts to US\$1.7 billion (US\$3.9 billion, including the Smallholder and Women's Rural Credit Project (SWRCP), which closed in 1996 after disbursing only 7.6 per cent of the approved amount). To date, 13 projects have closed, eight are ongoing and one has been approved but is not yet effective. Five projects (approved between 1990 and 1994) have received loans on intermediate terms, and all nine loans/projects approved after 1995 were granted highly concessional terms. Table 1 provides information on IFAD's programme in Pakistan.

2. In addition to the above-mentioned loans, IFAD's country programme involves technical assistance grants (TAGs), policy dialogue, knowledge management and partnerships. Pakistan has received four TAGs for a total of US\$0.3 million and has also benefited from several regional-level grants. All these components were reviewed during the country programme evaluation (CPE), which covers projects/programmes approved and activities undertaken in the period 1990-2007. IFAD's investment in projects covered by the evaluation amounts to US\$290.9 million.

3. The latest country strategic opportunities paper (COSOP) was approved in 2003. A new COSOP is expected to be prepared by the Asia and the Pacific Division (PI) in 2008.

**B. Evaluation Objectives, Methodology and Process**

4. **Objectives.** The evaluation of the country programme had two objectives, i.e. to: (a) assess the performance and impact of IFAD operations; and (b) develop building blocks for development of the new COSOP for Pakistan in 2008, following completion of the CPE.

5. **Methodology.** In accordance with methodology developed by the Office of Evaluation (OE), the CPE addressed three key questions: (a) did IFAD pursue the correct country strategy, i.e. was it designed to ensure the highest possible impact in terms of rural poverty reduction?; (b) to what extent was the country strategy implemented through loans, grants and non-lending activities, and how did they perform?; and (c) what was the impact of IFAD's country strategy and operations?. These questions were the starting point for developing the CPE evaluation framework, which is reproduced as Appendix 2. This framework summarizes, in matrix format, the evaluation's main objectives and key questions that were addressed to achieve them, and the sources of and instruments used for data collection.

**Table 1. IFAD Loans to Pakistan, 1979-2007**

Loan No.	Project Name	Total Cost US\$mil	IFAD Funding US\$mil	Co-financing US\$mil	Counterpart Funds Pakistan US\$mil	Approval	Effective-ness	Completion Date	Cooperating Institution	Disbursed [of IFAD funding] per cent as Dec 07
18	Small farmers Credit Project	238.00	30.00	30.00		27 Jun 79	04 Jun 80	30 Jun 85	World Bank: IDA	100
33	South Rohri Fresh Groundwater Irrigation Project	81.50	16.00	33.00		19 Dec 79	28 Mar 80	30 Jun 90	AsDB	37
48	Barani Area Development Project	17.90	12.85	---		03 Dec 80	27 Aug 81	30 Jun 90	AsDB	48
83	On-Farm Water Management Project	111.60	12.00	41.00		17 Dec 81	28 Jul 82	30 Jun 85	World Bank: IDA	85
138	Small Farmers' Credit Project II	661.00	25.00	67.77		13 Dec 83	09 Jul 84	30 Jun 87	World Bank: IDA	100
162	Gujranwala Agricultural Development Project	46.00	8.60	28.00		12 Dec 84	21 Jun 85	30 Jun 93	AsDB	100
209	Chitral Area Development Project	45.80	11.10	23.50		10 Sep 87	25 Nov 88	30 Jun 97	AsDB	78
234	Punjab Smallholder Dairy Development Project	22.58	16.16	1.60		30 Nov 88	18 Feb 91	31 Mar 98	AsDB	47
	<b>Sub-total</b>	<b>1 224.38</b>	<b>131.71</b>	<b>224.87</b>						
	<b>Second Barani Area Development Project</b>	<b>56.67</b>	<b>19.37</b>	<b>25.47</b>	<b>11.83</b>	<b>19 Apr 90</b>	<b>18 Feb 91</b>	<b>31 Dec 97</b>	<b>AsDB</b>	<b>71</b>
257	Smallholder and Women's Rural Credit Project*	(2 283.20)	24.95	150.00	2 108.25	02 Oct 90	19 Jun 92	30 Sep 94	World Bank: IDA	8
265	Neelum and Jhelum Valleys Community Development Project	24.30	15.84	4.63	3.83	04 Sep 91	05 Jun 92	31 Dec 03	UNOPS	94
288	Manshra Village Support Project	24.23	14.55	5.40	4.28	03 Dec 92	26 Mar 93	30 Jun 00	UNOPS	64
319	Pat Feeder Command Area Development Project	41.46	28.55	0.14	12.77	19 Apr 94	02 Feb 95	30 Jun 03	AsDB	60

Table 1. IFAD Loans to Pakistan, 1979-2007 (continued)

Loan No.	Project Name	Total Cost \$mil	IFAD Funding \$mil	Co-financing \$mil	Counterpart Funds Pakistan \$mil	Approval	Effective-ness	Completion Date	Cooperating Institution	Disbursed [of IFAD funding] per cent as Dec 07
425	Dir Area Support Project	25.37	16.49	---	8.88	11 Sep 96	15 Apr 97	30 Jun 08	UNOPS	87
453	Northern Areas Development Project	22.59	14.63	2.56	5.40	11 Sep 97	11 Sep 98	30 Dec 08	UNOPS	77
492	Barani Village Development Project	25.15	15.26	---	9.89	03 Dec 98	01 Sep 99	30 Dec 07	UNOPS	96
554	Southern Federally Administered Tribal Areas Development Project	21.86	17.15	---	4.71	07 Dec 00	24 Jul 02	30 Sep 10	UNOPS	25
558	North-West Frontier Province Barani Area Development Project	98.67	14.45	52.00	32.22	26 Apr 01	09 May 03	30 Jun 09	AsDB	39
625	Community Development Programme	30.74	21.77	---	8.97	18 Dec 03	02 Sep 04	30 Sep 11	UNOPS	20
683	Microfinance Innovation and Outreach Programme	30.54	26.46	3.3	0.7	13 Dec 05	01 Sep 06	30 Sep 11	World Bank: IDA	9
695	Project for the Restoration of Earthquake-affected Communities and households	29.56	26.39	---	3.17	20 Apr 06	01 Aug 06	30 Sep 09	World Bank: IDA	87
727	Programme for Increasing Sustainable Microfinance	46.58	35.00	---	11.56	12 Sept 07	01 May 08	---	IFAD	
	Sub-total – CPE 2007	2 714.34	290.86	243.50	2 226.46					
	Overall Pakistan Programme	3 938.72	422.57	468.37						

Sources: CPE 1995; RRP, CPE Approach Paper; Self Evaluation Paper.

Rows in bold= projects covered by the CPE.

(\*) Closed in 1996 after disbursing around 7 per cent of amount approved.

6. Country programme performance was assessed against internationally recognized evaluation criteria (relevance, efficiency, effectiveness, rural poverty impact)<sup>1</sup>. Two overarching factors – sustainability; and innovation, replication and scaling up – were analysed. The performance of key partners (IFAD, the Government and cooperating institutions) was also evaluated. Ratings were used to assess the results against each of the aforementioned evaluation criteria. In this regard, a six-point scale was used for assigning ratings, whereby 6 represented the highest score and 1 the lowest.

7. The evaluation combined: (i) an in-depth review of documentation related to IFAD-supported operations in the country; a self-evaluation prepared by PI in January 2007; independent evaluations conducted by OE, including the recent evaluation (2007) of the Dir Area Support Project (DASP); and evaluation reports from other organizations together with relevant literature; (ii) discussions with PI; and (iii) meetings with key informants during the field mission. Mission members met with, inter alia, beneficiaries, project staff, federal and provincial government authorities, and representatives of international organizations, research institutions and non-governmental organizations (NGOs) in Islamabad. The aim here was to reach an understanding of the context in which IFAD's country programme has been designed and implemented, assess the impact of its operations, and investigate other issues pertinent to the country programme. Field visits were conducted to assess results and impact on the ground, and to hold first-hand discussions with beneficiaries, project teams and implementers. The findings presented herein are the result of the 'triangulation' of evidence collected from different sources.

8. Given the limited number of independent evaluations of IFAD-supported projects in Pakistan, prior to the start of the main CPE mission, OE also conducted<sup>2</sup> an impact assessment study based on a sample survey of 484 respondents, equally divided between men and women, and between beneficiaries and control groups. The study was conducted in two of the larger multisectoral rural area development projects supported by IFAD in Pakistan, both of them located in the rainfed areas of the country: the Barani Village Development Project (BVDP), approved in 1998 and closed in 2007; and the North-West Frontier Province Barani Area Development Project (NWFP BADP) approved in 2001, which is continuing – and expanding to eight additional districts – the work initiated by the Mansehra Village Support Project (MVSP). Each of the projects selected for the impact assessment<sup>3</sup> represents a wide range of rural and agricultural development interventions found in most of the IFAD-assisted area development projects in Pakistan. A summary of the study is attached as Appendix 7.

9. In 1995, the Pakistan country programme was evaluated as one of OE's first CPEs but has since come under little OE scrutiny. The 2004 Independent External Evaluation (IEE) of IFAD made a country study of Pakistan, which contained evaluations of two projects: the Pat Feeder Command Area Development Project (Pat Feeder) and the relatively recent NWFP BADP. The Pakistan country programme was also evaluated in 2006 as part of the Evaluation of IFAD's Regional strategy in Asia and the Pacific (EVEREST) and a country working paper was prepared as part of the evaluation of IFAD's Field Presence Pilot Programme (FPPP) in 2007. None of the projects were formally evaluated by OE until DASP in 2007.

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<sup>1</sup> Relevance is defined as the extent to which programme objectives are consistent with the needs of the rural poor; IFAD's strategic framework and policies; and the country's current policies and strategies for poverty reduction. Effectiveness is defined as the extent to which programme objectives were achieved. Efficiency is a measure of how economically inputs (funds, expertise, time, etc) are converted into outputs. This can be either based on economic and financial analysis, or on unit costs compared to alternative options and good practices. Rural poverty impact assesses the changes that have occurred as the result of the programme. IFAD defines rural poverty impact as the changes in the lives of the poor intended or unintended – as they and their partners perceive them at the time of the evaluation – to which IFAD has contributed.

<sup>2</sup> OE commissioned a Pakistani NGO (LEAD) to conduct the impact assessment studies.

<sup>3</sup> According to the impact study methodology, impact is acknowledged when at least 20 per cent of the beneficiaries rated a change as 4, 5 or 6 in a 1-6 scale (that is, some benefit, large benefit or very large benefit).



10. This CPE covers the 14 projects approved by the Executive Board since 1990. As of January 2008, six had closed, seven were ongoing and one had been approved but was not yet signed. Two of the seven ongoing projects are expected to be completed in 2008. The last (and only) evaluation of IFAD's programme in Pakistan was conducted in 1995. However, in light of the fact that eight of the nine projects approved after 1995 are still ongoing – and considering the importance of Pakistan in IFAD's portfolio – the evaluation widened its scope to include five closed projects approved by the Board between 1990 and 1995. The strategic orientations for IFAD's programme in Pakistan were set forth in a country strategy prepared in 1991 and the COSOP<sup>4</sup> approved in 2003.

11. Two of the six **closed projects** have entered second phases. The Neelum and Jhelum Valleys Community Development Project (NJVCDP) (effective June 1992, closed June 2004) has entered a second phase in the form of the Community Development Programme (CDP) in Azad Jammu and Kashmir (AJK). The MVSP, which operated in 1993-2000 in Mansehra District of North-West Frontier Province (NWFP), has been subsumed within the larger NWFP BADP co-financed by the AsDB.

12. The Project for the Restoration of Earthquake-Affected Communities and Households (REACH), which provides post-earthquake assistance in AJK and NWFP, became effective in August 2006, but has reportedly moved rapidly to help reconstruct homes in earthquake-affected areas. The Microfinance Innovation and Outreach Programme (MIOP) does not so far have any activities on the ground, and therefore it will be assessed only for relevance.

13. Substantial evaluative evidence is available for five projects: MVSP, Pat Feeder, DASP, BVDP and NWFPBDAP. The first two were evaluated during the course of the IEE<sup>5</sup>. A completion evaluation of DASP was undertaken by OE in 2007, and BVDP and NWFPBDAP were the subject of impact assessment studies commissioned by OE prior to the CPE. All these projects have been visited either by the CPE or for a completion evaluation (DASP). The CPE has provided ratings only for the aforementioned projects, using ratings from previous evaluations and complementing them with its own assessment for criteria not rated by previous evaluations. The overall rating table reflects the combined ratings of the five projects.

14. In recent years, a number of important changes have taken place in the way IFAD works, including corporate policies relating inter alia to rural finance, rural enterprises, corruption, the private sector and targeting, and the introduction of a performance-based allocation system (PBAS). Compliance of the country programme with these policies and strategies was also reviewed by the CPE.

15. **Process.** In line with IFAD's evaluation policy an approach paper was prepared defining the overall objectives of the evaluation, its methodology, scope, key questions and the stakeholder involvement process. A preparatory mission was undertaken from 30 April to 4 May 2007 to brief partners in Pakistan about IFAD's evaluation policy in general and CPE methodology in particular, and to discuss the draft CPE approach paper. In line with the evaluation policy, a Core Learning Partnership (CLP)<sup>6</sup> was formed. The field mission was undertaken on 2-31 July 2007. Given the large portfolio under review, the mission split up into two teams, which spent approximately 60 person/days in the field collecting data on the performance of six projects: NJVCDP, MVSP, BVDP,

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<sup>4</sup> The COSOP was introduced in IFAD in 1995 to replace general identification and special programming missions.

<sup>5</sup> The IEE rated MVSP as a proxy for NWFP BADP, given that the latter had little implementation progress when the IEE was conducted. This CPE has used the ratings from the IEE to rate MVSP.

<sup>6</sup> The CLP comprises representatives of the Government of Pakistan (Embassy of Pakistan to Italy; Economic Affairs Division (EAD) of the Ministry Of Economic Affairs and Statistics, Ministry of Agriculture; Provincial Planning and Development Boards), project development units, PI and OE.

NWFP BADP, CDP in AJK, and REACH. Due to the deteriorating security situation in parts of the country after the siege of the Red Mosque, the mission was not allowed to visit the Northern Areas Development Project (NADP) and the Southern Federally Administered Tribal Areas Development Project (SFATADP). However, it did manage to interview the project management units (PMUs) of both projects, staff of which travelled to Islamabad and Peshawar, respectively, to meet the evaluation team.

16. At the end of the mission, an aide-memoir was prepared, presented to and shared at a wrap-up meeting held in Islamabad on 30 July 2007. A CPE national roundtable workshop is to be organized in Pakistan by OE, in close collaboration with the Government and PI, towards the end of the evaluation process. This workshop, which will focus on learning, will allow multiple stakeholders to exchange views on key evaluation issues. It will also provide inputs for preparation of the evaluation's Agreement at Completion Point, which articulates the recommendations and specific actions that IFAD and the Government agree to implement.

#### **Key Points**

- Since the start of its operations in Pakistan in 1978, IFAD has approved 22 loans for a total of US\$422.5 million (4.1 per cent of IFAD total lending and 14 per cent of regional lending).
- Cofinanciers have provided a further US\$468 million with the World Bank and the AsDB being the main contributors. Total project costs for the 21 projects (excluding the Smallholder and Women's Credit Project, which closed after disbursing only 7 per cent of funds approved) amounts to US\$1.7 billion.
- The United Nations Office for Project Services was the Cooperating Institution for seven of the 14 projects covered by the evaluation. AsDB and World Bank each supervised three projects. The last project approved (but not yet effective) will be supervised directly by IFAD. As of January 2008 the four ongoing projects previously supervised by UNOPS will be supervised directly by IFAD. Five projects (approved in 1990-1994) have received loans on intermediate terms, and all nine approved after 1995 were on highly concessional terms.
- The COSOP for Pakistan was approved in 2003.
- The Evaluation of the country programme had two objectives; a) to assess the performance and impact of IFAD operations; and b) to develop building blocks for development of the new Pakistan COSOP in 2008.
- Considering the importance of Pakistan in IFAD portfolio, the CPE covers the 14 projects approved by the Executive Board since 1990.

## **II. COUNTRY CONTEXT**

### **A. The Economy, Agriculture Sector and Rural Development**

17. Pakistan is a semi-arid country of approximately 800 000 km<sup>2</sup>. About 67.5 per cent of the population lives in the rural areas (compared with about 72 per cent in 1981), with agriculture providing employment for about 43 per cent of the workforce.

18. During the late 1980s and through the 1990s, Pakistan's economy was characterized by increasing levels of overseas debt servicing. As a result, with a significant portion of the annual budget required for defence, reduced budgets were available for development.

19. In the period 1980-1991, gross domestic product (GDP) grew by about 61 per cent, with an annual economic growth rate of 5 per cent in 1989. Since then, growth has declined progressively, with fluctuations from year to year: 4.3 per cent in 1997/1998 and 3.1 per cent in 1998/1999, remaining at about that level until it surged in 2004-2005 to 9.0 per cent followed by 6.6 per cent in

2005-2006<sup>7</sup>. External debt became increasingly serious in the 1980s, being about US\$18 billion in 1989 rising to US\$32 billion in 1998. The economic situation was sufficiently serious for the International Monetary Fund (IMF) to be invited to assist Pakistan with a number of structural adjustment loans<sup>8</sup>; these began with a three-year macroeconomic and structural adjustment programme launched in July 1988 and continued through the 1990s, with consequent economic constraints. In 1996, the IMF temporarily suspended further disbursements under a US\$600 million standby loan agreement on the grounds of inadequate compliance with its required economic policies. As a result, Pakistan experienced a serious foreign exchange and balance-of-payments crisis. In 1997, a World Bank official took over as de facto finance minister and instigated a number of comprehensive reforms that prompted the IMF to revive its collaboration with Pakistan.

20. Nevertheless, throughout the 1990s large current account deficits led to increasing external debt. By the end of 2002, it had amounted to US\$33 billion, or 55 per cent of GDP. The Government signed debt restructuring agreements with the Paris Club in January 1999 and in January and September 2001. While the first two agreements provided relief only against debt-service payments, the third covered the entire stock of debt owed to Paris Club creditors on the cut-off date of 1997. Pakistan has been granted a repayment period of 38 years with a grace period of 15 years for official development assistance (ODA) loans, and of 23 years with a grace period of five years for non-ODA loans. In 2005, Pakistan's current account deficit amounted to 2 per cent of its gross national income.

21. Overall, Pakistan's fiscal resources have increased at federal and provincial levels since 2001-2002. Between 2000 and 2006 pro-poor expenditure increased by an average of 17 per cent per annum, reflecting the Government's increased commitment to reducing poverty. Growth in development expenditures was particularly rapid at the provincial level (48.8 per cent per year) compared with the federal level (10.6 per cent per year). Total transfers to local government (districts, *tehsils* and unions) varied widely by province, as well as by district within provinces.

22. Constitutionally, agriculture is a provincial responsibility with the exception of national issues such as the import and export of agricultural inputs and products, price setting, standardization and quarantine issues, national research and interprovincial issues like the rehabilitation, operation and maintenance of primary irrigation infrastructure. The subsector tends to be under-funded. Both at national and provincial levels, ministries and departments, including research institutions, tend to be chronically short of resources to meet their responsibilities. Two important consequences of this are low levels of maintenance of infrastructure such as irrigation and drainage, and the inability of agricultural extension and other services to effectively support rural populations.

23. Pakistan's nine agro-climatic zones cover about 20.9 million ha devoted to agriculture. Irrigation water is critical for agriculture in most of the country. Massive public investment in dams and canals in the Indus River Basin as well as mainly private investment in wells for groundwater irrigation has been essential for agricultural production. Nearly 80 per cent of the cropped area is irrigated, and agriculture is by far the largest user of water in the country, consuming on average about 95 per cent of available water resources. For the period covered by the CPE, agriculture's contribution to GDP declined from a little over 25 per cent in 1990 to 23.1 per cent by 2005<sup>9</sup>. The sector probably grew by about 5.4 per cent annually during the 1980s, and by 4.4 per cent between 1990 and 1998 when floods and a serious drought reduced growth to virtually nothing. It remained at low ebb until 2002/2003 when it achieved a 4.1 per cent increase. In 2003/2004, the sector grew by

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<sup>7</sup> Government of Pakistan, Finance Division, Economic Adviser's Wing, Economic Performance 2006-2007: An Update, Islamabad, p. 6.

<sup>8</sup> For example, a Stand-By Arrangement of SDR 273.0 million in 1988, an Enhanced Structural Adjustment Facility of SDR 682.4 million and an Extended Fund Facility of SDR 454.9 million in 1997, and a Structural Adjustment Facility of SDR 382.0 million in 1998.

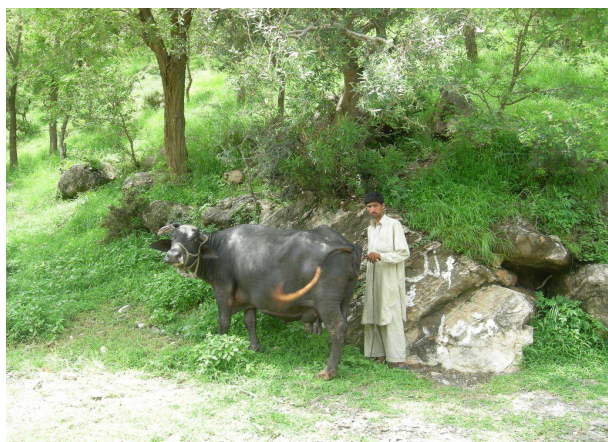
<sup>9</sup> Source: [www.finance.gov.pk](http://www.finance.gov.pk)

2.2 per cent followed by 7.5 per cent in 2004/2005<sup>10</sup>. A total of 68 per cent of value-added from agriculture is derived from crop production, 30 per cent from livestock, and the remainder from forestry and fisheries.

24. Flows of remittances to Pakistan totalled almost US\$5.5 billion in the last fiscal year (2006/2007), equivalent to 4.2 per cent of GDP – 19.4 per cent more than the previous year<sup>11</sup> – placing Pakistan among the top 20 receivers of remittances worldwide<sup>12</sup>. The United States of America was the largest source of workers' remittances, accounting for 28.4 per cent, followed by Saudi Arabia (18.8 per cent), the United Arab Emirates (16.1 per cent), and other Gulf Cooperation Council countries: Bahrain, Kuwait, Qatar and Oman (14.5 per cent). Given that the majority of Pakistan's population lives in rural areas a large share of these remittances is probably intended to support rural families.

25. An empirical study conducted in rural Pakistan by Adams and He (1995)<sup>13</sup> shows that the poor receive over 75 per cent of their total transfer income per capita from internal remittances sent by family members working in Pakistan's cities; international remittances mainly go to the richer households. In rural Pakistan most international migrants go to work in the Persian Gulf, the average cost of international migration – about US\$1 300 – being too high for lower-income households.

26. Livestock ownership is most important for the rural poor. In 1990, 83 per cent of households with cattle or buffaloes owned six or less animals. Rural women play a major role in caring for livestock. Roughly 20 per cent of livestock owners are landless. The 1 million livestock owners are spread more evenly across rural households than those owning land. For most of the period covered by the CPE, livestock numbers increased by about 3.5 per cent per annum. Milk yields, however, increased by 6.6 per cent in 1986-1996, and poultry numbers more than doubled in the same period. Consequently, productivity gains are more pro-poor than are crop gains.



**Buffalo account for 20 per cent of total livestock population in Pakistan and more than 60 per cent of total milk production.**  
**Barani Area Development Project, Haripur District, North West Frontier Province.**  
*Source Sana Khan*

27. Land ownership in Pakistan has a marked impact on poverty. There are an estimated 6.3 million rural land owners, with 87 per cent owning less than 5 ha, and their total holdings comprise only 39 per cent of the land area. In contrast, the 5 per cent of farmers with landholdings greater than 10 ha own an estimated 45 per cent of all agricultural land. Some 78 per cent of farms are owner-occupied, 14 per cent are operated by sharecroppers, and the remaining 8 per cent are a mix of owner-operated

<sup>10</sup> Pakistan Economic Survey, 2004-2005.

<sup>11</sup> Update on Pakistan's Economy. Debt Office, Ministry of Finance, Government of Pakistan. November 20th, 2007.

<sup>12</sup> IFAD (2007). Worldwide Remittance Flows to Developing Countries.

<sup>13</sup> Adams, R.; He, J. (1995): Sources of Income Inequality and Poverty in Rural Pakistan.

and sharecropped<sup>14</sup>. The percentage of smallholdings, however, is increasing: an estimated 54.4 per cent of farm households owned less than 5 acres in 1990, but that increased to 61.2 per cent by 2000<sup>15</sup>. One aspect of land productivity seems to be that smaller farms have higher productivity levels than the larger ones.

28. Agriculture has not yet achieved its full potential. With illiteracy levels high in rural areas (but decreasing from 67 per cent in 1990 to 60 per cent in 2005<sup>16</sup>), agricultural practices are often risk-averse and input-deficient, especially among the poor. Low crop productivity has been a noticeable feature of Pakistan's agriculture in recent years. This is compounded in many locations by waterlogging and salinity, which, together with an excessive use of chemicals, have been undermining the sustainability of farming in irrigated areas. Investment in agricultural research and extension has been low and linkages between research outputs and extension services weak. Environmental protection and resource conservation have been neglected, as exemplified by no bio-physical environment indicator showing an improvement in the past ten years or more.

29. Roughly 38 per cent of the rural population is either self-employed (13 per cent) or employed as wage earners in non-farm activities (25 per cent). The average small town enterprise engages in wholesale or retail trade, has a median value of fixed assets of US\$200-250 and employs about 1.7 workers. Lack of access to formal finance is cited as the major constraint on operations.

30. Microfinance is important to rural development. The microfinance industry has undergone a substantial change since 2000. Interest subsidies for rural credit were withdrawn in the late 1980s, being, in a sense, replaced by tolerated poor repayment levels by borrowers<sup>17</sup>. In 1997, the Government established the Pakistan Poverty Alleviation Fund (PPAF) to channel public and private resources to organized communities at the grass roots and also to function as a microfinance wholesaler to community organizations (COs) through 'partner' NGOs. All the important microfinance providers (MFPs), which collectively account for 98 per cent of the outreach in the sector, are members of the Pakistan Microfinance Network (PMN)<sup>18</sup>. According to an informal PMN estimate, Pakistan is arguably the biggest recipient of donor microfinance funds in the world: donor commitments running up to 2009 or thereabouts are said to be around US\$800 million, of which approximately US\$600 million has been targeted at wholesale and retail credit. Moreover, MFPs have access to no less than 14 TA funds established by various donors and foundations. All the provision of rural credit rose by 12 per cent per annum between 1999 and 2006<sup>19</sup>, most rural people and the poor still rely on informal sources for advances in cash or in kind, with interest rates reportedly as high as 60 per cent. The rural microfinance industry is far from financially secure. Microfinance loans are heavily subsidized. The PMN's Performance Indicators Report for 2005 (PMN 2006)<sup>20</sup> concluded that the "microfinance sector in Pakistan has one of the lowest profitability ratios globally".

31. Inspired by the internationally recognized success of the Aga Khan Rural Support Programme (AKRSP) in the northern areas of Pakistan, the Government has decided to extend social mobilization to all villages of the country<sup>21</sup>. In order to create an institutional structure that could support such

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<sup>14</sup> Statistics Division, 2000. Pakistan Agriculture Census, 2000.

<sup>15</sup> World Bank, Pakistan. Promoting Rural Growth and Poverty Reduction, 2007, p. 49.

<sup>16</sup> World Bank, Pakistan. Promoting Rural Growth and Poverty Reduction, 2007, p. 22.

<sup>17</sup> World Bank, Pakistan. Promoting Rural Growth and Poverty Reduction, 2007, p. 58.

<sup>18</sup> The number of borrowers/loans reported by the PMN saw a seven-fold increase to about 800 000 between 2001 and 2007; however, this covers less than 8 per cent of the potential clientele.

<sup>19</sup> World Bank, Pakistan. Promoting Rural Growth and Poverty Reduction, 2007, p. 57.

<sup>20</sup> The PIR for 2006 was expected to be published in September 2007.

<sup>21</sup> The corresponding strategy is fully elaborated in a supplement to the Medium-Term Development Framework entitled "Rural Poverty Reduction through Social Mobilization".



effort, ten autonomous rural support programmes (RSPs) have been established at the national and decentralized levels. The RSPs are in turn supported by the Rural Support Programme Network (RSPN), which provides them with a strategic platform for capacity-building, policy advocacy and donor linkages.

## B. Demography and Poverty

32. Since 1988, Pakistan's population has increased from approximately 115 million (then at a growth rate of about 3.1 per cent per annum) to an estimated 152.5 million in 2004, the growth rate having dropped to 2.4 per cent per annum. About 67.5 per cent of Pakistan's population lives in rural areas and includes 80 per cent of the nation's poor. Currently, crude birth rates in rural areas are about 18 per cent higher than in urban areas. The urban population is increasing by between 3.5 per cent and 4.1 per cent annually, with rural-urban migration contributing 25-30 per cent of that increase.

33. According to the poverty reduction strategy paper (PRSP) for Pakistan, there is broad consensus that the momentum gained in addressing poverty during the 1980s was lost in the early 1990s, when poverty levelled off, but it then began to rise again in the latter years of the decade. Data on poverty prior to the development of the PRSP, however, were not as clear as they might have been because Pakistan did not have an officially agreed poverty line. The PRSP adopted an official poverty line of 2 350 calories per adult equivalent per day, which approximated to PKR 673.54 per month equivalent in 1998-1999 and PKR 748.56 in 2000-2001. During the 1990s, rural poverty declined slightly from 36.9 per cent to 33.8 per cent in 1999<sup>22</sup>, with about 25 per cent of households moving in and out of poverty. More recent poverty estimates of GOP shows poverty reducing dramatically in the from 34.46 per cent in 2001-02 to 29.2 per cent in 2004-2005

34. Trends in poverty between 1990 and 2001 showed an overall increase that was characterized by percentage decreases in urban areas and increases in rural areas, as shown in Table 2.

**Table 2. Incidence of Poverty in Pakistan 1990-2001**

	1990-91 per cent	1992-93 per cent	1993-94 per cent	1996-97 per cent	1998-99 per cent	2001-02 per cent	2004-05 per cent
Pakistan	26.1	26.8	28.7	29.8	30.6	34.4	29.2
Urban	26.6	28.3	26.9	22.6	20.9	22.8	19.1
Rural	25.2	24.6	25.4	33.1	34.7	39.1	34.0

Source: Planning Commission, GOP.

35. An analysis of poverty by region indicates that the highest incidence is to be found in the NWFP, FATAs and northern areas – areas that IFAD has targeted for a number of its development interventions, as shown in Table 3. On the other hand, one of the lowest percentage incidences is in AJK, which is also targeted by IFAD.

**Table 3. Incidence of Poverty in Provinces and Regions 1998-1999**

Province/Region	Urban per cent	Rural per cent
Punjab	26.5	32.4
Sindh	19.0	29.2
NWFP	31.2	44.3
Baluchistan	28.4	24.6
AJK	14.5	15.6
Northern Areas	22.6	36.5
FATA		44.5

Source: Household Income and Expenditure Survey 1998-1999. Federal Bureau of Statistics.

<sup>22</sup> World Bank, Pakistan. Promoting Rural Growth and Poverty Reduction, 2007, p. 2.

36. According to data from the World Bank some 57 per cent of rural poor are from non-farm households (see Table 4)<sup>23</sup> and the poorest 40 per cent of rural households derive only about 30 per cent of their income from agriculture. Partly for this reason, improvements in farm-related activities benefit only some of the rural poor. Crop production contributes about 25 per cent of rural income, with livestock producing a further 8 per cent. Wage labour contributes 4 per cent, non-farm incomes about 40 per cent, remittances 9 per cent and 'other income'<sup>24</sup> 15 per cent. These ratios differ from region to region. For example, in the DASP evaluation, it was reported that households derived less than 40 per cent of family income from agriculture, although agriculture was still by far the region's most important economic activity<sup>25</sup>.

**Table 4. Rural Poverty across Households Groups in Pakistan 2004-2005**

	Households (millions)	Expenditures (Rs/person)	Poor (L40) (per cent)	Poor (L40) (millions)	Poor (L40) % of Rural Poor
Farm	5.65	1 346	27.1	1.53	34.9
Agricultural Laborers	0.72	1 028	50.3	0.36	8.2
Rural Non-farm	6.68	1 209	37.3	2.49	56.9
Rural Self-employed	2.22	1 244	31.2	0.69	15.8
Rural Non-farm Other	4.46	1 190	40.3	1.80	41.1
Total Rural	13.05	1 259	33.6	4.38	100.0

Source: HIES 1998-1999, 2000-2001, 2001-2002; PSLM 2004-2005; and World Bank staff calculations.

37. Even though 57 per cent of the rural poor are from non-farm households, the fortunes of the rural economy are still closely tied to growth in agriculture, and the incidence of rural poverty fluctuates with the ups and downs of agriculture. About one third of the rural poor live in the cotton/wheat zones of Punjab and Sindh, and draw 70 per cent of their income from crops and livestock. In the rainfed areas of the NWFP and Punjab, however, dependence on crops and livestock may be as low as 15-30 per cent. Rural people in the less favoured areas in which IFAD has been operating have already diversified away from agriculture to a great extent.

38. In 1988, at the beginning of the period under evaluation, social indicators showed inadequate nutrition, poor sanitation and housing, low levels of education and limited access to public services for the rural population as being significant characteristics of poverty (Appendix 4 gives pertinent social indicators). During the mid-1980s almost 22 per cent of Pakistan's population was consuming less than the normal diet of 2 000-2 500 calories per person, with some 46 per cent of children under five years of age chronically malnourished and 15 per cent acutely malnourished<sup>26</sup>. Infant mortality rates were very high, at 97 per 1 000 live births. The literacy rate was about 35 per cent and primary school enrolment was 39 per cent. There are significant gender differences in circumstances, especially in education where net enrolment of rural girls is 11 per cent less than boys at primary level and 29 per cent at middle-school level. As a result, the adult literacy rate of rural women was 24 per cent in 2004 compared with 56 per cent for rural men, but adult female literacy was only 3.8 per cent in the NWFP.

39. According to the PRSP<sup>27</sup>, by the new millennium major characteristics of poverty included education, which was the most important factor distinguishing the poor from the non-poor; and the

<sup>23</sup> World Bank, Pakistan. Promoting Rural Growth and Poverty Reduction, 2007, p. 10.

<sup>24</sup> Other income was not differentiated from non-farm incomes by the World Bank.

<sup>25</sup> Office of Evaluation, evaluation of the DASP, 2007, p. 2.

<sup>26</sup> National Nutrition Survey, 1992.

<sup>27</sup> Government of Pakistan, Accelerating Economic Growth and Reducing Poverty, the Way Ahead – Poverty Reduction Strategy Paper, December 2003.

degree access to public health services and public services like electricity and gas supply, and to employment as distinct from being self-employed.

40. The situation began to change markedly in the new millennium. Between 2001 and 2005, real agricultural GDP per capita rose by 7.4 per cent with per capita rural expenditures increasing by 5.9 per cent. Expenditures of the poorest two quintiles rose by 3.1 per cent. According to the World Bank, rural poverty declined by 5.1 per cent in this period<sup>28</sup>.

41. The World Bank suggests that investments in human capital and physical infrastructure have been – with workers' remittances – among the most important determinants of increased rural incomes in rural Pakistan<sup>29</sup>. However it also concluded that substantial agricultural growth alone would not be sufficient to achieve a rapid reduction in rural poverty.

### C. Key Challenges to Rural Poverty Alleviation

42. The potential list of challenges to reducing rural poverty could be long. Among them are unequal distribution of land, the need for more efficient use of land and water, providing incentives for the private sector to invest in rural areas, and targeting development aid effectively to the poor. The following are six key broad challenges experienced in the less accessible areas where IFAD operated during the period covered by the CPE:

- i) **Development of the non-farm sector.** Moving away from the idea that increasing agricultural production will have a major impact on relieving rural poverty, it is clear that the non-farm sector, including migrant labour, is as important, if not more important, to address if poverty is to be reduced markedly.
- ii) **Advancement of women,** including moving subtly towards a social environment in which it is possible to optimize women's economic and social contribution to the household. IFAD has had to face entrenched views about women in society in some of its projects.
- iii) Improving the accessibility of remote villages to satisfactory **education and health** services, village electrification, roads linking them with markets, and larger employment centres. Low literacy levels are linked to conservative views about the role of women and act as a constraint to employment. Roads are linked to education and health services, as they enable people living in remote areas to have easier access to such services and, equally important, reach markets.
- iv) **Improving the quality of government services.** The limited capacity of government agencies has long been identified as a key weakness<sup>30</sup>.
- v) **Empowering the poor** so that they have the confidence to ensure they gain access to their dues, and providing them with opportunities and support, where necessary, to obtain the productive assets and skills they require developing income-earning activities. Research into the pioneer of the basic rural development model – AKRSP – suggests that, in rural areas, empowerment takes more than a decade.

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<sup>28</sup> The World Bank figures for poverty are a little confusing. The early part of the report gave a figure of 33.8 per cent for rural poverty in 1999, but the starting point of the post-millennium decline was 39.1 per cent, reducing to 34 per cent in 2005. It is possible that there was a spike in the two years 1999-2001, but it would be surprising if it were that great.

<sup>29</sup> World Bank, Pakistan, Promoting Rural Growth and Poverty Reduction, 2007, p. 8.

<sup>30</sup> AsBD. Operations Evaluation Division, Pakistan: Country Assistance Program Evaluation, Manila, 2007, p. 36.



- vi) **Access to microfinance** that would enable poor communities to pursue economic opportunities best suited to their needs and capacities. The challenge is to get more providers into rural areas and persuade them to act commercially so that their operations are profitable and sustainable.

#### D. Government Strategies

43. The period covered by this evaluation has been guided by a number of different government plans, the most important of which are listed in Table 5.

**Table 5. Government of Pakistan Strategies and Policies during Review Period**

Document	Period covered
Seventh Five-Year development Plan	1988/89-1992/93
Eighth Five-Year Development Plan	1993/94-1997/98
Ninth Five-Year Development Plan (not implemented)	1993/94-1997/98
Ten-Year Perspective Development Plan (Planning Commission)	2001/02-2010/11
Three-Year Development Programme (initial implementation of Ten-Year Plan, Planning Commission).	2001-2004
Poverty Alleviation Strategy Paper (Ministry of Finance, 2003)	
Medium Term Development Framework (Planning Commission), framework for translating Vision 2030 into action.	2005-2010
Approach Paper: Strategic Directions for Achieving Vision 2030, February 2006, Planning Commission	2006-2030

44. Essentially, the early five-year plans concentrated on economic development and growth. Increasing agricultural productivity, ensuring self-sufficiency in grains production, and improving the national herd were major priorities in agriculture. Conservation, especially in riverine and mountainous areas, was also highlighted. An approach paper to the Eighth Five-Year Plan stressed the importance of focusing on poverty reduction, which included distributing assets like land and credit to the poor.

45. In 1997, the Task Force on Poverty Eradication recommended five programmes to establish an institutional basis to eradicate poverty within ten years, including the mobilization of village participatory development through support organizations and by providing microfinance to both urban and rural poor through PPAF. Giving a new NGO responsibility for microfinance, hitherto a responsibility of government-controlled banks was a major innovation in the way microfinance was distributed to the poor.

46. The PRSP continued the theme of poverty eradication, focusing on four main pillars: accelerated and broad-based economic growth while maintaining economic stability; improving governance and consolidating devolution; investing in human capital; and targeting the poor and vulnerable. The strategy also focused on the attainment of the Millennium Development Goals (MDGs) by forging an alliance with civil society and the private sector to reduce poverty and accelerate growth. Central to the Government's approach to rural poverty was capacity-building and training for resource-poor farmers, as well as continued emphasis on maximizing the involvement and empowerment of community groups, allocating resources to them for identified development priorities, strengthening service delivery and ensuring better programme management, accountability and transparency. Flows of funds were to be increased to the livestock subsector, given its impact on the incomes of the rural poor. Area development projects were seen as a role model for rural development.

47. The Medium-Term Development Framework, 2005-2010, continued these emphases. This included highlighting credit-based self-employment programmes to provide microfinance to the poor

in agriculture, as well as small and medium enterprises and housing. A supplement to the framework, 'Rural Poverty Reduction through Social Mobilization, 2005-2010', presented a budgeted nationwide social mobilization action plan drawn up to cover all poor households in all 5 375 rural union councils in 115 districts of the country<sup>31</sup>.

48. In the country context, government intervention in agricultural subsidies has progressively declined since the mid-1980s, but users are still not charged the full cost of irrigation. By 1996, direct subsidies had been removed from inputs, including seed, pesticides and most types of fertilizer. Trade taxes and other restrictions were removed from most agricultural commodities with the exception of vegetable oil and powdered milk imports and *basmati* rice exports. Government imports of wheat, however, have tended to depress local prices. The PRSP stated that the Government would continue to support the price of wheat and set indicative prices for other crops like sugarcane, cotton and rice to protect farmers against market volatility<sup>32</sup>.

49. Subsidies, however, are still applied in the microfinance industry, making all rural providers unprofitable. Credit rates are well below the market rates provided by local providers. The business model of local providers should be of some interest to microfinance providers. The potential market is substantial, the more conservative estimates putting it at about 3.3 million rural borrowers.

50. An important development was the programme of devolution introduced through the Devolution of Power Plan in 2000 and implemented in the Local Government Ordinances of 2001, as it led to wide-ranging restructuring of the country's administrative system, reducing the influence of the bureaucracy, increasing the powers of elected representatives at the local (particularly district and *tehsil/taluka*) level, and devolving much of the service delivery to the districts and *tehsils/talukas*. Since 2001, Pakistan has had five elected levels of government: federal, provincial, and three tiers of local government, i.e. district, *tehsil/taluka* and union. Elected Nazims and Naib Nazims head each union, *tehsil* and district local government. Budgeting, planning and development of service provision are delegated to the district level. Agricultural extension and farm water management, planning, and design of district roads and buildings (among others) are also the responsibility of district governments.

51. Achieving the devolution of power is a huge undertaking. So far, good progress has been made as elections have been held and the majority of new governments sworn into office. Provincial finance commissions have been established to regulate the transfer of funds to local governments. However, there is a lack of clarity about responsibilities; differences have arisen between local governments and the provincial (and national) assemblies; administrative restructuring has still not taken place; and new institutions like the provincial finance commissions and local government commissions (provincial bodies mandated to investigate complaints and resolve intergovernmental disputes) are not functioning effectively<sup>33</sup>. In some cases, expanded local-level responsibilities have not been accompanied by corresponding increases in revenue flows. In addition district budgets determined by provincial governments do not always reflect local priorities.

52. In the evaluation period, the socio-political environment became turbulent in parts of the NWFP, and particularly FATA. The FATA is a mountainous tribal region left destitute by colonialism and neglected by successive Pakistani governments, and is today used by tribal and foreign militants as a base to fuel violence and instability both in Pakistan and in neighbouring Afghanistan. Local communities have become increasingly mistrustful of various aspects of civil society, particularly about the underlying objectives of NGO groups, which in many cases are regarded as wishing to undermine the Islamic basis of social organization in these areas.

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<sup>31</sup> Government of Pakistan, Planning Commission. Supplement, 'Rural Poverty Reduction through Social Mobilization, 2005-2010'. Islamabad, p. 1, 16 pp.

<sup>32</sup> PRSP, pp. 47-48.

<sup>33</sup> Decentralization Support Programme. Government of Pakistan. <[www.decentralization.org.pk](http://www.decentralization.org.pk)>

53. Federal and provincial development expenditures on agriculture and irrigation, which declined dramatically during the 1990s, have increased sharply since 2001-2002. Large increases in irrigation expenditures at the federal level largely account for the more than five-fold increase in total real federal and provincial expenditures on agriculture and irrigation in this period.

54. Public sector expenditure on both rural development and agriculture is very low in Pakistan<sup>34</sup>. Table 6 shows the pro-poor budgetary expenditure on rural development for 2000-2006.

**Table 6. Pro-Poor Budgetary Expenditure, 2000-2001 – 2005-2006 (US\$ million)**

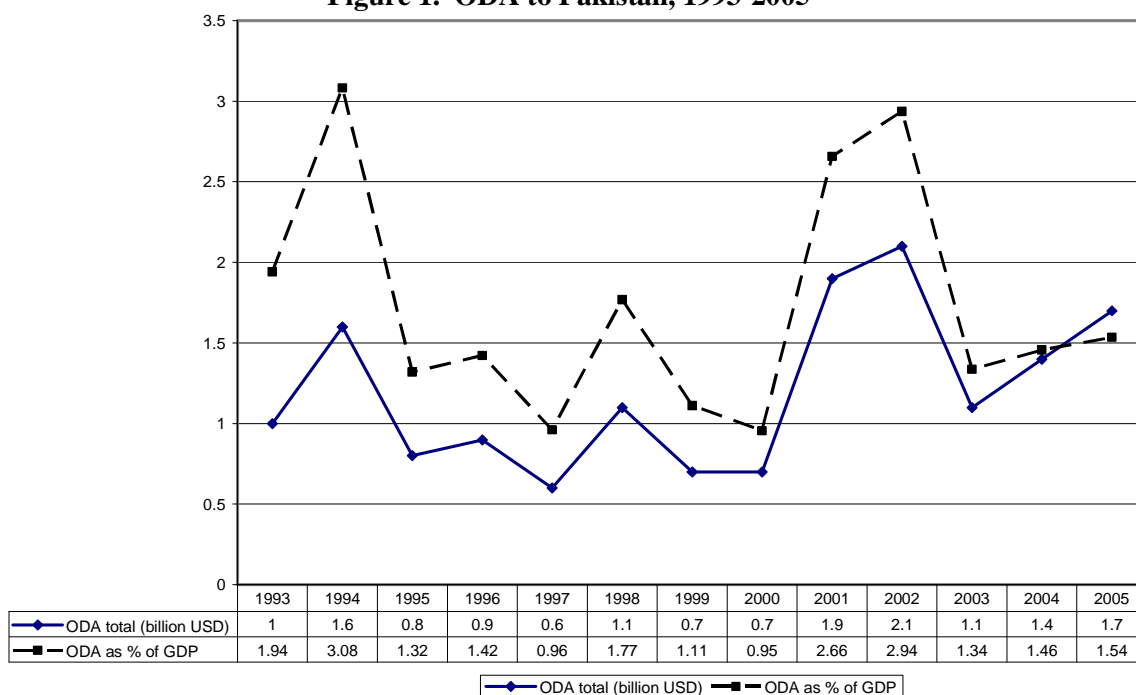
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>Total Pro-Poor Expenditure</b>	2 498.8 (3.4)	2 760.3 (3.8)	3 454.5 (4.8)	4 198.3 (5.1)	5 495.1 (5.7)	5 364.4 (4.8)
<b>Rural Development<sup>35</sup></b>	188.4 (0.26)	203.3 (0.28)	278.8 (0.39)	303.6 (0.36)	119.4 (0.12)	29.9 (0.03)

Note: Figures in brackets indicate percentage of GDP.

### E. External Assistance

55. **Official development aid.** Pakistan has a relatively low dependence on aid, ranging from 1 per cent to 3 per cent of GDP over the last 13 years (see Figure 1). The peak in 2001 mirrors a major debt-rescheduling package and higher inflows of grant aid following Pakistan's support of the United States in its *war on terror*. Average annual ODA commitments in Pakistan for the period 1993-2005 were US\$2 billion<sup>36</sup>, of which around 60 per cent was in loans from bilateral donors and the remainder in loans from multilateral financial institutions.

**Figure 1. ODA to Pakistan, 1993-2005<sup>37</sup>**



<sup>34</sup> World Bank (2004): Pakistan Public Expenditure Management. Accelerated Development of Water Resources and Irrigated Agriculture, Vol. II, p. 21.

<sup>35</sup> Excluding irrigation, land reclamation and rural electrification.

<sup>36</sup> Creditor Reporting System Online Database on Aid Activities, Organization for Economic Co-operation and Development (OECD). <http://www.oecd.org/dataoecd/50/17/5037721.htm>.

<sup>37</sup> World Bank Development Indicators 2006.

56. The major source of external funding is the Pakistan Development Forum (previously known as the Aid to Pakistan Consortium), which comprises the main multilateral lending institutions and a large number of bilateral creditors. The largest donor is Japan, followed by the United States. The World Bank and its soft loan arm, the International Development Association, is the largest creditor, followed by AsDB. Together, these four donors provide 80 per cent of total ODA to Pakistan.

57. For the period 1993-2005, the average annual commitment of ODA for agriculture and rural development was US\$146 million. On average 5.3 per cent of total ODA was dedicated to agriculture and 1.9 per cent to rural development for the same period. IFAD's average commitment in the period 2001-2006 was US\$11.2 million, equivalent to 0.6 per cent of average total annual ODA commitments and 7.7 per cent of ODA dedicated to agriculture and rural development.

58. It is worth noting that Pakistan is one of eight United Nations Member States selected to pilot UN reform in 2007-2008 (Albania, Cape Verde, Rwanda, Tanzania, Mozambique, Viet Nam and Uruguay are the others). A total of 18 United Nations agencies are currently present in Pakistan, working in a range of development, emergency and environmental areas. The One UN initiative, which foresees one UN Country Team under the leadership of the UN Resident Coordinator, and one harmonized, integrated and focused UN Programme, was launched by the Prime Minister of Pakistan in Islamabad on 1 March 2007. Up to now, UN Country Team discussions have agreed on the need to focus UN reform in Pakistan in 'One Programme'. Efforts will focus on the development of 'joint programmes' handled by thematic working groups (TWGs). There are five TWGs, one of which deals with agriculture/rural poverty and poverty reduction. The Food and Agriculture Organization of the United Nations (FAO) is the TWG lead and the International Labour Organization the co-Chair.

59. The principal multilateral donors operating in agriculture and rural development in Pakistan are as follows:

- (i) **The World Bank**, which is currently lending US\$249.1 million to the rural sector through 13 projects (including rehabilitation work in areas struck by the 2005 earthquake). Five of these are in AJK, three in NWFP, two in Baluchistan, one in Punjab and one in Sindh. In addition, PPAF is a major recipient of World Bank funds and is operating in 108 districts. The World Bank is helping the Government define a rural development strategy that would produce an integrated approach to agriculture, natural resource management, the rural non-farm economy, infrastructure, rural finance and the need for targeted interventions<sup>38</sup>.
- (ii) **The AsDB**, which, since 1993, has provided 19 loans to the agriculture and natural resources sector for a total value of US\$1.1 billion. About 30 per cent of loans have been allocated specifically to rural development, with the total value of loans to the subsector slightly increasing from about US\$110 million in the mid-1990s to US\$150 million in the following decade.<sup>39</sup> AsDB's ongoing rural development projects are located in Malakand Agency, NWFP, Punjab and Sindh. AsDB is also supporting decentralization efforts by providing funding to the Decentralization Support Programme.
- (iii) **United Nations Development Programme (UNDP)**, which has provided US\$8.5 million to three area-based rural development programmes: the Lachi Development Programme cofunded with the Department for International Development (United Kingdom), which aims to develop innovative approaches to improving the livelihoods of poor people using a bottom-up approach; the Area Development Programme in Baluchistan, cofunded with the World Food Programme (WFP), which involves communities in needs identification,

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<sup>38</sup> World Bank (2006): Country Assistance Strategy for the Islamic Republic of Pakistan, p. 19.

<sup>39</sup> AsDB (2006): Evaluation of the Agriculture and Natural Resource Management Sector, p. 23.

planning, design and implementation; and the Community Development Project for Rehabilitation of Salt Affected and Waterlogged Lands (Bio Saline II) located in Punjab, which focuses on land recovery in three districts.

- (iv) **FAO**, whose programme focuses on food security, principally in Punjab, Sindh and NWFP. Other areas of focus are integrated pest management, development of management information systems for agriculture, and quality control of livestock products and marine fisheries.

#### Key Points

- Serious economic challenges and slow growth in the 1990s. Recovery in macroeconomic indicators after 2001-2002.
- Ambitious devolution plan introduced in 2000 increasing the powers of elected representatives at the local (particularly district and *tehsil/taluka*) levels, and devolving much of the service delivery.
- Constitutionally agriculture is a provincial responsibility. The subsector tends to be under-funded and institutional capacity is low.
- The majority of the rural poor (57 per cent) are from non-farm households. The poorest 40 per cent of rural households derive only about 30 percent of their income from agriculture.
- Pakistan is among the top 20 receivers of remittances worldwide. It received almost US\$5.5 billion in FY 2006-2007 (4.2 per cent of GDP). International remittances go mainly to the richer households while transfer income to the poor is from internal remittances.
- Pakistan is one of eight United Nations Member States selected to pilot UN reform through the One UN initiative.
- Aid dependence is relatively low, ranging from 1 to 3 per cent of GDP over the last 13 years. IFAD's average commitment in the period 2001-2006 was US\$11.2 million, equivalent to 0.6 per cent of average total annual ODA commitments and 7.7 per cent of ODA dedicated to agriculture and rural development.

### III. QUALITY OF THE COUNTRY STRATEGY

#### A. Description of IFAD's Country Strategy

60. IFAD's strategy in Pakistan has been governed by several general identification missions, a country strategy prepared in 1991 and the COSOP approved in 2003<sup>40</sup>. The key documents, however, were the two country strategies.

61. The 1991 country strategy was more a description of an appropriate rural development model than a country strategy. If a strategy can be inferred, it was to target the very poor and women; work in non-irrigated (*barani*) areas; continue adapting the AKRSP model to IFAD projects that place emphasis on social mobilization; provide credit using RSPs; and devote more attention to research and development (R&D) to improve agricultural productivity. It assigned top priority to Baluchistan, where there had been no prior IFAD project, followed by NWFP and Sindh. Thus, IFAD moved away from projects with a wide geographic coverage and concentration on irrigated agriculture that were characteristic of the mid-1980s.

62. The bulk of the projects covered by this CPE were started during the period 1991-2003, the date of the first COSOP. All the interventions other than the SBADP, Pat Feeder and SWRCP were

<sup>40</sup> The COSOP was introduced in IFAD in 1995 to replace general identification and special programming missions.

essentially area development projects. All but three were in localized areas and led by IFAD. Two of the others operated in partnership with the AsDB, and the credit project with the World Bank.

63. The Pakistan COSOP was elaborated along the ‘old’ 1997 guidelines for COSOPs. At that time, the COSOP was mainly considered as an internal IFAD planning document, with limited budget resources allocated for its preparation and little time for discussion with the main partners<sup>41</sup>. A number of corporate policies<sup>42</sup> and systems, including the PBAS, were not in place when the COSOP was approved. Even though the intention was to produce the COSOP in 2000, it was finally approved in 2003. A draft paper presented to the Operational Strategy Committee of IFAD elicited a number of concerns related to political upheavals in Pakistan in 2000-2001. The uncertainty was further exacerbated by the events of 11 September 2001. In November 2001, the Government adopted an Interim Poverty Reduction Strategy Paper, which was also required to be accommodated in the COSOP.

64. The 2003 COSOP continued with the process of consolidation and improvement in the strategic niche IFAD had developed in less favoured areas, including remote mountainous border areas, the rainfed plains of Punjab, and hilly rainfed parts of AJK and NWFP. This involved activities to enhance the productivity of the poor supported by policy dialogue aimed at strengthening the resource base of poor households. The COSOP does not define IFAD’s specific strategic objectives for the country. Instead it makes reference to the objectives<sup>43</sup> of the Strategic Framework for IFAD 2002-2006, and states that “the real challenge is not so much to identify priority objectives but to secure necessary local support for implementation of poverty reduction strategies and programmes, particularly those relating to gender-mainstreaming elements”.

65. The COSOP foresees assisting the Government in five main directions:

- a. agricultural and rural development,
- b. women’s empowerment,
- c. access to resources,
- d. decentralization, and
- e. Household food security and diversification of production.

66. The logical framework – which does not quite reflect what is stated in the text – proposed the *goals* of eradicating poverty and enhancing household food security through sustainable, self-managed agricultural and rural development in a gender-balanced institutional and legal environment. The *project/programme objective* is defined as “putting in place sustainable, demand-driven partnerships and a replicable agricultural and rural development process that will ensure empowerment of the poor, increased resource allocations to poor households, gender balance and diversification of rural economy, including expansion of rural enterprises and financial system”.

67. Three priorities were also stipulated in the COSOP, but without any specific focus or indication of how they were to be achieved. All were in the institutional strengthening/capacity-building domain: (i) reforming public institutions to enable them to focus more effectively on providing services with

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<sup>41</sup> At that time, COSOPs were not discussed with the Executive Board of IFAD. Current mandatory quality assurance instruments for loans, grants and COSOPs such as the Technical Review Committee or the Operational and Strategic Review Committee, were not required for COSOPs at that time.

<sup>42</sup> For example: IFAD strategy for knowledge management (2007); IFAD innovation strategy (2007); IFAD targeting policy, Reaching the Rural Poor (2006); IFAD policy on supervision and implementation support (2006); IFAD’s private-sector development and partnership strategy (2005); IFAD policy on crisis prevention and recovery (2005).

<sup>43</sup> (i) Strengthening the capacity of the rural poor and their organizations; (ii) improving equitable access to productive natural resources and technology; (iii) increasing access to financial services and markets.

proper accountability; (ii) restructuring public expenditures in rural areas in support of infrastructures and services that promote pro-poor growth; and (iii) improving delivery of basic services.

68. Three main agricultural zones were identified as presenting the best opportunities for IFAD interventions: the sub-tropical uplands of AJK; the northern areas and command irrigation areas mainly located in Punjab and Sindh; and the semi-arid zones of NWFP, Baluchistan and FATA. Three projects were identified for inclusion in the programme: two area development projects in the semi-arid areas of NWFP and Baluchistan and in AJK, and a medium-to-large-scale irrigation project, probably in Baluchistan.

69. The COSOP had an open view of collaboration with other donors, stating that “IFAD will actively collaborate with other donors, particularly the World Bank, AsDB and EU, to ensure that its *concerns* regarding improved resource allocations, participatory and partnership development processes and decentralized management are addressed”.

## **B. Analysis of IFAD’s Country Strategy**

70. The COSOP identifies IFAD’s strategic niche in less favoured areas, which were consistent with the country and regional strategies. Rural development in under-populated areas seems to be a comparative advantage for IFAD in its operations in Pakistan, as larger international financial institutions (IFIs) are not, by and large, attracted to such areas as being too small to warrant investment, which results in a good level of complementarity between IFAD’s programme and those of AsDB and the World Bank. On the other hand, EVEREST criticized the regional strategy for its exclusive focus on the strategic niche of less favoured areas, stating that there were many other areas deserving of attention<sup>44</sup>. It also observed that the remote areas were likely to involve greater risks because very few donors, or none at all, were working there and because local governments’ capacity was likely to be very weak. Whether or not such considerations should deter IFAD from operating in these areas is a point for debate and warrants formal consideration in the strategy. It can be argued that the COSOP for Pakistan might have been too restrictive and should have allowed for consideration of alternatives, which has merit for an organization pursuing innovation in rural development and wishing to test it in more receptive areas.

71. Some of the areas identified in the COSOP, particularly tribal areas in North Waziristan, South Waziristan and some districts in NWFP, are conflict areas subject to frequent armed clashes between rival tribal groups<sup>45</sup>. Moreover, in recent years, the presence of Taliban and Al-Qaeda has increased security risks in these areas. Despite this, the COSOP does not acknowledge the challenges associated with project implementation in these areas, and does not include specific approaches and provisions to operate under these very difficult conditions.

72. The main directions identified in the COSOP were consistent with key country priorities and strategies, and with IFAD’s regional strategy. In the first direction, agricultural and rural development, rather than a commodity (e.g. rice, cotton) development programme, the COSOP advocates a broad programme that includes expanding the resource base, such as natural resources and finance, sustainable resource management to increase productivity, human resource improvement, and enhanced rural infrastructure. Except for REACH and the specialized rural finance projects, all projects have been multi-sectoral.

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<sup>44</sup> The EVEREST country working paper for Pakistan raised the issue that IFAD might be able to have a greater impact on rural poverty if it concentrated its activities in less developed districts in Balochistan, Sindh and Punjab rather than in the less populated mountainous regions of the north where concentrations of poor are smaller.

<sup>45</sup> The South FATA project was designed before conflict intensified to recent levels.

73. The COSOP's emphasis on **women's empowerment**, the second main direction, is in line with federal and provincial governments' commitment to gender reforms, reaffirmed through the PRSPs. At the strategy level, the assessment that gender mainstreaming would be a core challenge recognized the particular difficulties that gender issues faced in the kinds of areas the COSOP identified as qualifying for IFAD attention. The COSOP recognized that the issues required attention at the policy level, but the programme itself has subsequently done little in terms of preparing the way for gender programmes in projects, particularly in the northern areas and the NWFP.

74. **Access to resources**, the third direction, promised a lot more than IFAD had the resources to deliver. Access to resources was to include land, water, technological know-how and financial services. Improved access to land and water, given ownership patterns in Pakistan, is a major policy question that earlier governments had put in the 'too-hard basket' and was not likely to be revisited given the political situation in Pakistan in 2003. Technological know-how is an important strategic issue and warranted much greater attention than it received, although latterly this subject is beginning to be addressed under the programme. The COSOP mentions rural finance, in association with enterprise development, as one of a large number of interventions required in support of rural development, including access to resources by the poor. This is consistent with IFAD's Rural Finance Policy insofar as it calls for the use of rural finance for generating income and employment, but there are serious shortcomings. Central strategic issues like the viability of rural finance providers and their willingness to operate in the areas that IFAD was targeting, deserved much more attention in the COSOP than they received. IFAD operates in the midst of interest rate subsidies and has co-existed with them in all its projects. Environmental issues, such as integrated catchment management and increasing the efficiency of water use under rainfed conditions, also received little attention in the COSOP.

75. The fourth direction, **decentralization**, partly reflected the devolution process introduced in Pakistan in 2001; it also fits within the Strategic Framework for IFAD 2002-2006, which views decentralization as a framework within which governments can respond more effectively to the needs of the rural poor, in particular by increasing the accountability and transparency of rural service delivery. The direction emphasized two issues. The first, support for community-based organizations (CBOs), was central to the area-based development model pursued in the Pakistan programme. This support was to be linked with the second issue, i.e. the devolution of human and financial resources to local governments. However, despite the intentions of the Local Government Ordinance of 2001, this has not been effectively implemented in Pakistan. One project, the CDP in AJK, has tried to address this omission by setting out to combine CBOs into clusters, more for planning purposes and facilitating better representation of rural interests to government than for bringing government closer to the people through devolving finances and decision-making to the local level.

76. Finally, the fifth direction, **household food security and diversification of production**, is consistent with IFAD's core charter. In 1994, IFAD adopted a comprehensive strategy<sup>46</sup> to move its rural investment projects further towards improved nutrition. The critical role of food security as a guiding principle for project design, and the importance of health and sanitation-related interventions for nutritional security (which should be sought mainly through inter-agency cooperation) highlighted by the strategy are not reflected in the COSOP. **Diversification of production** recognizes the need for poor smallholders to diversify the range of crops they produce in order to take advantage of market opportunities and improve their nutrition. Area-based projects supported this thrust, with some success in particular areas like the northern areas. Diversification of production, however, would have been enhanced had it taken a broader view of the issues facing the rural poor, many of which related to the fact that very little of their income was derived from agriculture and what they really needed were expanded opportunities to gain employment and develop small businesses.

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<sup>46</sup> Towards a Strategy for Improving Nutrition through Rural Investment Projects. IFAD, 1994.



77. The three priorities set forth in the COSOP suffered because there was no specific focus or indication of how they were to be achieved. The first, reforming public institutions to enable them to focus more effectively on providing services with proper accountability, would have been helped by some indication of which public institutions were to be reformed. Rather than reforming a public institution like the Agricultural Development Bank of Pakistan (ADBP), what the programme did was to seek an alternative, the PPAF, to introduce diversity and competition into the market. That was more cost-effective than embarking on an ambitious capacity-development programme, which would have had numerous constraints to success. The second priority, restructuring public expenditures in rural areas in support of infrastructures and services that promote pro-poor growth, was highly ambitious and outside IFAD's core competencies. It would have been much more appropriate for an organization like the World Bank with support from IFAD. The third, improving delivery of basic services and the outcome, effective basic service delivery, is a key success factor of any area-based development project in Pakistan and, consequently, a very important priority. To have an impact on institutional capacity requires funding, and the COSOP gives no consideration to funding. Cofinancing, an alternative not mentioned in the COSOP, was provided by other United Nations agencies – but not in a focused and integrated manner.

78. There were serious gaps in the strategy. For example, development of the **non-farm sector** received little attention despite its increasing importance as a source of income for the rural poor (the poorest 40 per cent of rural households derive only about 30 per cent of their income from agriculture). The COSOP also overlooked the specific economic dynamics of rainfed areas, where families, exposed to erratic rain patterns and oscillating productivity, often seek alternative, non-agriculture sources of income including remittances from migrants living in urban areas or abroad. Areas such as vocational training and assistance in finding employment in small towns, urban centres and overseas might have a greater impact on poverty than concentrating on agricultural productivity. Some projects, most notably NJVCDP and its successor, the CDP in AJK, have provided vocational training which, albeit limited in extent, was very successful. However, it remained a peripheral part of the project.

79. Moreover, two important areas such as access to markets (essential for ensuring greater opportunities for the rural poor) and promoting linkages to the private sector were not addressed in the strategy.

80. For policy dialogue, the COSOP emphasized decentralization and access of the poor to natural resources, but it did not indicate how IFAD would identify and engage partners in support of structured policy dialogue and advocacy. Knowledge management and knowledge sharing were not addressed by the strategy.

81. The COSOP presented a strategy but made no reference to the funding available, the time period it addressed, or any measurable objectives. Neither did it examine the question of effective targeting (already raised by the 1995 CPE) although it indicated that projects would target both the poorer villages in project areas and activities attractive to the poorer strata therein, by working through existing community arrangements. While these approaches were sensible, the COSOP did not indicate how projects would ensure they were followed by the PMUs to ensure that implementation was consistent with strategy.

82. The COSOP was very vague as to who IFAD's partners might be, although it showed a preference for multilateral organizations. There was a brief description of potential partners in large area development projects through cofinancing or parallel financing. The COSOP discussed RSPs, but noted that their involvement in technical support services had not proved effective. It did not, however, discuss the possibility of supporting RSP activities as a strategic alternative, although projects do contract them to provide services.

83. Innovation was not a major feature in the COSOP. The focus was on rural area development projects, overlooking alternative innovative projects and programmes. Moreover, no consideration

was given to the store of innovations that IFAD has produced elsewhere in the world, which might have practical application in Pakistan and warrant, at the very least, some kind of dissemination through a programme of knowledge management. One consequence of such omissions is that, in the opinion of the IEE, the Fund no longer seems to occupy a recognized innovative niche in Pakistan.

84. The COSOP was rather driven by the current and planned portfolio, with weak analysis of IFAD's comparative advantage and rationale for engagement in the country. Furthermore, it gave no consideration to how projects could be drawn together into a programme that would have a broader impact on rural development than the sum of individual projects selected. TAGs and their potential contribution to the loan portfolio were ignored in the COSOP.

85. The architect of the regional strategy might well have had the Pakistan country programme as his or her model, so closely does the regional strategy capture the essence of the country programme up to 2005. Six of the ten projects approved in 1990-2003 were in remote upland areas. All the projects had a major emphasis on the mobilization of women. One project was entirely devoted to microfinance and all the others made provision for it.

86. Pakistan ranks number 138 in a list of 179 countries classified by Transparency International in terms of their *Corruption Perception Index*. Starting from 2004, when the PBAS system became operational, PBAS consultations in Pakistan have consistently raised the issue of corruption and it is included in the PBAS scoring (ranging from "2" lowest to "5" highest), with Pakistan scoring a 3 on the question of whether rural poor should pay to access government services and justice, and a 4 on the question about sanctions being imposed against officials demanding or accepting payment for services. The 2003 COSOP does not contain any discussion on measures aimed at preventing corruption as it affects the rural poor. In 2005, IFAD approved a corporate policy on preventing fraud and corruption in its activities and operations.

87. IFAD approved four projects for Pakistan after the COSOP was approved in 2003. As pointed out in the PI self-evaluation, two of them, MIOP and the Programme for Increasing Sustainable Microfinance (PRISM), can be considered as a 'third generation' of projects implemented at the national level with support to the PPAF, moving away from collaboration solely with government line agencies. This introduced greater flexibility and potential for different approaches to address poverty issues through involvement of NGOs. However, the COSOP does not contemplate national level programmes or implementing partners other than provincial governments, and it was not revised to reflect these important strategic changes.

88. Approved in 2006, REACH was an emergency initiative within the overall umbrella of IFAD's mandate. As such, it probably should not be included as an integral part of the country programme. The fact that funding for it was outside the corporate PBAS allocation for Pakistan<sup>47</sup> corroborates this view.

### **C. IFAD's Capacity for Strategy Development**

89. Learning from experience was a major shortcoming regarding IFAD's performance in defining the strategy. The COSOP of 2003 made no reference to the CPE of 1995 that made a number of recommendations regarding future programme development (see Appendix 5), in particular the need to focus on a few strategic areas and/or institutions, including: (i) research outreach programmes that have a direct benefit on farmers; (ii) special credit schemes targeted at the rural poor; (iii) activities sponsored by the National Rural Support Programme (NRSP) and sister organizations; and (iv) supporting private investment in underground resources development at the tail-end of irrigation schemes. Moreover, despite the level of political uncertainty in Pakistan at the time (see paragraph 63), the COSOP took three years to complete, which suggest a poor management process with limited oversight.

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<sup>47</sup> Office of Evaluation, EVEREST – Pakistan Country Working Paper, 2006, p. 16.

90. IFAD's capacity for strategy development in Pakistan is limited. Available resources consist of a Country Portfolio Manager (CPM) (previously also responsible for Bangladesh) supported by a programme assistant and a secretary. A loan officer and a legal counsel are available on an ad hoc basis. The proxy country presence in Pakistan includes a part-time liaison officer working 80 per cent of his time and a gender specialist (50 per cent). As these persons were not recruited for strategy development, they will need to develop such skills if they are to assist. The field presence has not been recruited to play anything but a peripheral part in strategy development. At the time of the CPE, the CPM was responsible for eight ongoing projects and a further one recently approved. This workload leaves little time to develop country strategies and then manage them, even with the addition of a reported budget of approximately US\$40 000 to secure consultancy assistance to assist in strategy development.

#### D. Assessment of Quality of the Country Strategy

91. Table 7 below assesses the COSOP against operational criteria developed by IFAD.

**Table 7. Rating of the Country Strategy against OE Criteria**

Criterion	Discussion	Rating
<b>Understanding key challenges in rural poverty reduction</b>	The COSOP outlined a brief set of constraints that prevent the poor from escaping the poverty cycle. There was little analysis of rural poverty. There was no problem tree that would have enabled a more thorough examination of a number of issues and their linkages. The 1995 CPE mentioned a number of project implementation constraints, but these were not examined systematically.	3
<b>Analysis of IFAD target groups and their needs</b>	There was little detailed analysis of target groups or of how they would be targeted. Also lacking was an analysis of gender roles, any kind of market survey of the economic aspirations of the very poor and where their priorities lay, which might have produced some unexpected alternatives like vocational training.	3
<b>Relevance and clarity of goal and objectives</b>	The COSOP provided a general framework bound into IFAD's strategic objectives. It provided no analysis of government policies and programmes in agriculture and rural development, but for the period, rural development and rural poverty alleviation were increasingly being prioritized in overall government policies. Consequently, it fitted well into government priorities. The objectives lacked any verifiable measures. MDGs were not mentioned.	4
<b>Structure of strategy and sequence of assistance</b>	The strategy focused on a strategic niche. It was a defensive strategy which, given the political uncertainties in Pakistan, was sensible. It built on IFAD's accomplishments as a small-scale funder of composite rural development projects in difficult, challenging and remote areas. Innovation was lacking. There was no attention to the interplay of projects, policy dialogue, institutional strengthening, knowledge management and all the other factors that contribute to a sustainable change to an environment with significant pockets of rural poor.	4
<b>Identification of partners and partnership opportunities and plan for building partnerships</b>	There was no assessment of the advantages of working with particular categories of partners like multilateral development banks (MDBs) and bilaterals, or any strategy as to what kind of projects to seek their partnership. The three projects selected by the COSOP, however, were not discussed in terms of partnerships with other donors.	3
<b>Innovation, replicability and scaling up</b>	There was little discussion of innovation. IFAD's development model started with the Chitral Area Development Project and was replicated by AsDB in two projects cofinanced with IFAD. The replication was not surprising as AsDB also cofinanced Chitral. There is no information about replicability of IFAD innovation by communities not included in IFAD projects.	3
<b>Agenda for policy dialogue</b>	A number of issues including good governance, decentralization, access to natural resources, particularly productive land and water resources, addressing the landless and the position of women were mentioned in the COSOP as meriting policy dialogue. The set of issues for policy dialogue was expanded in the Rural Development Sector Framework to include a number of more operational issues like improvements to participation of the poor in setting research and extension priorities, to outreach of extension to the poor, and particularly women, to women's participation in rural organizations, to financial management, and to dialogue between the government and rural organizations. In the case of policy dialogue, no resources were allocated to any of these objectives. Recently, a vague role has been given to the country presence to develop policy positions.	4
<b>Overall Assessment</b>		<b>3</b>

92. The Fund's PI Division has produced a self-evaluation of the Pakistan country strategy<sup>48</sup>. There is little disagreement on ratings other than that for the understanding of key challenges, which the PI self-evaluation rates as 6. The basis for this high rating was that the COSOP had raised two very politically sensitive constraints to reducing rural poverty, namely, skewed land holdings and discrimination against women. The COSOP did not, however, demonstrate any understanding of these issues in the sense of developing strategies to address them. While PI rates the strategy as 'moderately satisfactory' (4), the CPE rates it slightly lower at '**moderately unsatisfactory**' (3), largely because it provided more a statement of the kinds of project that IFAD would invest in rather than a strategy to achieve stated objectives.

#### Key Points

- IFAD's programme in Pakistan covered by the evaluation has been governed by a country strategy prepared in 1991 and a COSOP approved in 2003.
- The 2003 COSOP makes reference to IFAD's strategic objectives as the country objectives and proposes five main directions: (i) agricultural and rural development; (ii) women's empowerment; (iii) access to resources; (iv) decentralization; and v) household food security and diversification of production.
- The COSOP focuses on the consolidation and improvement of IFAD's strategic niche (area development projects in less favoured areas) without examining alternatives.
- The COSOP is strong in emphasizing interrelationship between increased (and more diversified) production and strengthened social capital. The poor are more likely to feel empowered if they have greater economic independence.
- Limited attention was given in the COSOP to non-farm activities, vocational training, and capacity development of public services.
- Learning from experience was a major shortcoming in defining the strategy. The COSOP of 2003 makes no reference to the CPE conducted in 1995.
- The strategy allowed little opportunity for synergy. Single projects without consideration of cross-cutting activities.
- Non-lending activities like policy dialogue, partnerships and knowledge management received little attention.

## IV. PERFORMANCE AND IMPACTS

### A. Description of IFAD's Assistance Programme

93. IFAD started its operations in Pakistan in the 1980s by addressing the country's three main agricultural crops: cotton, rice and wheat. The so-called 'first-generation projects' tended to be top-down, have a wide geographic coverage, and focused on irrigated agriculture and credit mainly for the purchase of tractors and tube-wells. The major point of departure from this 'generation' was the Chitral Area Development project, cofinanced with AsDB, the design of which borrowed heavily from the AKRSP but relied for service delivery on provincial line agencies rather than its own staff (as per the AKRSP model).

94. Between 1990 and 2007, the period covered by this evaluation, another six rural development projects designed for remote, subtropical uplands or semi-arid areas employed further developments of the basic AKRSP model. The programme maintained a continuing interest in rainfed areas, with three projects directed at improving agricultural production. These projects, too, followed the AKRSP model, with major emphasis on community mobilization supported by credit programmes, of which social infrastructure construction and women's empowerment were important features.

95. Funding was through conventional loan agreements; flexible lending mechanisms were not employed. In addition to loans IFAD has provided support through TAGs and non-lending activities

<sup>48</sup> Asia and the Pacific Division, a Self Evaluation of the IFAD Programme in Pakistan, January 2007.

such as policy dialogue, partnerships and knowledge management. TAGs are discussed later in this section.

96. In terms of project components, investments concentrated on infrastructure (29 per cent), agriculture (21 per cent) and community mobilization (18 per cent), followed by credit (13 per cent) and irrigation (11 per cent). Infrastructure investments have included the construction or upgrading of rural and feeder roads as well as small village infrastructure such as the rehabilitation and extension of irrigated land, upgrading of tracks and link roads, river bank protection, village water supplies, sanitation, micro-hydel, fish ponds and women's centres. Investments in agriculture include crop development (breed improvement, training, crop demonstrations, on-farm research, and soil and water conservation), livestock development (cross-breeding of local animals and improvement of their productivity through better vaccinations, fodder production) and institutional strengthening of extension and livestock services. Through the community mobilization components, projects have promoted the establishment of COs and women's organizations (WOs) as focal points for all project development activities.



**Maize demonstration plot.  
AJK Community Development Project,  
Muzaffarabad district. Azad Jammu and  
Kashmir**

*Source: Michael Heppell*

97. A focus on credit also continued from the earlier part of the country programme, with two projects already initiated and another approved in September 2007. The first, approved in 1990, had a major emphasis on developing credit products for women. It was cancelled as the funding supplier (ADB) had serious structural and cash flow problems and no capacity to introduce radical new product lines for women. The second credit project, MIOP, approved in December 2005, aimed at developing innovative financial products. The last project, PRISM, is expected to expand microfinance outreach into rural areas, diversifying microfinance institution (MFI) sources of funding – by accessing more funding from commercial sources – and improving their financial sustainability.

98. The Project-at-Risk rating for Pakistan in the PBAS is 4<sup>49</sup>. Two ongoing projects (SFATADP and CDP in AJK) are classified as 'problem projects', having shown slow progress caused by a combination of management and capacity shortcomings. Serious constraints related to security and sectarian strife were experienced in the SFATADP and in the northern districts of the NWFP BADP, which led to the suspension of project activities in North and South Waziristan.

99. As far as **cofinancing** is concerned, IFAD has worked with the World Bank and AsDB, with important changes over the years in the way projects are leveraged with cofinanciers. Up to 1992,

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<sup>49</sup> A rating of 4 indicates 0-34 per cent of projects at risk out the total ongoing portfolio.

eight of the first ten projects had significant cofunding contributions from either the World Bank or the AsDB, with the result that IFAD was very much the junior partner, especially as it outsourced project supervision to the cofinancier. In marked contrast, the area development projects approved from 1992 to 2004 (excluding NWFP BADP for which AsDB was the senior cofinancier) were designed and principally funded by IFAD. There were cofinancing arrangements, but they were small: UNDP was involved with two grants, assisting mobilization and training in two projects; the Islamic Development Bank (IsDB) provided considerable additional funding for the MVSP. The two most recent projects, however, appear to revert to a closer association with the World Bank, which is also responsible for supervision. In the credit project, IFAD has retained a distinctive role. In the earthquake relief project, IFAD's targeted population is distinct but, administratively, the two projects have essentially been merged, operating concurrently in different places but with joint supervision missions.

100. Table 1 in Chapter I.A shows the funding leverage that IFAD has been able to mobilize from cofinancing and from contributions from the Government and beneficiaries. Excluding credit projects, IFAD has provided an average of 39 per cent of total project costs in its overall Pakistan programme. That figure increased from 24 per cent in the first eight projects to 51 per cent for projects approved in 1990-2006, the lower amount for the earlier period being explained by the significant cofinancing provided by the World Bank and AsDB. In projects cofinanced with these two organizations, on average, AsDB contributed about 2¼ times IFAD's contribution. The way the projects were subsequently managed, i.e. supervised by the larger MDBs, suggests that the World Bank and AsDB were doing the leveraging rather than IFAD. The Government and beneficiaries added an average of 52 per cent to IFAD's contribution for projects approved in 1990-2006.

101. IFAD entered into various **supervision** arrangements during the period covered by the evaluation. Supervision was entrusted to UNOPS as the cooperating institution for seven projects (four ongoing), the AsDB for three (one ongoing) and the World Bank for two of the most recently approved projects. The last approved project (PRISM) will be supervised directly by IFAD. Moreover, as of January 2008, IFAD will be responsible for supervising and supporting the implementation of all four ongoing projects previously supervised by UNOPS. The other three ongoing cofinanced projects will remain under the supervision of the cofinanciers (World Bank for two and AsDB for one).

102. Implementation was carried out by provincial governments through the planning and development (P&D) departments in all area development projects up to 2003. PMUs were established in the P&D departments to coordinate and manage the projects. Technical activities were executed by provincial line agencies in cooperation with local governments and COs. Social mobilization was undertaken by the PMU (in one project), an RSP (in eight projects) or a cofinancing organization (in both cases, UNDP).

103. In three (MIOP, REACH, PRISM) of the four projects approved after 2003, implementation is entrusted to PPAF. In MIOP and PRISM, PPAF acts as a wholesaler of funds to help retail MFIs develop new products and extend their outreach, and assist small CBO-type organizations in gearing up to become microfinance retailers. In REACH, PPAF is managing housing reconstruction programmes in affected districts and the livelihood rehabilitation components of the project.

104. Following discussions with government officials, IFAD recruited a **proxy country presence** (PCP) in early 2005. The role of the PCP is almost identical to that of IFAD's **formal** field presences in other countries, covering project implementation support, policy dialogue, partnership building, knowledge management and logistical support.

### **Technical Assistance Grants**

105. Pakistan has benefited from four country-specific TAGs (see Table 8) for a total of US\$0.29 million and seven regional TAGs (Table 9) totalling US\$11.7 million. Two of the four country-



specific TAGs have been approved in the last three years<sup>50</sup>. Prior to 2004, TAGs were barely employed in Pakistan: they were not mentioned in the 2003 COSOP, and no strategic role for them is discussed in other documents seen by CPE. They have little relationship to the programme of projects other than the one to fund a completion report for the MVSP. The more recent grants conform to IFAD's strategic objectives<sup>51</sup> for its grants programme of promoting pro-poor research on innovative capacities or building up the pro-poor capacities of partner organizations. Yet, they have not fulfilled any common country strategic purpose such as addressing policy or agency capacity issues that constrain the programme. They have also had little promotional benefit to IFAD. The EVEREST country working paper<sup>52</sup>, for example, found that no one at the Economic Affairs Division (EAD), the Fund's government counterpart, had heard of any TAGs.

106. A comparison with Bangladesh<sup>53</sup> points up significant differences. In the period 1994-2004, Bangladesh benefited from ten country-specific TAGs for a value of US\$574 000 compared with Pakistan's three valued at US\$246 000 for the period 1990-2004. Similarly, with regional TAGs for agricultural research, Bangladesh participated in 12 regional TAGs during 1994-2006 compared with Pakistan's six.

107. It is still too early to evaluate the most recent country-specific TAGs as they are still under implementation. Consequently, like their size, the impact of TAGs has been limited.

**Table 8. IFAD Technical Assistance Grants to Pakistan, 1990-2007**

TAG No.	TAG Name	Recipient	IFAD Funding US\$ '000	Approval Date	Completion Date
		Federal Bank of Cooperatives	30	2001	
R528U PK	Mansehra Village Project	Mansehra Village Support Project	16	Apr 2001	Dec 2001
760	Pilot testing of a public private partnership to develop capacity for small scale agribusiness and processing enterprises	Leadership for Environment and Development	200	Dec 2004	
	Research on "women's rights to land in Pakistan."	Sustainable Policy Development Institute (SDPI) and Action Aid International Pakistan	50	Oct 2005	
		<b>Total</b>	<b>296</b>		

Sources: CPE Approach Paper; Self Evaluation Paper.

<sup>50</sup> The Performance Based Allocation System of IFAD establishes a resource ceiling for every country. This can be covered by loans or grants. Country specific TAGs are allocated within the grant allocation for each regional division using the same performance rating formula as used in allocating IFAD's loan resources. The initiative of CPMs, which in turn might be motivated by demands from the country, is important to secure grant funding.

<sup>51</sup> IFAD. IFAD Policy for Grant Financing, December 2003, pp 7-9.

<sup>52</sup> OE, EVEREST – Pakistan Country Working Paper, February 2006, p. 17.

<sup>53</sup> OE, The People's Republic of Bangladesh, CPE, July 2005.

**Table 9. IFAD Regional Technical Assistance Grants, 1990-2007**

TAG No.	TAG Name	Recipient	IFAD Funding US\$ 000	Approval Date	Countries Covered
534	To Reward the Upland Poor of Asia for Environment Services	ICRAF*	1 400	April 2001	Indonesia, Philippines, Viet Nam, Laos, Nepal, India, China, Pakistan, Sri Lanka, Bangladesh
634	Multistakeholder Programme to Accelerate Technology Adoption to Improve Rural Livelihoods in the Rainfed Gangetic Plains	IRRI/ CIMMYT**	1 500	December 2002	India, Pakistan, Nepal, Bangladesh
816	Livestock Feed Production	ICARDA	1 200	Dec 2005	Caucasus and Central Asia
851	Rehabilitation of Agricultural Livelihoods in Marginal Post-Conflict Areas	ICARDA	1 080	April 2006	Pakistan, Afghanistan
490&773	Securing Livelihoods in Uplands and Mountains of the Hindu Kush Himalayas, Phases I and II	ICIMOD***	1 000 1 200	April 2000 April 2005	Bangladesh, Bhutan, China, India, Nepal and Pakistan
FAO 821	Pro-poor formulation and policy dialogue at country level	FAO	1 500	13/12/2005	Cambodia, China, India, Indonesia, Nepal, Pakistan, Sri Lanka, Viet Nam
	<u>ENRAP I, II, III</u> : Knowledge Networking for Rural Development in the Asia/Pacific region (1998-2007)		750 1 000 1 085	April 1998 April 2002 April 2007	China, India, Laos, Nepal, Pakistan, Philippines, Sri Lanka and Viet Nam
		<b>Total</b>	<b>11 715</b>		

\* World Agroforestry Centre.

\*\* International Rice Research Institute/International Maize and Wheat Improvement Centre.

\*\*\* International Centre for Integrated Mountain Development.

## **B. Portfolio Performance Assessment: Relevance, Effectiveness and Efficiency**

### **Relevance**

108. The Pakistan programme is aligned with country strategy objectives. It addresses many of the agricultural priorities set out in the Government's various development and other plans referred to in Chapter 2. This includes working in *barani* and mountainous areas; addressing livestock fodder and feed deficiencies and improving genetic composition; ensuring balanced area development; improving the economic circumstances of women; and building up human capital for long-term, self-reliant growth. As such, the programme addresses key challenges to poverty reduction and the needs of the poor, which are within IFAD's mandate, other than, possibly, having a greater focus on training the landless and other poor people for entry into a relevant employment market. As mentioned in Chapter 3, the programme is also closely aligned to IFAD's corporate strategies and its regional strategy for Asia and the Pacific.

109. At the project level, rural development projects in remote regions and the innovation-targeting MIOP have the potential to position IFAD as influential in policy dialogue and other matters relating to rural development in remote areas, and in innovatory microfinance initiatives. Most of the projects followed a consistent logic and leveraged off a comparative advantage. While the relevance is high, IFAD's capacity to follow up and leverage off this positioning is weak, given the limited staff resources provided for the Pakistan programme.



110. Relevance is particularly high with regard to beneficiaries. Potential relevance can be gauged from the World Bank's evaluation of AKRSP<sup>54</sup>, which reported that, from the people's perspective, AKRSP was seen as the most competent development agent in the northern areas and Chitral. By the time of the World Bank evaluation, AKRSP had been working in the northern areas for 19 years. IFAD's rural development projects are of much shorter duration but are equally well aligned to the needs of vulnerable groups. Generally speaking, IFAD projects still have considerable support from the beneficiaries, support that would be so much greater were the duration of the projects to be extended.

111. Other aspects of the country programme were weak in terms of relevance. Earlier TAGs were ad hoc, and were not integrated into the ongoing programme although the two most recent grants are preparing the ground for future initiatives. The pre-identification of grants in the COSOP for those areas where grant funding is required (e.g. policy dialogue, agriculture research, knowledge management) would improve the relevance of TAGs to the country strategic objectives. In addition, the government involvement in design and implementation of grants should be clearly articulated in the COSOP.

112. With regard to **targeting**, the CPE found no evidence to suggest that rigorous targeting criteria are applied by PMUs, though efforts were made through MTRs and follow-up missions for BVDP, DASP and NADP to sharpen the focus on targeting. Wealth-ranking exercises were conducted, but often in a very superficial way, e.g. in BVDP and NWFP BADP, and the results were not subsequently used for targeting. Furthermore there was a shortage of transportation for the projects' staff, who were concerned to achieve project targets in terms of quantity rather than quality. Consequently, they selected villages that were not too far away and had demonstrated an early disposition to participate in the project. In REACH, the need for seismic-proof houses has resulted in construction costs in excess of allocations, which discriminates increasingly against the poorer households and even more so against women-headed households that have to employ labour to do the construction work.

113. Including a whole village versus targeting only the poor also had benefits, e.g. in DASP, by fostering social acceptability in a very challenging social context. Self-targeting was effective in accessing the very poor, where groups tended to give benefits to the poor and poorest first, and where the benefits that the project was offering were so small as to be of little interest to the better-off. Some projects did try to restrict multiple access to project benefits, albeit not always effectively, as for example, in NADP, where UNDP allowed entire households to become members of village organizations (VOs) in order to boost membership numbers.

114. The CPE also found evidence that the 'very poor' did not join village groups because of their unwillingness to participate in public meetings. They were unable to contribute savings to thrift groups; had no time to participate in training because of the high opportunity costs they would have to meet; and lacked the confidence to borrow money from sources other than the ones they were locked into. The landless were excluded from most of the agricultural components, other than livestock. Even with livestock, there was a tendency to provide benefits to households with experience of livestock, which meant that the better-off also benefited from these outputs.

115. Another constraint on targeting were the serious delays in conducting, or failure to conduct, baseline studies. Without good data about a population, it is very difficult to target effectively. For example, a baseline survey was conducted three years after the start up of the SBADP and DASP, after five years in the case of Pat Feeder and 2.75 years in the case of MVSP, and was not conducted at all in the NJVCDP and NADP.

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<sup>54</sup> World Bank. *The Next Ascent – An Evaluation of the Aga Khan Rural Support Programme, Pakistan*, Washington, D.C., 2002, p. 6.

116. Overall, the portfolio is rated as **satisfactory (4.6)** with regard to relevance.

### **Effectiveness**

117. All projects established realistic objectives with regard to outputs, but measurable objectives were not set for outcomes. Projects were generally effective in meeting, and often exceeding, output targets. Agricultural production increased quite dramatically in many projects. Livestock numbers also increased (for example, in Pat Feeder, livestock increased by an estimated 18 per cent), but monitoring and evaluations (M&E) systems were often unable to make accurate reports of the extent of the increase. Incomes increased, but often not as much as hoped. The M&E systems did not make it possible to report accurately on food security impacts, but a number of factors, such as crop and livestock diversification, microfinance for microenterprises and vocational training of the poor into new trades, undoubtedly contributed to improving food security. Targets for infrastructure were also generally met, but there were serious concerns about the quality of public infrastructure provided, particularly from the DASP evaluation.

118. Projects were effective in social mobilization, achieving or even exceeding their objectives, with approximately 8 700 VOs and 4 450 WOs established in nine projects. Having reached approximately 350 000 households (or 2.4 million family members) in some of the most remote and most conservative parts of the country can be described as one of the great achievements of the programme, even though in some cases sustainability is still a matter of concern (see section on sustainability). Projects were also effective in supporting the creation of rural microenterprises. Even though it is difficult to establish any figure from the M&E systems and completion reports, undoubtedly there have been some success stories (an example of one is given in Box 1). The NJVCDP and DASP interventions were particularly successful in training people in trades in short supply in the valleys. All those trained are reported to be in employment, many having established their own microenterprises.

119. Gender was sometimes addressed rather clumsily and, as a consequence, was particularly compromised in the SFATADP and NADP and, to a certain extent, in DASP. Overall, however, projects contributed markedly to improving conditions for women, as discussed in more detail later in this chapter [gender and development (GAD)].

#### **Box 1. Mrs. Ayesha's nursery**

In the DASP in 2000, a WO member, Mrs. Ayesha, was trained by the Forestry Department to produce seedlings. She established herself as a small enterprise specializing in eucalyptus and pine, and, in 2002, earned PKR 8 000 from 4 000 seedlings. Over the next two years, her production increased and she earned PKR 50 000 rupees and PKR 80 000, respectively. The money was sufficient for her to support her son to find work in Dubai. There, after observing how Dubai nurseries used netting to shade their plants he bought some for his mother. She now shades all her seedlings. In the current year, her production has increased to 50 000 plants, 40 per cent of which she sold in the first six months of the year. The Forestry Department is her major customer, and local villagers also purchase from her.

120. IFAD-supported projects also contributed to bringing unproductive land into production, and additional land was irrigated under the DASP (750 ha), NADP (4 009 ha), SBADP (6 120 ha.) and NJVCDP. How that land was owned is not explained in the completion reports. Some of it might have benefited the poor, particularly in DASP, NADP and NJVCDP, but it is doubtful it would have had any impact on the landless.

121. The objective of introducing effective decentralized governance was not achieved. Pakistan introduced a less centralized form of government through the Local Governance Ordinance of 2001. Donor programmes are helping to develop capacity, but IFAD is not involved in these efforts. The Fund's innovative initiative to develop apex COs might have linked up to the district or *tehsil* level of government but has not yet done so. There is little evidence of any change in IFAD project areas with regard to decentralized institutional reforms with focus on agricultural and rural development.

122. As far as access to financial services is concerned, by and large the amount of rural credit available has increased thanks to the country programme. IFAD-assisted projects, like most others engaged in rural finance, have been also extremely flexible in lending for various purposes. Typically, loans of PKR 5 000-10 000 are available for agricultural inputs, poultry and small assets (e.g. sewing machines). Larger loans in the range of PKR 10 000-20 000 are used for purchases of livestock, transport and investment in enterprises (e.g. building a store, improving a barber shop, etc.). However, like other donors and the Government, IFAD has also struggled to increase outreach and deal with sustainability issues. This is most evident in IFAD-assisted projects in Balochistan and the NWFP. It cannot be said that this has been a successful struggle in most cases, but there is at least one success story in the making. That is the BVDP, where the Government has agreed that NRSP should retain the revolving fund at project completion and extend credit to beneficiaries on a continuing basis.

123. IFAD has adopted a conservative approach, concentrating only on credit lines and ignoring other financial services such as saving accounts and insurance, for example. The more recent projects, MIOP and PRISM, aim to overcome this by promoting a wider range of innovative financial services. IFAD has been less than nimble, however, in keeping pace with rapid changes in the national environments for rural finance during 2000-2005. For example, it was only in 2005, six years after the World Bank that IFAD started assisting PPAF, the largest wholesaler of microfinance in the country.

124. Overall IFAD has met with more failures than successes in its involvement in rural finance in Pakistan. Some of the projects managed to exceed targets, but these gains cannot outweigh the loss in numbers and objectives associated with the virtual abandonment of the credit component in several projects and of one credit-only project (SWCRP). However, the lack of performance of badly-managed government-owned banks and NGOs engaged by IFAD for credit delivery is more a reflection of the state of rural finance in the country than of an IFAD failure.

125. As a general rule, research was poorly conducted, insufficient attention having been given to documenting trials. ICARDA's work in BVDP was a notable exception (see Box 2).

**Box 2. Exemplary research providing market-based solutions to local problems**

ICARDA located three integrated research sites within project villages to enable researchers from five research institutes to work closely with communities. Collaboration enabled researchers to address problems experienced by the communities. Low milk yield was just one of the problems. Trials introducing urea molasses blocks and mixed feed led to significant improvement in milk yields. Mixed feed proved cheaper than the cotton seed cake traditionally used. Two private suppliers now produce the mixed feed locally, and distribute it through ten local outlets.

126. The CPE of 1995 identified a number of weaknesses that impinged on programme effectiveness. Of the ten issues listed, seven remained prominent in post-1995 projects. Time overruns are commonplace; targeting remains unscientific, with little attention to generating gender-disaggregated data; social organization activities were often launched without sufficient attention to planning and sustainability; environmental issues were not a focus of designs, especially in relation to roads; little attention was paid to the relationship between projects and nutrition, exacerbated by the tardiness of baseline surveys; agencies tended to operate independently of each other with their project inputs; and the quality of project managers was not always satisfactory, few of them having any prior experience.

127. Overall, the effectiveness of the portfolio warrants a **moderately satisfactory (4.2)** rating.

## Efficiency

128. Projected per capita costs<sup>55</sup> varied significantly between projects, from a high of US\$350 for SFATADP and DASP to lows of US\$103 for SBADP and US\$107 for BVDP<sup>56</sup>. These can be compared with AKRSP, which achieved a per capita cost of US\$148 over a 17-year period (US\$64 over a five-year period) and World Bank's Northern Resources Management Project cost of US\$109<sup>57</sup>.

129. In infrastructure, the most cost-effective interventions were when communities were involved; infrastructure works contracted by government line agencies incurred higher costs. For example, in the village of Kander Kalas in the Jhelum Valley, a 2.5 km link road was constructed as a community infrastructure project in 1999. It cost PKR 775 000, with a community contribution of PKR 175 000. The road was damaged in the 2005 earthquake. The CDP in AJK reconstructed 1.75 km of the road under contract with the Public Works Department for PKR1 980 000 (adjusted for inflation). The per kilometre cost was nearly three times greater than the original work, only part of the additional cost being explained by differences in specifications. In Buner Das in the NADP, with project assistance, the local community built an irrigation scheme that satisfied their requirements for PKR 350 000, even though it was budgeted at an estimated PKR 4 million. In the DASP, the comparative per kilometre cost of roads was slightly less than half of that in the Murree Hills and AJK, although the quality was poorer.

130. Projected economic internal rates of return (EIRR) varied, with particularly low ones of 8.4 per cent for Pat Feeder and 10 per cent for CDP in AJK; others ranged between 15 per cent and 20 per cent. There are few post-completion EIRRs to assist in determining how efficient projects were in this regard. Moreover, difficulties associated with determining the monetary value of benefits related to social components must be recognized. Compared with the EIRRs calculated at completion, EIRRs at project approval tend to be quite optimistic. The absence of further attempts to calculate EIRRs in project completion reports (PCRs) reflects the scarce importance that both the Government and PI attach to accountability.

131. Four projects considered EIRRs at completion. The SBADP<sup>58</sup> calculated an actual EIRR of 4.1 per cent, well below the projected 16-24 per cent owing to a significant reduction in the number of project beneficiaries. In Pat Feeder<sup>59</sup>, the final EIRR is expected to be lower than 8.4 per cent because investments took about three years longer than planned, with a consequent lag in benefits; the area covered by watercourses was barely half that planned; at about 70 per cent, farm income increments were lower than the up-to-200 per cent increments assumed in the appraisal report; and the cropping intensity increment may be a little higher than assumed at appraisal but not enough to outweigh the other negative shifts. The EIRR of 19 per cent for NWFP BADP<sup>60</sup> excluded 50 per cent of the community development costs, all the credit line costs and 25 per cent of the management costs, on the questionable grounds that the benefits were not quantifiable. The PCR for MVSP<sup>61</sup> established an

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<sup>55</sup> The cost was calculated crudely by dividing the projected overall project cost by the number of targeted beneficiaries. Where households only were mentioned, it was assumed that the average household consisted of six persons, which probably errs on the low side.

<sup>56</sup> The Community Development Project in AJK seems to be an anomaly and is assumed to be overoptimistic about the number of beneficiaries it will access.

<sup>57</sup> World Bank. *The Next Ascent – An Evaluation of the Aga Khan Rural Support Program, Pakistan*, Washington, D.C., 2002, p. 51.

<sup>58</sup> AsDB, *Project Performance Audit Report on the Second Barani Area Development Project in Pakistan*, August 2002, p. 15.

<sup>59</sup> ITAD. *Country Working Paper – Pakistan*, September 2004, pp. 20-21.

<sup>60</sup> ITAD. *Country Working Paper – Pakistan*, September 2004, p. 33.

<sup>61</sup> IFAD. *Mansehra Village Support Project, Completion Review Report*, February 2002, p. 17.

EIRR of 17.9 per cent, commenting that it was significantly lower than the appraisal estimate owing to the smaller group size (25-30 members) than that anticipated at project design (100), and the allocation of one infrastructure project per group instead of the 'up-to-three' envisaged at appraisal.

132. The average **time lapse** between loan approval and loan effectiveness was 11.2 months with a median of nine months. This was an improvement on the performance of the eight earlier projects, which had a mean of 14.1 months and a median of 10.3<sup>62</sup>. It also compares favourably with the regional average of 11.4 months reported in EVEREST<sup>63</sup> and with the IFAD average of 14.5 months reported in the same document. It does not, however, compare well with World Bank and African Development Bank experience of 8.2 and 8.4 months, respectively, described in the IEE report<sup>64</sup>. The time taken to prepare PC-1s<sup>65</sup> is still a major cause of delays in project effectiveness, an issue raised by the 1995 CPE and still not addressed satisfactorily. There seems to be no reason why a PC-1 should not be included as part of loan documentation provided to IFAD's Executive Board. The MVSP, with a time lapse of four months to approval, is a benchmark that should be set.

133. While, on average, **time overruns** have been reduced, every project has experienced them. These have averaged more than two years and thus negatively impact on actual EIRRs. There seems to be a not uncommon cycle that at least partly explains the overruns. Projects experience delays in mobilization because of difficulties in establishing PMUs, and particularly in recruiting heads of PMU. Baseline surveys are not immediately performed, which means it is not possible to measure impacts efficiently. PMUs experience frequent staff turnover and there are periods when positions remain vacant (e.g. in Mansehra, the monitoring economist resigned in 1999 and was not replaced); there have been six project directors on the NADP and there are still 25 staff vacancies because central government refuses to give its 'no objection' to the establishment levels proposed. By the time of the mid-term review, a project is beginning to gain a momentum that gathers pace after the review. The IEE<sup>66</sup> was particularly critical of delays, commenting: "It is claimed by some that project delays are difficult to predict. The evidence suggests the opposite. The length of time taken for activities is largely predictable and is usually much longer than is apparent from a hasty superficial aggregated last minute guess at appraisal".

134. Few initiatives appear to have been taken to improve management and implementation efficiency, despite a number of projects in the same field. For example, given the inefficiency of PMUs, it would be simple to prepare a computerized model simulating project implementation and then base a training programme on it for each new PMU. Present experience is that each PMU has to learn much about implementation and is forced to develop systems from scratch. The Programme for Electronic Networking for Rural Asia and Pacific Projects (ENRAP) (see paragraph 218) has an important potential to contribute to building PMU's performance as a platform to offer training and knowledge exchange.

135. Notwithstanding the above, as a general rule, project costs were comparatively low for outputs based on comparisons with similar government expenditures, and it is doubtful that they would be higher than other comparators like the AsDB. One thing that cofinancing with supervision being outsourced to the cofinancier demonstrates is that other MDBs are no more efficient than IFAD. Consequently, efficiency is rated as **moderately satisfactory (3.8)**.

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<sup>62</sup> MIOP had an elapsed time of 9 months; REACH of 4 months.

<sup>63</sup> OE. EVEREST – Pakistan Country Working Paper, February 2006, p. 22.

<sup>64</sup> ITAD, Independent External Evaluation of IFAD – Final Report, May 2005, p. II-46.

<sup>65</sup> PC-1 is the official government document for budget allocation used by project directors for implementation. The flexibility required for the implementation in some projects is curtailed by perception of the PC-1 by PMU heads as being written in stone. It would assist every project if the Government were to produce a document stating the degree of flexibility a PC-1 possesses.

<sup>66</sup> ITAD. Country Working Paper – Pakistan, September 2004, p. 46.

**Table 10. Selected Efficiency Indicators**

	Loan Approval	Loan Effectiveness	Elapsed Time months	Planned Completion Date	Actual/Projected Completion Date	Over-run months	Projected per capita cost	Projected EIRR per cent
Second Barani	19 Apr 90	18 Feb 91	10.0	30 June 98	31 Dec 98	6	103	16.0-24.0
Smallholder/Women's Credit	2 Oct 90	19 June 92	20.5	30 June 96	Cancelled			14.0-65.0
Neelum and Jhelum Valleys	4 Sept 91	5 June 92	9.0	30 June 99	30 Jun 04	60	139	12.0
Mansehra Village	3 Dec 92	26 Mar 93	4.0	31 Dec 00	30 Jun 01	6	198	26.0
Pat Feeder	19 Apr 94	2 Feb 95	9.5	31 Dec 01	31 Dec 03	24	233	8.4
Dir Area Support	11 Sept 96	15 Apr 97	7.0	30 Sept 04	31 Dec 08	51	350	15.0
Northern Areas	11 Sept 97	11 Sept 98	12.0	31 Dec 05	31 Dec 07	24	251	14.2
Barani Village	3 Dec 98	1 Sept 99	9.0	31 Dec 05	31 Dec 07	24	107	11.4
Southern FATA	7 Dec 00	24 July 02	19.5	31 Mar 09	-		350	24.8
NWFP Barani	26 Apr 01	9 May 03	24.0	31 Dec 09	-		245	19.0
Community AJK	18 Dec 03	2 Sept 04	8.5	31 Mar 12	-		36	10.0
MI&OP	13 Dec 05	1 Sept 06	8.5	31 Mar 12	-			-
REACH	20 Apr 06	1 Aug 06	4.0	31 Mar 10	-			-
Average			11.2			27.9		

Sources: A Strategic Review of the IFAD Programme in Pakistan, Reports and Recommendations to the President.

### C. Rural Poverty Reduction Impact

136. The impact survey<sup>67</sup> conducted in two projects (BDVP and NWFP BADP) pointed up significant differences in favour of beneficiaries (as opposed to control groups) in terms of their sense of well-being in relation to the village as a whole, literacy and distance from a *pakka* road. Differences favouring beneficiaries were also found in distress indicators, as evidenced by liquidation of assets (land, cattle, savings and jewellery), although the impacts identified were limited in range. A majority of the beneficiaries had not attributed any benefits to the project in 53 out of 63 impact indicators for the BVDP, and in 39 out of 63 for the NWFP BADP. In addition, beneficiary perceptions of factors such as social capital and empowerment were highly appreciative, while those concerning the indicators for goods and services for the household were generally feeble or non-existent. Moreover, taken together, projects focused on the better-off communities or households in their project areas. NWFP BADP, which received significant cofinancing from AsDB and supported a broader range of interventions than BVDP (including roads and social sector interventions), comes out ahead of BVDP in most impact indicators.

137. The findings of the survey suggest that estimates of impact for the two projects, obtained through missions, PCRs and previous evaluations, might have overstated the range and extent of project impacts. In addition, given the differences observed between the two projects, the survey suggests that some interventions (e.g. agricultural research and extension) would not generate significant impacts without interventions in other areas (e.g. input supply, marketing and roads) and that there is a symbiotic interplay between social capital and interventions that directly impact well-being through goods and services.

138. The following paragraphs summarize the evaluation findings on rural poverty reduction impact for each of the impact domains identified by IFAD's evaluation methodology.

<sup>67</sup> A summary of the impact survey can be found in Appendix 7.



## Physical Assets

139. The impact survey found that 20–30 per cent of BVDP beneficiaries reported increases in livestock, savings and jewellery. BVDP also constructed a large number of good-quality mini-dams, ponds, irrigation facilities, wells, shallow tube-wells and lift irrigation schemes, meeting all its targets. Link roads to improve access to markets and village water supplies also met targets. Some 20 per cent of households in BVDP extended their houses and 27 per cent improved them, although the impact study found no evidence to suggest that these improvements could be attributed solely to the project. In DASP, seed production and irrigation schemes were of good quality, but livestock numbers were less than expected and road construction was of doubtful quality. In REACH, despite good results in house reconstruction, 22 per cent of dwellings did not conform to anti-seismic requirements. An effective approach to sustainable seed production is given in Box 3.



**Water pump for accessing drinking water.**

**Barani Area Development Project.  
Abbotabad District, North West  
Frontier Province.**

*Source: Dawood Ghani*

### **Box 3. Seed Improvement in Mansehra**

A significant impact across a number of projects was improved seed, both of minor crops like pulses and vegetables, and of major crops like rice, wheat and maize. The introduction of a seed quality control and marketing system for certified seed in the MVDP encouraged further uptake and significantly increased the income of farmers producing it. The 60-70 per cent uptake of improved seed resulted in a productivity increase of at least 30 per cent.

## Financial Assets

140. The results of the impact study show that 51 per cent of BVDP beneficiaries and 76 per cent of those of NWFP BADP reported income increases. However, a control group not associated with the project also reported income increases for the same period, which questions the extent to which BVDP beneficiaries' income increases can be attributed to the project. The PKR 20 000-50 000 target set for women in the DASP intervention was achieved by an estimated 1 000 of all households targeted. For women who received improved poultry through the NADP, monthly income increases of PKR 1 800 are reported, which places them at the lower end of the target for DASP. It is estimated that annual household income increases claimed for NJVCDP (from PKR 56 673 to PKR 138 019) are capable of lifting a six-member household out of poverty. If one could be sure that household income disparities were not large at the beginning of a project and that the benefits were distributed evenly, there would be a strong case for this figure being evidence of poverty reduction. Observations supported by the impact survey, however, suggested that the major beneficiaries were the wealthier, land-owning households that were able to save. The very poor are likely to have been affected very little by the projects.

141. Cash flows have increased in a number of projects following the introduction of new crops and fruit trees and the marketability of the crops thanks to improved transportation. Out-of-season crops from Northern Areas and Neelum and Jhelum made a significant contribution in this regard. In DASP real income increases from wheat, maize and paddy amounted to 64 per cent, 68 per cent and 51 per cent, respectively. Women have benefited from the provision of livestock, with anecdotal evidence of good impacts from milk and egg production and from livestock generally. In BVDP, for example, 9 608 loans have been provided to women for livestock and enterprise development. The NJVCDP reported a doubling of household incomes, but did not factor in the significant remittance flows coming into the area from migrant workers.

142. Access to microfinance has been poor, mainly for reasons having to do with the operating environment, such as administrative control of retail institutions, limited availability of reliable microfinance providers and a populist belief in subsidized credit. The CPE estimates that ongoing IFAD-assisted projects are currently reaching 40 000-50 000 microfinance borrowers in the country. This may be a large number in its own right, but it is certainly much less than the approximately 240 000 target beneficiaries reported in the results management framework for Pakistan dated June 2007.

### **Human Assets**

143. There were two major contributors to human assets. The first were the community infrastructure projects, many having introduced potable water to communities, which benefited not only general health profiles but also women, who were saved a number of hours each day drawing water from the nearest source. For example, an estimated 50 per cent of villages in NJVCDP benefited from improved water provision. In the impact survey, 40-45 per cent of beneficiaries in BVDP and 40-60 per cent in NWFP BADP reported improvements in health and education as a result of the projects. Mini-hydels also produced very cheap electricity; this provided many benefits, including the fact that children were able to study in the evening.

144. The second were the non-farm income-generation programmes in some projects, i.e. NJVCDP, NWFP BADP, DASP and BVDP. The first three were particularly successful in providing a few people with marketable skills in employment. In BVDP and NWFP BADP, 41 per cent and 51 per cent, respectively, of beneficiaries reported positive project impacts on skills and crafts. In DASP, many of the trainees found work in enterprise clusters such as furniture and knife-making, poultry rearing, welding, automotive repair and light engineering. As non-farm incomes constitute such a large part of rural incomes, these kinds of activities were highly valued in projects.

### **Social Capital and People's Empowerment**

145. Social mobilization was a major strength of the programme (also highlighted by the PI self-evaluation), with communities increasingly becoming drivers of development priorities in their areas. Projects approved after the SBADP successfully established VOs although their sustainability was often weak (see Section D later in this chapter), especially those established in the latter years of the projects. In the six projects approved between 1991 and 1998, some 5 036 VOs were established compared with project targets of 3 100; and 2 637 WOs were established compared with targets of 1 890. In total, assuming there were 26 households per VO and that members of WOs were from the same households as VOs, at least 225 000 households would have been involved.

146. The impact survey found that BVDP and NWFP BADP had had a positive impact in terms of community decision-making, with more people believing they were able to participate effectively in village affairs and in village dealings with government agencies. Three projects experienced opposition to certain approaches adopted for the development of women, particularly in SFATADP. In the other two, DASP and NADP, the initial opposition waned and there has been some progress. Women now assert themselves sufficiently with their men-folk to ensure that projects continue their work in this regard.



## **Food Security**

147. Despite being one of the COSOP's main directions, projects did not give much attention to food security. On the principle that what matters gets measured, food security was not carefully monitored as an indicator. The impact survey found no statistical difference between beneficiaries and control groups in BVDP, a possible explanation being that the concentration on extension was not supported by improved input supply and marketing.

148. Because M&E systems collected no information on diets, it is difficult to present other than anecdotal evidence to substantiate an assessment of impact in this domain. There is no information about live birth weights, or malnutrition and other indicators of poor diets in the districts where projects were implemented. Three changes produced confidence that food security and nutrition had been improved to some extent by projects. Agricultural production increased in all projects but many of the beneficiaries were the non-poor. In many projects, production was diversified from a reliance on grains to horticultural products and the introduction of fruit, especially apples, some species of which have a reasonably long shelf-life. Finally, production of milk and eggs increased significantly in almost all projects. Livestock may be very important to food security because there is strong anecdotal evidence that, after the earthquake, households in AJK ate or sold livestock to help them survive the first winter.

## **Agricultural Productivity**

149. In Pat Feeder, there were production overall increases of approximately 300 per cent in the summer season and 800 per cent in the winter season. In DASP, there were overall increases of 70 000 tons of wheat, maize, paddy and barley production in 2005 compared with the targeted 10 100 tons. The impact survey of BVDP and NWFP BADP provides additional support regarding the impact on agricultural productivity in its finding that 71 per cent of beneficiaries in BVDP and 80 per cent in NWFP BADP considered that the projects had had a sustainable, satisfactory impact on agricultural incomes.

150. Despite the above, a major shortcoming in ongoing projects is the inability to assess agricultural productivity impact. While there is a very full reporting of activities, this is not always translated into information about impact: for example, there was a lack of data on seedling survival, successful live births from artificial insemination, uptake of improved techniques, and seed from demonstration plots. This seems to have delayed both the identification of causal factors for slow or ineffective implementation and of improved implementation – for example, low pregnancy rates due to poor quality AI and ineffectual dissemination from demonstration plots. With the increased size of projects (NWFP BADP) and the addition of more components (NADP and BVDP), less emphasis has been placed on agricultural components and consequently there is a reduced level of technical support. Improved seed varieties (see Box 3, page 35) have also contributed greatly to productivity increases.

## **Natural Resource Base**

151. While it cannot be said that the programme has given scarce attention to the environment, what must be said is that it has been unsystematic. With a country programme establishing a niche in remote, often mountainous, places, environmental issues assume a greater significance. This is because such areas are often in the upper reaches of watersheds in country with steep, once heavily forested slopes, and consequently require careful management. Project designs for the CDP in AJK, NADP, DASP, MVSP and NWFP BADP paid no systematic attention to environmental issues other than to prescribe seedling planting activities and improved livestock management. There was an absence of information in project documentation about where and how the environment was particularly at risk. The environmental issue was brought into stark relief by the 2005 earthquake, when landslides were a major phenomenon partly as a result of reduced forest cover.



**Post 2005 earthquake erosion along the Jhelum River, in Muzaffarabad District, Azad Jammu and Kashmir.**

*Source: Michael Heppell*

152. Projects made a mixed contribution to improving the natural resource base of communities. DASP was satisfactory because planting targets were exceeded. Similarly, BVDP was judged satisfactory mainly because 5 663 acres of land were being protected or rehabilitated thanks to soil conservation works. The impact survey found that 26 per cent of project beneficiaries attributed improved soil to the project. While there was considerable tree planting under the DASP, NJVCDP, NWFP BADP and NADP interventions, it does not appear to have been entirely effective. With significant grazing on slopes, unprotected seedlings are at significant risk. Official estimates in AJK, for example, gave a failure rate of 50 per cent for planted seedlings, but it has been suggested that losses could be even greater in many cases. There was no evidence of replanting where seedlings had failed. The earthquake provided a major reason for giving careful consideration to the possibility of providing additional funding for reforestation, but this was not taken up.

153. Even though projects are assessed for environmental impact prior to approval, there is no requirement that infrastructure constructed by projects should be subjected to environmental assessments. An opportunity has been missed to encourage villages and agencies to prepare environmental impact assessments so that adverse impacts are identified and avoided. Such assessments might also have the benefit of making villagers more environmentally conscious.

### **Institutions, Policies and Regulatory Framework**

154. The IFAD Strategic Framework 2007-2010 includes an institutional framework for the achievement of MDGs. It calls for the development of poverty reduction strategies and sector policies responding to the needs of the rural poor; development of efficient government organizations focusing on poor rural people; establishment of strong organizations of rural poor; and for enhancing capacity to develop and implement poverty reduction programmes. All these are necessary conditions for IFAD to achieve the objectives it set itself for the whole period covered by this evaluation.

155. Positive results can be reported in terms of the changing attitudes and operational priorities of agencies in terms of being more sensitive to community priorities and spending more time consulting communities rather than just providing them with what was budgeted for. Service provision has improved. In the Community Development Project in AJK, local development plans are being used to determine government priorities for providing services to local communities and local community organizations. A next step is for the government agencies to agree a service charter with the locally based organizations or Citizen Community Boards and being held accountable for maintaining the agreed services at the agreed standards. There have also been moderate changes in government institutional capacity, particularly in the provision of equipment to livestock agencies and research institutes, stocking of nurseries and establishment of cells of women extension officers. Unfortunately, many of these changes are in the nature of throwing money after issues, because of doubts that operational budgets will be sufficient to keep the equipment functioning effectively after project closure and for employing women extension officers on a permanent basis.

156. Notwithstanding the above, by and large IFAD's contribution to institutions, policies and the regulatory framework was poor. Its contribution to **decentralization** was essentially limited to supporting, through its projects, the registration of COs and village development committees (VDCs) as civil community boards (CCBs), which gives them legal status and enables them to access resources from local governments. So far, more than 200 COs/VDCs have already been registered as CCBs and registration of another 900 is being processed. The NRSP initiative (under BVDP) to issue printed guidelines on the process of registration and preparation of constitutions was greatly appreciated by all concerned.

157. There was no evidence that IFAD had influenced any significant policy change affecting rural economies although issues might have been discussed at PBAS meetings, which the PI self-evaluation regards as a main policy dialogue instrument. This mechanism, however, does not lead to any formal process by which governments agree to address specific policy issues based on a submission by IFAD.

158. Even though IFAD was influential in focusing attention on rural poverty in the early years of its involvement in Pakistan, more recent policy influence was difficult to identify, as noted by the IEE. Opportunities were missed: for example, REACH did nothing to prepare state and provincial governments and, equally importantly, district, *tehsil* and village levels, for another natural disaster.

159. The programme has had a reasonable impact in introducing MFIs (in some projects) into project areas and giving them incentives to remain there through provision of a revolving credit line, the continuation of which the Government usually agrees to after project completion. By mobilizing CBOs, projects have also provided a more efficient mechanism for MFIs to do business in rural communities.

160. More recent projects have also introduced the promising idea of establishing clusters of CBOs and of grouping clusters under apex organizations. So far an estimated 44 clusters and six apex organizations have been established. The challenge now is to decide on an ongoing purpose for these organizations, sufficient for them to be able to fund themselves and to remain relevant both to communities and to women, who need better representation at all levels of government.

### **Access to Markets**

161. Access to markets was not specifically targeted by any project and, by and large, little attention was paid to developing markets to support initiatives introduced into projects. However, market access has undoubtedly improved following the construction of roads, as noted in the PI self evaluation. Also, vocational training and microfinance undoubtedly led to greater market activity for beneficiaries, as did the introduction of high-value crops in projects like the NADP and NJVCDP. Consequently, improvements in 'markets' were more in the nature of indirect project benefits than of targeted benefits.

162. Overall the programme was rated as **moderately satisfactory (4.2)** for rural poverty reduction impact. PI also considers rural poverty impact as moderately satisfactory because projects attained many of their goals and some of those of the country strategy, although it would have been fairer to say that projects met many of their output targets.

### **D. Sustainability**

163. The following paragraphs assess the likelihood of sustainability, taking into consideration key sustainability dimensions for IFAD's programme in Pakistan.

164. **Social sustainability.** CBOs, including WOs, take longer to mature than the typical seven-year project cycle. Many commentators reported to the CPE that VOs need up to 15 years to reach sufficient maturity to be sustainable, although VOs with good leadership will attain that level much

sooner. Maturity is affected by large workloads carried by social organizers, who in some cases are responsible for well over 50 CBOs, which most consider a reasonable level of responsibility. For example, in BVDP, social organizers were responsible for as many as 120 CBOs each, and could not devote sufficient time to any of them.

165. The completion report for the SBADP stated “In a beneficiary-driven rural development project, the formation of CBOs must precede project interventions rather than follow them. In this Project, formation of CBOs was delayed by about four years”. The MVSP completion report states that “During the last two years of the Project, the Sarhad Rural Support Programme (SRSP) embarked on rapid expansion of the establishment of beneficiary organizations, instead of devoting its time and resources in the consolidation of existing organizations. During this period, it established an additional number of 412 VOs over and above the 504 groups organized in the preceding five years.”

166. The sustainability of small projects of physical infrastructure such as irrigation canals, roads and bridges seems likely because in almost all cases the communities had a strong sense of ownership. Rural communities have been actively involved in the identification of such projects and have built them with their own hands. Moreover, maintenance committees and small maintenance funds have been established in most cases.

167. **Economic and financial sustainability.** The activities promoted by the projects (e.g. improved agricultural practices through ameliorated or newly-introduced crops, acquisition of livestock, establishment of microenterprises and vocational training) are expected to provide sustainable economic and financial benefits to participants. On the other hand, sustainability is threatened when much of the purpose of CBOs evaporates with the completion of a project. Incentives like social infrastructure projects cease, as sometimes does credit support. This happened in SFATA and NWFP BADP, and in projects where the PMU assumed responsibility for providing the lines of credit. Consequently, CBOs cease to have a relevant purpose to villagers.

168. Public infrastructure projects are at risk because the infrastructure outstrips government capacity to maintain it effectively. Private nurseries have been quite successful in a number of projects, but not all have endured for want of markets. Sustainability of seed production is threatened by a lack of linkage to the private sector. As seed needs to be replaced every two-to-five years to maintain quality, the improved seed is not sustainable unless there is an alternative seed processor and supplier to keep maintaining the quality.

169. As far as access to credit is concerned, there is a major issue of sustainability in the sense that although progress is being made by a number of actors, including some supported by IFAD, none of the microfinance institutions focusing on rural finance has attained profitability. Consequently, if rural credit is to continue to be provided, retailers require subsidies. According to the PMN’s Performance Indicators Report (PIR) for 2005 (PMN 2006), “the microfinance sector in Pakistan has one of the lowest profitability ratios globally” and is, therefore, dependent on a high level of subsidies.

170. **Institutional sustainability.** None of the projects had exit strategies outlining a process for handing them over to government. In IFAD’s programme, there is often a certain amount of uncertainty about whether or not a project will be extended to a second phase. Both DASP and NADP, for example, expressed an expectation that a second phase would occur and that if it did not, closure was likely to be abrupt. The MIOP and PRISM designs, however, have paid careful attention to sustainability and exit strategies.

171. **Technical sustainability.** Stone structures to improve soil conservation have a doubtful future as they are stopgap measures likely to last up to ten years, and are hostage to poor natural resource management of upper catchment areas that have not benefited from project activities.

172. Overall the portfolio was rated as ‘**moderately unsatisfactory**’ (3.4) for sustainability.

## E. Innovation, Replicability and Scaling Up

173. **Innovation.** IFAD sees innovation as perhaps the most promising way of distinguishing itself from other IFIs. In Pakistan, IFAD has been embedded and evolving gradually in the rural development and institutions context of the country. One project approved in the early 1990s (MVSP) contributed to the introduction of NGOs in project design and implementation for the first time in a government-financed and managed project. This was the first project for which the Government accepted a loan liability on behalf of an NGO. As pointed out by the PI self-evaluation, the successful implementation of MVSP with the joint efforts of an NGO (Sarhad Rural Support Programme (SRSP)) and nine government agencies, paved the way for government acceptance of NGOs as vehicles for social development in Pakistan.

174. IFAD has also introduced incremental changes in the way projects are designed and implemented, such as: (i) the introduction of a clustering system for COs in CDP, BVDP and DASP; (ii) engaging FAO to handle procurement and technical training in CDP; and (iii) engaging ICARDA in BVDP and generating agricultural technologies that might be useful in other projects operating in semi-arid areas. Moreover, in MVSP, for the first time, local women were trained as paravets and subsequently became part of the regular staff of the Livestock Department. This opened up the way for regular courses for women extension staff and now most projects, RSPs and government programmes, make provision for women livestock officers. IFAD projects have also introduced new agricultural products, primarily horticulture and fruit, supported by improved farming methods – the employment of ICARDA in BVDP being the most productive. The CDP introduced incentives to support a demand-driven approach to provision of government services.

175. IFAD's boldest initiative in Pakistan was its insistence, through the SWRCP (approved in 1990 with the World Bank in the lead) to change the lending policies of the ADBP in favour of women, the landless and small farmers, including a pioneering initiative that envisaged the use of social collateral. However, this proved to be a completely unworkable proposition: ADBP was recognized as a troubled institution, and the project was abandoned after disbursing only 7.6 per cent of its IFAD budget.

176. More recently, the MIOP – approved December 2005 – was designed to introduce new and innovative credit products targeted at meeting a burgeoning microfinance market. It may well prove to be the most radical departure from IFAD's history in Pakistan inasmuch as the project is implemented entirely outside the line department and official banking set-up, and aims to encourage the PPAF and its partners to introduce new financial products, both of which are innovative directions. This is also the only project in which an emerging partnership (with PPAF, NGOs and the World Bank) could influence policy in the near term.

177. The regional strategy for Asia and the Pacific region that prevailed for much of the period covered by the evaluation (1990-2007) was aimed at using TAGs for promoting technical and institutional innovations during project implementation, on the assumption that loan-funded projects were well-placed to test and disseminate innovations. In Pakistan, however, the following obstacles have hampered effective implementation of the strategy: (i) government may be hesitant to allow experimentation of untested ideas in projects financed by loans; (ii) funds for developing and testing innovations are very limited in Pakistan; (iii) the few TAGs that cover Pakistan have no links to projects and potential partners for replication (with the possible exception of involving ICARDA in BVDP); and (iv) IFAD's implementing partners are planners and implementers, rather than innovators, for whom, understandably, concentrating on their designated roles takes precedence over innovation. No systematic approach to innovation and its documentation, analysis and dissemination is taken during project cycles.

178. **Replicability and scaling up.** With regard to replication by the larger IFIs, NWFP BADP (cofinanced by AsDB) plans to replicate five of the technologies that ICARDA and BVDP have brought from the adaptive research phase into the development programme. On the basis of transforming a tried model so that it can be accommodated to government planning and service

delivery, the country programme would score well. There is potential for replication and for persuading governments to follow IFAD's example in recurrent development programmes. However, much more needs to be done to incorporate the model effectively into provincial and state-level budget and development planning, and service delivery. Moreover, the limited cofinancing generated by IFAD (see Para 99 and 100) also has implications on its replication and upscaling potential in the country. Apart from the AsDB and the World Bank, potential cofinancing partners include the Islamic Development Bank, international NGOs, bilateral donors, and UN organizations such as e.g. FAO, WFP, WHO, UNESCO, UNICEF. By and large, so far the strongest element of **replication** evident in Pakistan is that of IFAD replicating its own work with some changes, including those reflecting the evolving context.

179. The overall portfolio has been rated '**moderately satisfactory (4)**, the same rating given by the PI self-evaluation.

## F. Gender

180. Gender is an important aspect of the country programme in Pakistan. It also presents great difficulties as many areas of the country have entrenched cultures of varying degrees of male dominance. Moreover, the absence of gender-disaggregated data poses a challenge to evaluating project impacts on gender. IFAD has responded to these challenges by appointing a local gender consultant to strengthen IFAD's capacity and presence in relation to gender issues in Pakistan.



**Women organization in the village of Kalpana, Azad Jammu and Kashmir.**

*Source: Michael Heppell*

181. Overall, projects have made an important contribution by having developed gender activities where hitherto there were none. This particularly applies to the NADP, DASP and SFATADP, all of which came up against strong opposition because of the prominence of GAD activities and mistrust of the objectives of NGOs employed by the projects. Women in DASP were reported to have been shot at as they went to WO meetings. Project vehicles were machine-gunned and PMU offices blown up in the NADP. One local woman working for the SFATADP project was in a vehicle that was fired upon and crashed, and she was hospitalized. She was sufficiently frightened to migrate to Punjab with her family. If IFAD wishes to continue targeting the remote areas of Pakistan, it will need to bear in mind that giving too much importance to gender issues is likely to be self-defeating. Subtlety is required, and it does produce results.

182. The most significant achievements of the programme have been to: (i) provide women with an organized forum for collective dialogue and action: (ii) empower them through knowledge and information about their status, roles and potential: (iii) give many of them a collective voice that has

the potential to find its way to decision-making processes that they had been previously excluded from; (iv) give them a vision about what they can attain; and (v) provide them with mechanisms such as microfinance to attain that vision. The impact survey, for example, found that many more women than men appreciated the project's impact on increasing the Government's responsiveness to women's problems, increasing the community's responsiveness to women and the poor, and establishing links to NGOs and the private sector. However, the very low literacy levels of women in such communities should be borne in mind. Women's empowerment with no attention either to their education or to the education of coming generations is likely to give rise to concern for a consideration length of time.

## **G. Operational Performance of IFAD and Its Partners**

### **IFAD**

183. In addition to financing loans, IFAD prepares projects (identification, formulation and appraisal), monitors disbursements, organizes mid-term reviews or other support missions, and prepares PCRs. Its past performance in Pakistan has been criticized by two recent corporate-level evaluations (IEE and EVEREST) in terms of its visibility vis-à-vis the Government and donor stakeholders, and weak supervision. In addition, concerns have been raised about limited participation of some government counterparts in Islamabad (e.g. Planning Commission, Ministry of Food, Agriculture and Livestock) in project design. This is important in order to avoid overlaps with on similar on going or recently completed projects by any governmental or non governmental agency. In the last two-to-three years, however, IFAD has made a considerable effort to overcome such shortcomings.

184. During the period covered by this evaluation, there were three different CPMs for Pakistan. In 2004, and not before time, the CPM was changed, and this has revitalized IFAD's relations with, and operations in, the country. A new CPM responsible solely for Pakistan was appointed as of January 2008.

185. IFAD has been assisted in Pakistan by the establishment of a proxy country presence in 2005, with experts appointed to two field positions. There is wide recognition that the country presence has markedly improved the way IFAD is represented and perceived in Pakistan, and its relations with the Government have benefited. An important initiative following the establishment of the country presence has been six-monthly meetings, chaired by the EAD, with all IFAD project directors, the liaison officer and the CPM. Other specific improvements include: regular participation in the donor coordination groups for poverty alleviation and microfinance; hands-on participation in supervision missions and wrap-up meetings; participation in the meetings of the UN Country Team; improved coordination with other donors; and successful trouble-shooting. Notwithstanding the above, even though the country presence seems well established, it is not institutionalized. There is no formal delegation of authority to the country presence, it cannot count on administrative support, and the recruitment modality (on a continuous basis through long-term retainer contracts for 18 days per month over a six-month period) does not assure the required continuity. Moreover, it is not sufficiently resourced to be able to develop a presence close to the current rural development projects through more frequent visits, or to address a range of issues that include policy development, knowledge management and helping to draw up a coherent strategic programme.

186. At the project level, IFAD's role in supporting implementation is seen as positive. In its dealings with IFAD on REACH, PPAF found it to be both extremely responsive and flexible in its approach to dealing with problems as they emerged. PMUs and agency heads working on projects see IFAD as problem-orientated, flexible, open, liberal, non-rigid, providing new windows, agenda-free and willing to listen to people and address their problems. These are reflections on the positive changes rapidly introduced by the latest CPM. In addition, the chairman of the Planning and Development Board of Punjab expressed the view that IFAD had a much sharper focus on poverty than other international organizations, often managing to keep its financially more powerful partners on track – “punching” so to speak, “above its weight”.



187. IFAD has relied to a great extent on government agencies to implement the projects, but it has paid very little attention to improving the competencies of such agencies. In addition, some of its interventions are in remote areas where agency competencies tend to be much weaker than in the more densely populated provinces. These agencies require a number of years of continuous IFAD presence before they can improve their performance. For example, IFAD has launched a demand-driven project in AJK, where organized communities are allowed to specify the levels of government service they require. This approach needs careful nurturing, because it is much more likely to improve government competencies than to supply demand-driven technical assistance.

188. Little has been done to improve the performance of PMUs, which has been mixed. IFAD has no training programme that would enable a PMU to learn about project management through, for example, working on a simulated project management programme. Nor does it provide innovative incentives to encourage better management practices.

189. As a general rule, M&E systems were of poor quality, providing little useful management information (producing sufficient information on inputs but insufficient on outputs and very little on impacts). Surprisingly, IFAD's impact domains, which have been in existence for at least five years, are not monitored. A number of them are missing from the RIMS. The Country Programme Results Management Framework for Pakistan reports the number of microfinance beneficiaries expected at design rather than the actual number achieved, thereby making it impossible to quantify the coverage of IFAD projects let alone their impact. Additionally, for example, there is no information on important agricultural impacts like seedling survival, successful live births from AI, and uptake of improved techniques and seed from demonstration plots. The absence of such information prevents management from taking appropriate action to address problems that arise and, in many cases, is an excuse for taking no action at all.

190. IFAD rapidly responded to corporate priorities by deciding to assume responsibility (as of January 2008) for the supervision and implementation support of all four ongoing projects previously supervised by UNOPS in Pakistan. While praiseworthy, the new arrangement poses both challenges and opportunities in terms of distribution of responsibilities and resource allocations, and PI will need to give careful consideration to this.

191. Overall, IFAD's operational performance has been rated as **moderately satisfactory (3.8)**.

## **Government**

192. IFAD's main interlocutor in the Government is the EAD of the Ministry of Economic Affairs and Statistics, which has played an important role in coordinating and facilitating IFAD's operations in Pakistan, and is responsible for assessing requirements, programming and negotiating for external economic assistance from foreign governments and multilateral agencies. Provincial governments and their line agencies – responsible for implementing most IFAD assistance – have performed as well as might be expected. Line agencies face serious constraints, such as very low operating budgets that often provide little funding in excess of salaries, and a fluidity in management-level appointments that owes its genesis to the distant past. Local governments face similar or more acute challenges in light of their limited experience. As recognized by the PI self-evaluation, there are also institutional constraints such as lengthy and complex approval procedures, inflexibility of the PC-1 or a high turnover of provincial-level officials, all of which has led to late project start-up, slow recruitment of staff, and delays in procurement. IFAD needs to be aware of these constraints and design its projects accordingly. The choice of the PPAF (for which PC-1 requirements are not applied) as implementing partner in the more recent IFAD-supported interventions has already shown positive results.

193. Generally speaking, the Government has met its commitments to all projects. However, it has failed in areas such as ensuring that PMU heads are appointed in a timely fashion and remain in their positions for an agreed length of time, and in ensuring that PMU vacancies are filled. PMUs do not



run baseline surveys until they are too late to be very useful, and usually show little interest in establishing effective M&E systems to monitor performance against PC-1s. Under the new implementation approach, PPAF has managed REACH efficiently.

194. In sum, the Government and its agencies performed as well as could be expected under the circumstances, warranting an overall rating of **moderately satisfactory (3.8)**.

### **Cooperating Institutions**

195. For the majority (seven) of IFAD's projects in Pakistan, the cooperating institution has been UNOPS, which, by and large, appears to have met the minimum requirements of its contracts for supervision. The Direct Supervision Pilot Programme evaluation<sup>68</sup> found that the average UNOPS supervision cost was US\$9 000 per annum, but this often buys less than one supervision mission a year (for example, the completion evaluation report for DASP reported 0.8 supervision missions per year). It also buys a concentration on fiduciary issues to the detriment of technical and project impact issues. For example, the CPE team found that there was no agriculturalist present in any of the supervision mission reports provided to the team. Consequently, quantitative inputs are reported with no analysis of impacts. How well a project is performing on critical issues like impact on nutrition, food security and household incomes, for example, remains largely anecdotal throughout a project. Management is about converting inputs effectively and efficiently into outputs to produce the desired outcomes. Supervision reports and other UNOPS work therefore miss the important management question about how effectively implementation is progressing. Consequently, while projects meet fiduciary compliance requirements, they do not comply with good management practices.

196. The performance of AsDB, which supervised three projects, has by and large been moderately unsatisfactory. For example, AsDB's completion evaluation of the SBADP concluded that weak supervision in the initial years had led to delays. No missions were fielded between project inception in August 1990 and the first review mission in February 1992. Moreover there were seven changes in AsDB project staff for Pakistan in eight years, and that decreased the effectiveness of project implementation. For Pat Feeder and NWFP BADP, the AsDB missions concentrated on management and loan administration and, in Pat Feeder, took a number of arbitrary decisions that caused delays. It was not until the sixth year of Pat Feeder that there were any technical inputs, and even then they were only in water management. For NWFP BADP, there were few reports of supervision missions on record.

197. The World Bank supervised three projects. The oldest one (the SWRCP), approved in 1992, closed due to design problems after disbursing only 7 per cent of its funds, and the other two (MIOP and REACH) were approved only recently (August and September 2006, respectively). Therefore, while there is limited experience on which to assess World Bank supervision, so far it is considered highly professional.

198. Overall, the performance of cooperating institutions in Pakistan is rated as **moderately satisfactory (4)**.

### **Non-Government Partners**

199. Rural support programmes (RSPs) implemented social mobilization components in a number of projects, including the SRSP under MVSP and NWFP BADP II and the National RSP in the case of BVDP. These programmes are governed by a board of directors in which representatives of civil society rather than government officials hold the majority. Staff is recruited on the open market. With regard to funding, RSPs depend mainly on funds provided by or through the Government. IFAD's relationship with RSPs has been fruitful and productive. With well trained staff and large-scale

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<sup>68</sup> IFAD, Direct Supervision Pilot Programme – Corporate-Level Evaluation, November 2005, p. xxvi.

training facilities, these programmes have been fast and effective in getting the social mobilization process off the ground. Government staff, despite its limitations (see paragraph 193 above) did generally surprising well in leading the process of social mobilization implemented by RSPs.

200. In the most recent credit project (MIOP) IFAD has joined up with the PPAF – an apex funding agency created by the Government and operating through partner NGO organizations – for the purpose of executing the project. Even though the choice of PPAF as an implementation partner in microfinance is adequate (the World Bank has been operating successfully with PPAF since 2000) because it offers an innovative model of public-private partnership, PPAF has little track record in innovation. Despite being an apex organization, PPAF does not have an R&D arm, while MIOP seeks to introduce innovatory products into the Pakistan microfinance market. MIOP's operational model is for PPAF to outsource product development to its partner organizations, but partner organizations have little to no experience of R&D and innovative product development. Market research, for example, is not undertaken. Limited competition might act as a deterrent to greater levels of innovation and efficiency. Hence, collaboration with PPAF should be considered in future on a case by case basis depending on the type of project and the comparative advantage of the PPAF.

### **Benchmarking**

201. A key benchmark is the AKRSP, which has been active in Chitral Region since 1982 and serves as the basic model for much of IFAD's rural development work. The project has reached approximately 900 000 people living in about 1 100 remote villages in the northern areas of Pakistan. The World Bank has made a number of evaluations of AKRSP, the last in 2001.

202. There are a number of points of comparison of benchmarking interest. First, AKRSP has been operating for 25 years, which is much longer than IFAD's usual intended period of about seven years. Second, VOs, which are central pillars for change (developing social and human capital, creating infrastructure, improving agriculture, livestock and forestry, and providing a focus for dealings with government), have been sustainable, unlike those mobilized in other donor interventions. Third, AKRSP's comparative advantages are rooted in its managerial expertise; its educated, skilled staff, mostly drawn from all over the programme area: knowledge and contacts necessary for it to draw on external expertise; creativity in development and social organization; 20 years of intensive experience; and ability to mobilize funds. In contrast, IFAD has not developed such a core of management expertise and skilled staff, with each PMU starting administratively from scratch. Fourth, AKRSP receives bilateral assistance from Canada, Germany, Japan, Netherlands, Norway and the United States, while the IFAD country programme – which works with a similar model in similar environments – has received no bilateral assistance. All bilateral donors contributing to AKRSP are IFAD Member States. Fifth, both AKRSP and IFAD have contributed little to improving government service capacity, with the result that, if their projects closed, there would be a large service delivery gap that government agencies would not be able to fill.

203. The AKRSP incurs total costs per beneficiary that, on a five-year basis, fall within the range of costs incurred by comparable projects. However, the programme has been operating for much longer than most donor-funded projects. Consequently, on a full programme period basis, regardless of programme length, total costs per beneficiary are high compared with typically shorter programmes. These probably need to be attributed to the cost of achieving sustainability<sup>69</sup>.

204. In 2006, the AsDB<sup>70</sup> conducted an evaluation of its programme in the Pakistan agricultural sector. Its interventions in the rural development subsector comprised ten projects implemented over

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<sup>69</sup> The table of cost comparisons, however, contained only one IFAD project: the NADP. The total cost per household for AKRSP was US\$890 for a 17-year period and US\$385 for a five-year period, while IFAD's was US\$1 255 for NADP.

<sup>70</sup> AsDB. Evaluation of the Agriculture and Natural Resources Management Sector, July 2006, pp. 32-34.

the period 1985-2006, six of which had not been completed and two had started too recently to be evaluated. Many of AsDB's experiences have been similar to those of IFAD, including:

- (i) Invariably, there were delays in project start-up and slow initial project performance owing to tardiness in approving PC-1s, in availability of counterpart funds, in setting up PMUs and in procurement of materials.
- (ii) Community mobilization was sometimes rushed to meet project targets, with the result that development activities did not necessarily represent community priorities. The process also often failed to access the targeted beneficiaries, which meant that many project benefits were captured by the non-poor.
- (iii) Long-term sustainability of public infrastructure was uncertain; community infrastructure built with the participation of beneficiaries was more likely to be sustainable.
- (iv) M&E systems did not produce the necessary information for outcomes to be evaluated, with baseline studies not being conducted until well after project start-up.
- (v) AsDB supervision was more concerned with administrative and financial matters than with a project achieving its technical targets.

205. Table 11 compares the Pakistan country evaluation ratings of projects with: (i) composite internal IFAD ratings; and (ii) comparable AsDB and global World Bank ratings for rural development projects. Benchmarks indicate that the overall performance of projects in the Pakistan country programme has been satisfactory, especially when the degree of difficulty regarding location is taken into consideration.

206. IFAD's programme in Pakistan scores quite well on relevance, effectiveness and efficiency compared with others, and compares favourably in all criteria with the AsDB's rural development subsector programme in the country. However, it obtains lower scores for sustainability than the average for World Bank rural projects ending in 1999-2000.

**Table 11. Comparative Summary of Percentage of Satisfactory Project Ratings**

	ARRI 2002-04	ARRI 2006*	ARRI 2007**	IEE Sample	Pakistan CPE	AsDB Pakistan SAPE
Project performance			80			
Relevance	90	100	93	100	<b>100</b>	80
Effectiveness	66	78	67	67	<b>100</b>	50
Efficiency	52	59	73	45	<b>80</b>	20
Sustainability	41	40	53	61	<b>40</b>	20

Sources: Annual Report on Results and Impact of IFAD Operations (ARRI); Independent External Evaluation of IFAD; CPE Evaluation Team Ratings; AsDB, **Evaluation of the Agriculture and Natural Resources Management Sector**, July 2006; World Bank, IEG, **Annual Review of Development Effectiveness**, 2006.

\* IFAD operations evaluated in 2005.

\*\* IFAD operations evaluated in 2006.

## H. Non-lending Activities

207. Overall IFAD has not employed non-lending activities to any great effect in enhancing programme objectives in Pakistan, and has tended to be one-dimensional in the sense of concentrating only on projects.

208. **Policy dialogue.** A number of areas were suggested for policy dialogue, without indicating what IFAD intended to do to promote these areas or allocating specific resources for the purpose. IFAD's CPM for Pakistan considers the main policy dialogue instrument to be the annual PBAS, which scores Pakistan's performance across 59 questions categorized under five broad headings. The resulting overall score determines the level of funding the Government will receive. The potential policy issues are numerous, but can only serve for superficial policy dialogue. On the other hand, while IFAD has apparently never made an effort to translate its experience into policy advice to the Government it is certainly true that IFAD-supported projects and experiments have been closely watched by all concerned, and that lessons learned and internalized have contributed to shaping government policy. It is not without reason that PRSP explicitly mentions two IFAD-supported projects – NWFP BADP and the SBADP in Punjab – as 'role models for rural development' that have influenced government strategy.

209. The proxy country presence officer is involved with policy discussions on poverty reduction through the Poverty Alleviation Forum and other policy forums. Moreover, as mentioned in the previous section, meetings with all IFAD project directors, the liaison officer and CPM, and chaired by EAD, are held every six months. The country presence officer prepares an issues paper prior to the meetings, highlighting both operational challenges and policy issues, but no information is available about what EAD does regarding the policy issues raised and there is no formal monitoring of action taken on them by government.

210. Effective policy dialogue needs resources, and in Pakistan – as in many other programmes supported by IFAD – they are clearly absent. Budget attention to policy dialogue would have a number of advantages. One such advantage might be that once something becomes a line item in a budget and has to be regularly reported on, it is more likely to become important from the operational standpoint.

211. **Partnerships.** As pointed out in the PI self-evaluation, IFAD has followed a partnership approach in Pakistan. However, little has been done to expand the range of partnerships forged during the early part of the country programme. Cofinancing has been pursued through multilateral agencies (e.g. AsDB, IsDB and UNDP). In the two more recent projects under implementation (MIOP and REACH), IFAD has sought a close association with two parallel – and much larger – World Bank projects (PPAF I and the Rehabilitation and Reconstruction Programme), and has entrusted supervision to the World Bank. While this approach is arguably an effective way of leveraging limited IFAD resources in the country, it also has implications for the Fund's visibility and profile, where projects with parallel financing or cofinancing are generally associated with the larger/lead donor by beneficiaries and authorities. IFAD's outsourcing of research to ICARDA in BVDP has proved very effective and could be a model for future work.

212. There were two partnerships with UNDP in which the latter, as per its normal practice, established a separate PMU from the project PMU. In the NADP, there were serious clashes of personality between the two PMU heads, which resulted in a very unprofessional relationship, poor performance on the part of UNDP and its abrupt withdrawal from the project. Its performance was more satisfactory in NJVCDP, although it promoted itself rather than IFAD and the project. Again, it departed abruptly leaving the PMU to fill the gap.

213. The country presence has facilitated IFAD's engagement in the One UN initiative, currently being piloted in Pakistan<sup>71</sup> –and several other countries–. The country officer participation in all UN Country Team meetings has provided an opportunity to strengthen partnerships and coordination with other agencies member of the team. A Memorandum of Understanding (MOU) has been signed with

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<sup>71</sup> After less than one year of implementation it is still too early to evaluate the pilot. The United Nations Evaluation Group (UNEG), of which IFAD is a member, is expected to complete an independent process evaluation of the pilot experience by September 2009.

WFP (2004) to enable joint work programming in AJK and a Unilateral Trust Fund agreement signed with FAO (2005) to provide TA to the AJKCDP.

214. IFAD’s involvement with the private sector has been very limited. While the recently–approved MIOP supports local private–sector development in rural areas and in IFAD investments, there are no other examples of partnerships between IFAD and the private sector in the Pakistan programme. The last project (PRISM), approved in September 2007, is expected to depart from the previous situation and reinforce partnerships by promoting involvement of the commercial sector in microfinance.

215. **Knowledge management.** IFAD has generated a wealth of knowledge from implementing rural development projects, both in Pakistan and in other parts of the world, which represents an important comparative advantage. However, in Pakistan, IFAD has made no effort to systematically review and analyse its experience with a view to extracting lessons and knowledge for sharing across projects, with scholars, government officials and donors, and with poverty reduction practitioners in other countries.

216. Within the country, exposure visits for PMUs to exchange experience has proved positive. However, IFAD has failed to provide PMUs and line agencies with access to knowledge networks. No PMU reported that it had been exposed to the experience of other PMUs at the outset of a project. Department heads of line agencies involved in implementation reported no access to IFAD’s knowledge base and no experience of being part of a community of practice by which knowledge can be accessed and shared among colleagues in other state and provincial departments engaged in implementing rural development projects. It was felt that projects should bring with them access to rural development knowledge networks, first within their own country, and, internationally, to organizations dealing with similar issues in similar agricultural areas.

217. The principal knowledge management instrument is a biannual newsletter on the country programme, that is distributed to all development partners in Pakistan. There are other information publications, such as the *Making a Difference in Asia and the Pacific* series, which has two issues dedicated to Pakistan. To be effective, however, the knowledge must reach users. Departments supporting projects were not aware of these publications.

218. The Programme for Electronic Networking for Rural Asia and Pacific Projects (ENRAP) also supports the idea of distributing knowledge to those attached to the Internet and plugged into the programme. More attention is paid to knowledge management at the national level. Exposure visits training and knowledge exchanges have been organized for project staff within the country and the region to encourage the sharing of experiences and mutual learning.

219. Table 12 gives ratings for non-lending activities:

**Table 12. Ratings for Non-lending Activities**

<b>Non-lending Activity</b>	<b>Rating<sup>72</sup></b>
<b>Policy dialogue</b>	<b>2</b>
<b>Partnerships</b>	<b>4</b>
<b>Knowledge management</b>	<b>3</b>
<b>Overall non-lending activity performance</b>	<b>3</b>

<sup>72</sup> IFAD uses a scale of 1 to 6, where 1 represents the lower score and 6 the highest.

## Overall Rating

220. As far as benchmarking with IFAD's portfolio is concerned, there is no significant difference between the Pakistan portfolio and IFAD's experience as presented in ARRI 2006. With respect to partner performance, both IFAD's performance and that of the Government appear to be worse.

**Table 13. Aggregate Evaluation Ratings<sup>a</sup> of IFAD-funded projects in Pakistan**

Evaluation Criteria	Pakistan CPE <sup>b</sup>
Relevance	4.6
Effectiveness	4.2
Efficiency	3.8
<b>Overall portfolio performance</b>	<b>4.2</b>
Rural poverty impact	4.2
Sustainability	3.4
Innovations, replication and scaling up	4
<b>Overall portfolio achievement</b>	<b>4</b>
<b>Performance of IFAD and its partners</b>	
IFAD	3.8
Government	3.8
Cooperating institutions	4

a) The rating scale adopted by OE is the following: 6 = highly satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory; 1 = highly unsatisfactory.

b) Ratings considered here are those of five projects for which substantial documented evaluative evidence is available. The projects rated are: MVSP, PFCADP, DASP, BVDP, NWFP BADP (see Appendix 3).

### Key Points

- The performance of the portfolio is moderately satisfactory.
- Projects scored highly for relevance. Positive impacts are particularly observed in agriculture productivity, increase in financial assets, community mobilization, gender and food security.
- Insufficient attention dedicated to effective targeting the very poor.
- The programme could have benefited the poor by investing more heavily in non-farm activities, particularly vocational training and by paying more systematic attention to improving the natural resource base.
- Livestock ownership is most important for the rural poor in Pakistan. It contributes to improving food security, involves local women in its care, is used a saving mechanism, and has demonstrated good growth and income-generation potential. The 1 million livestock owners are spread more evenly across rural households than land owners. Productivity gains are more pro-poor than crop gains.
- Significant progress in gender and development issues. However, cultural differences in some areas of the county were not adequately accounted for at project design.
- Sustainability remains an issue: CBOs require longer implementation to be consolidated, government capacity to maintain public infrastructure is limited, and rural credit is still dependent on subsidies.
- Despite recent efforts with projects such as the Microfinance Innovation and Outreach Programme, the Pakistan programme has not been a model for innovation.
- However it has contributed to improving the AKRSP rural development model, and there is potential for scaling up. IFAD's efforts to assist provincial and state governments to institutionalize these improvements are key.
- IFAD contribution to the devolution process and to strengthening the capability of government institutions has been minimal.

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. Conclusions

221. Over the past 17 years, the Fund has made an **important contribution to agriculture and rural development in Pakistan**, which is even more significant in the light of the current surge in food, commodity prices and related shortages. This has been achieved despite the relatively low overall level of IFAD investments in Pakistan compared with the Government's investments in the agriculture and rural sectors and those of other donors such as the AsDB and the World Bank; and in spite of the lack, until recently, of a permanent IFAD country presence. One official made a statement about how much his Government appreciated IFAD's sharp focus on reducing rural poverty, compared with other donor organizations working in the country, which allowed the Fund to "punch", so to speak, "above its weight". This is particularly noteworthy, as IFAD's operations have covered some of the country's most remote and marginalized areas where infrastructure and services are limited, access to inputs and markets is uncertain, and institutional capabilities are often inadequate<sup>73</sup>.

222. Some of the achievements made to date support the overarching conclusions of the CPE. For instance, the Fund was instrumental in further developing the successful Aga Khan Rural Support Programme model for grass-roots development by scaling it up and adapting it to a model implemented by the Government. IFAD has also contributed to building up the capacity of community organizations, strengthening the voice of the rural poor and allowing them to play a greater role in development planning, resource allocation and implementation of activities intended to improve their livelihoods. Moreover, IFAD has contributed to women's empowerment (for example, in extremely challenging environments such as the federally administered tribal areas (FATAs)) and to employment generation thanks to training in microenterprise management and agricultural practices. It has also provided better health and education facilities for women<sup>74</sup> and it has contributed to improving the agricultural productivity of small farmers, which has led to better food security and incomes. As an example, by the time implementation of the Neelum and Jhelum Valleys Community Development Project came to an end, household incomes had increased from around PKR 56 000 to PKR 138 000 per annum.

223. These satisfactory achievements are the result of IFAD's focus on pursuing largely **agricultural-based interventions** as the principle vehicle for improving rural livelihoods. This has included attention to strengthening research and extension capabilities; promoting pro-poor agriculture technology, including the introduction of small-scale irrigation and improved seed varieties (which led to significant productivity increases in a number of cases<sup>75</sup>); promoting access to rural finance (mainly in more recent operations); strengthening grass-roots institutions; and building community infrastructure such as roads and drinking water facilities.

224. The CPE notes, however, that the agriculture focus of past IFAD operations did not pay sufficient attention to environmental issues, livestock development and the promotion of high-value crops that offer major opportunities for the landless and small farmers. Livestock husbandry is the main source of livelihood for large numbers of rural poor living in mountainous areas such as Azad Jammu and Kashmir and the North-West Frontier Province. High-value crops, including flowers, fruit and vegetables, offer good potential for small farmers to improve their incomes, especially in

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<sup>73</sup> This seems to suggest convergence with a recent study by the International Food Policy Research Institute (IFPRI) on the high returns of public investment in less favoured areas. (*Investment Priorities for Economic Growth and Poverty Reduction*. Shenggen Fan, Joanna Brzeska and Ghada Shields. IFPRI. October 2007).

<sup>74</sup> See Impact Assessment by OE (2007) of the North-West Frontier Province Barani Area Development Project and the evaluation by OE of the Dir Area Support Project (2007).

<sup>75</sup> For example, in the Mansehra Village Development Project – see country synopsis of the Independent External Evaluation of IFAD (2004/5).

locations with good market linkages. Moreover, edible oil production – e.g. palm, soybean, canola and sunflower oils – also provides an opportunity. Pakistan currently imports most of the edible oil it consumes, although soil and climatic conditions offer good growth prospects (particularly in the coastal areas of Sindh).

225. While the focus on traditional agriculture-oriented activities has produced noticeable results in the past, the CPE concludes that IFAD could have achieved even better results had it given greater consideration to, and invested more in, **non-farm activities and employment** (Chapter IV, page 24)<sup>76</sup> such as, for example, the promotion of rural microenterprises, rural finance, and the strengthening of access to markets. This is particularly relevant in light of Pakistan's categorization as a *transforming country*<sup>77</sup> and agriculture's modest (40 per cent) contribution to rural incomes (the poorest 40 per cent of rural households derive an even lower proportion of their income – 30 per cent – from agriculture). The CPE also notes that the country programme did not devote sufficient attention to opportunities offered by partnerships with the private sector. Finally, the important consequences of migration within and outside the country, especially from the rural areas, have not been systematically analysed or addressed. And, no attempt has been made to tackle either the challenges or opportunities provided by the vast amount of remittances<sup>78</sup> flowing into the rural areas from people working and living abroad or in urban areas, often on a temporary basis. However, the CPE acknowledges the value of IFAD's recent funding of two nationwide microfinance programmes in Pakistan.

226. Good results are to be found in **social mobilization and in the building of community-based organizations (CBOs)**, all of which are fundamental to promoting country ownership and sustainability of benefits. However, the CPE concludes that the Fund could have taken a more broad-based approach to supporting Pakistan's devolution plan of 2000 and its decentralization efforts (Chapter IV, pages 36 and 37). In this regard, while the Fund contributed to building up the capacity of local communities, it did not pay sufficient attention to strengthening government at the local level nor to elected councils and grass-roots entities or to pursuing partnerships with the private sector. Enhancing the capacities of such agencies and bodies is important because they are a key part of the governance framework at the local level and a crucial conduit for development interventions as well as the delivery of services which address poverty issues and are essential for ensuring growth in the agriculture and rural development sector.

227. IFAD has worked in various **remote, disadvantaged and conflict-affected areas**, including the FATAs, parts of the NWFP and AJK. These areas account for some of the lowest poverty, economic and social indicators in the country, are affected by out-migration, and are generally burdened by poor infrastructure, scarce levels of communication and weak administrative institutions. These problems have been exacerbated by a pervading atmosphere of conflict coinciding with military operations (especially in the FATAs), by efforts to eradicate the opium poppy crop (particularly in the NWFP), and, not least, by the effects of the devastating earthquake of October 2005 in AJK. While, on the whole, the performance of IFAD-funded projects in such areas has been moderately satisfactory, any future IFAD assistance to these areas will need careful consideration. The CPE notes the Government's strong desire to ensure the Fund's continuing engagement in reducing rural poverty in such conflict-ridden, remote and environmentally challenging areas. However, to be successful, both IFAD and the Government will need to adopt a more differentiated approach than in the past. This will include mobilizing experts with experience in peace-building, tribal affairs and in working in disadvantaged and conflict areas. Such areas clearly present a challenge. However, the Fund is recognized as a world leader in working in less favoured areas in the Asia and the Pacific region and

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<sup>76</sup> The page reference directs the reader back to the relevant main text where the findings for the topic were presented.

<sup>77</sup> That is, a country where agriculture is no longer a major source of economic growth but where poverty remains overwhelmingly rural (World Development Report of the World Bank, page 4).

<sup>78</sup> Which in 2006-2007 was equivalent to around 4.2 per cent of the country's GDP.



as having considerable experience in areas affected by conflict. This knowledge and experience could be put to good use should IFAD decide to continue with its support and engagement in difficult areas of Pakistan.

228. In terms of **subsector performance**, it is important to note that projects have not dealt with environmental issues in a systematic fashion. For example, many projects were located along the upper reaches of rivers in hilly-to-mountainous areas where population increases have outstripped the carrying capacity of land. Results with rural finance have been poor, partly owing to government subsidization of credit. Moreover, the transactions costs of providing rural finance in remote areas are still high because of the limited outreach of the institutions involved and the dispersed population. More could have been done to ensure greater access to markets for farm and non-farm products and services.

229. Sustainability (Chapter IV, pages 39 and 40), an institution-wide issue for IFAD, is also of concern with respect to the Pakistan portfolio. Various factors affect sustainability in Pakistan, including among others the urge to meet quantitative targets during implementation, often at the expense of investing in activities (such as capacity-building for institutions) that might contribute to better sustainability in the future.

230. The portfolio manifests various examples of innovations (Chapter IV, pages 41 and 42), such as the introduction of new agricultural products (horticulture and fruit). However, results are poor in terms of the replication and scaling up of innovations promoted through IFAD operations, partly owing to insufficient attention to non-lending activities, namely, engagement in policy dialogue, the forging of partnerships, and knowledge management. In addition, grants are poorly linked with loan-funded projects. The poor performance of non-lending activities may be partly explained by the rather limited (human and financial) resources provide by IFAD for this purpose, especially in relation to the ambitious objectives set out in the COSOP for non-lending activities. Moreover, limited use has been made of grants, which can play an important role, *inter-alia*, in promoting policy dialogue, knowledge management and development pro-poor technologies.

231. Having said that, the establishment of a proxy **country presence**<sup>79</sup> in 2005 contributed to IFAD's being better positioned in Pakistan. Even though limited in terms of resources and authority, this country presence has allowed for better dialogue with the Government and the donor community, greater attention to exchanges of experience within and across the portfolio, more timely follow-up on implementation issues, as well as smoother and better communication between projects on the one hand and between the Government and IFAD on the other. In addition, this country presence has allowed IFAD to further its commitments in relation to the Paris Declaration on Aid Effectiveness and the One UN pilot initiative, for example, through its participation in all-United Nations country team meetings.

232. None of the operations (until 2008) have been directly supervised and implemented by IFAD. Supervision and implementation by cooperating institutions has not been moderately satisfactory. While the supervision of fiduciary aspects was generally well performed the provision of advice that might have helped improving project implementation and performance was limited. Among other things, contracting out supervision to the United Nations Office for Project Services or a cofinancing international financial institution meant that the Country Portfolio Manager (CPM) for Pakistan had little opportunity to acquire a better knowledge of the country in general and of IFAD operations in particular.

233. Finally, the CPE welcomes IFAD's recent decision to allocate a full-time CPM to concentrate solely on IFAD operations in Pakistan given the size of the ongoing portfolio, complexity of the country context, and future opportunities for cooperation in the country.

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<sup>79</sup> In the form of a retained consultant.

## B. Recommendations

234. The CPE proposes five overarching recommendations:

- (a) The need to develop a **better balance between agricultural and non-farm investments** in the rural sector in Pakistan (paragraph 225)<sup>80</sup>. This is important, as most (57 per cent) of the rural poor are from non-farm households (that derive their income from activities other than crop and livestock production) and more off-farm opportunities are now being offered by the country's growing business environment. The CPE recommends that more resources be devoted to non-farm opportunities, including small agri-businesses and family-based rural microenterprises. It also stresses the importance of promoting wider market linkages for both agricultural and non-farm outputs. In addition, further developing rural financial services and products for agriculture and non-agricultural activities is central to ensuring that the poor have access to financing for rural poverty alleviation initiatives. In terms of agricultural activities, greater attention should be paid to livestock development and high-value crops such as fruit, vegetables and flowers that provide higher returns on investments. Support to domestic production of edible oil also provides an opportunity to reduce imports and enhance food security, as soil and climatic conditions (particularly in the coastal areas of Sindh) offer good prospects for growth. Agricultural land investments should be accompanied by measures aimed at improving environmental and natural resource management, such as integrated catchment management and increasing the efficiency of water use under rainfed conditions, and to instituting environmental assessments for infrastructure constructed by projects.
- (b) **Provide capacity development support to decentralized entities and other bodies working at the local level** (paragraph 226). This requires that continued attention be given to social mobilization and the strengthening of CBOs, local NGOs and rural civil society in general. At the same time, the Fund should take a more inclusive approach to supporting decentralization by establishing the building blocks for a more service orientated relationship between governments and local organizations. This entails building up the capacity both of local governments (at the district, *tehsil* and union levels) and of representatives of elected bodies (e.g. village councils, local legislative assemblies, etc.) that play an important role in planning and resource allocation for rural poverty alleviations at the grass-roots level and in promoting accountability and transparency of local administrations involved in IFAD-supported projects. Greater participation by private-sector groups of farmers and enterprises is also warranted to ensure better results.
- (c) The CPE recommends that the Fund **continue to support the Government in its engagement in disadvantaged, remote and conflict-ridden areas** (paragraph 227) such as the NWFP, AJK and the FATAs. However, this requires a much more differentiated approach which is flexible and adapted to such challenging areas, paying careful attention to the specific social context, culture and priorities of the rural people living there. The importance of ensuring the commitment and ownership of provincial and federal governments to IFAD's efforts in these areas cannot be overemphasized. In addition, it will be also essential to mobilize expertise, particularly with regard to tribal affairs, conflict resolution and peace-building in design, as well as in supervision and implementation support. In fact, IFAD could play a complementary developmental role – in support of the rural poor – to the Government's own initiatives and those of other donors working in such environments.

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<sup>80</sup> The paragraph numbers next to the each heading reference the reader back to the relevant text in the preceding section on conclusions.

- (d) The strengthening of **IFAD's capacity to promote innovations** (paragraph 230) that can be scaled up and replicated by the Government, donor organizations and the private sector, merits increased attention and resources in Pakistan. This will include a more systematic approach to identifying and piloting innovative approaches to agriculture and rural development; better documentation; the sharing of successfully tested innovations; greater resources and capacity to engage in policy dialogue (e.g. on local governance issues, rural finance outreach, pro-poor agricultural policies); and carefully selecting partner institutions with a good track record both in introducing and nurturing innovations and in working with the rural poor in similar IFAD priority areas. This will also call for greater synergies between, and the wider use of, the mix of instruments (loans, grants, policy dialogue, etc.) available to the Fund as well as enhanced country involvement in and ownership of grants. Innovative approaches are needed in a number of areas such as remittances (savings accounts, investment opportunities); migration (improving the value of landless people on the employment market through vocational training and helping them find employment in small towns, urban centres and overseas); promotion of local governance; and the use of grants (as opposed to loans) to support efforts by larger development actors in conflict areas such as FATAs.
- (e) The Fund's overall development effectiveness would be further enhanced by **adjustments to its operating model** (paragraphs 231 to 233) that take account of the size and specificities of its programme in Pakistan. This includes establishing a more consolidated and permanent country presence – one option to strengthen country presence in Pakistan is to outpost the CPM from Rome<sup>81</sup>–; undertaking direct supervision and implementation of IFAD-funded projects and programmes; and making efforts to improve both knowledge management and project– and country-level monitoring and evaluation systems.

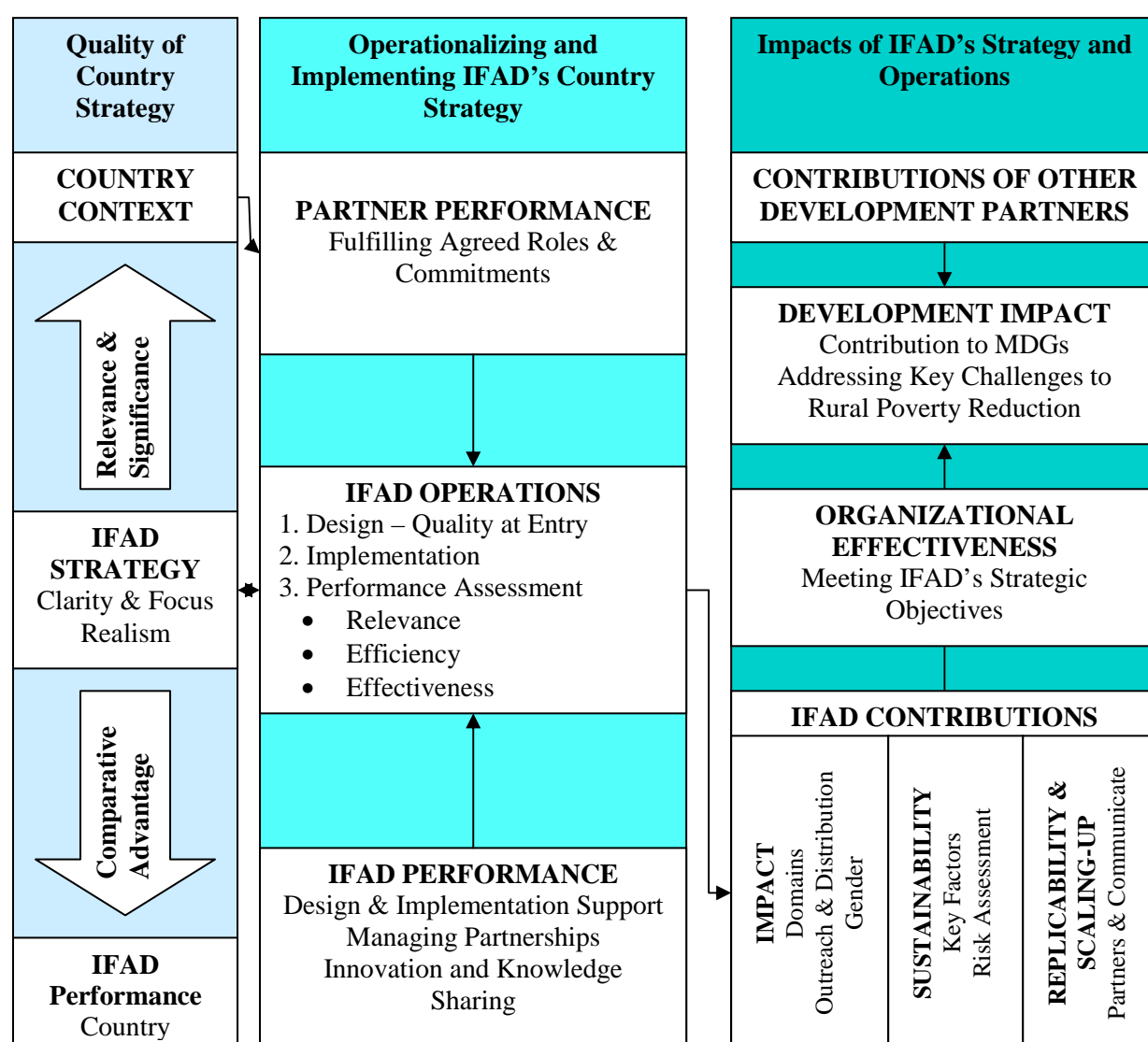
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<sup>81</sup> The recent FPPP evaluation concluded that this was the most effective form of country presence, even though the results of the evaluation were derived on a small sample of out posted CPMs.



**CPE's Building Blocks**

The first block concerns the quality of the country strategy itself: did it identify, understand, and address the key challenges to reducing rural poverty, was it articulated in a clear, focused and realistic way that also provided guidance to operations, and how well did IFAD perform in developing the country strategy. The second block concerns the question whether the country strategy was actually reflected in the design and implementation of operations, how operations performed (using the typical performance criteria of relevance, efficiency, and effectiveness), and how well IFAD's partners and IFAD itself performed. The third building block focuses on results: what impact has IFAD's strategy and operation had, how sustainable is it, and what potential or actual replication and scaling-up have taken place. What did these achievements mean in terms of contributing to the attainment of IFAD's strategic objectives and to the MDGs, and what role did other partners play. Each building block is explained in later parts of the guidelines.





## Pakistan CPE Framework

Purpose	Key Questions <sup>1</sup>	Key Activities
Assess the quality of the country strategy	<p>Did IFAD pursue the right country strategy, i.e., was it designed to ensure highest possible rural poverty reduction impacts?</p> <ul style="list-style-type: none"> <li>• What resources were allocated</li> <li>• Did the COSOP identify and address the key challenges to reducing rural poverty?</li> <li>• Was the COSOP articulated in a clear, focused and realistic way, that provided guidance to operations?</li> <li>• How well did IFAD perform in developing the COSOP?</li> <li>• Was the COSOP coherent with the GOP's strategies and with IFAD's strategic framework and its regional strategy?</li> <li>• Assess the extent to which the main directions in the country strategy complemented the strategies of other donors working in agriculture and rural development</li> </ul>	<p>COSOP review, opportunity mapping, desk review  Self-evaluation by IFAD management/staff, discussion with cooperating institution officers  Interviews with IFAD management/staff  In-country interviews with: key government officers, IFAD funded project managers/staff, civil society representatives, research institutions, IFIs/UN/Bilat. organizations  Prepare a note with the assessment of the COSOP's quality, with particular focus on its relevance, triangulating the different sources of information</p>
Evaluate IFAD's country strategy implementation	<p>To what extent was the country strategy implemented through projects (loans and TAGs) and non-project activities (policy dialogue, partnerships, and knowledge sharing) and how did they perform?</p> <ul style="list-style-type: none"> <li>• Was the COSOP actually reflected in the design and implementation of operations?</li> <li>• How did the operations perform?</li> <li>• How well IFAD and its partners performed?</li> <li>• Were IFAD's business processes appropriate, for example, were adequate human and financial resources made available by IFAD to achieve all the main objectives of the Country Strategy?</li> </ul>	<p>Loan and grant portfolio desk review  Self evaluation by IFAD management/staff and by the GOP  Interviews with IFAD staff  In-country interviews with: key government officers, IFAD funded project managers/staff, civil society representatives, research institutions, IFIs/UN/Bilat. organizations  Assessment of data reliability</p>

<sup>1</sup> In addition to these key questions the CPE will refer to specific guiding questions for each section provided in the CPE guidelines.

<p>Assess the impacts of IFAD's strategy and operations</p>	<p>What was the impact of IFAD's country strategy and operations?</p> <ul style="list-style-type: none"> <li>• What impacts IFAD had in Pakistan and how sustainable is it?</li> <li>• What innovations and actual (or potential) replication and scaling-up have taken (or may take) place?</li> <li>• Did the impact contributed to the achievement of IFAD's strategic objectives and to the MDGs?</li> </ul>	<p>Desk review of impact studies and other documentation from IFAD, the projects and particularly from other IFIs  Self evaluation by IFAD management/ staff  Interviews with IFAD staff  In-country interviews with: key government officers, IFAD funded project managers/staff, civil society representatives, research institutions, IFIs/UN/Bilat. organizations</p>
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Projects in the Pakistan Portfolio Rated by the CPE

Criteria	MVSP (b)	PFCDP(c)	DASP(d)	BVDP(e)	NWFP-BADP(f)	Overall
<b>I. Project Performance (a)</b>	<b>4.3</b>	<b>3.7</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>
Relevance	5	4	4	5	5	<b>4.6</b>
Effectiveness	4	4	5	4	4	<b>4.2</b>
Efficiency	4	3	4	4	4	<b>3.8</b>
<b>II. Rural Poverty Impact</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>4.2</b>
Physical Assets	4	-	5	3	5	
Financial Assets	5	-	4	5	3	
Human Assets	5	-	5	3	5	
Social Capital and Empowerment	4	-	4	5	5	
Food Security	5	-	6	3	4	
Agricultural Productivity	5	-	5	3	4	
Environment and Common Resource Base	4	-	6	3	3	
Institutions, Policy and Regulatory Framework	4	-	6	4	3	
Access to Markets	3	-	4	3	4	
<b>III. Sustainability</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3.4</b>
<b>IV. Innovation and Replicability</b>	<b>5</b>	<b>-</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>V. Partner Performance</b>						
IFAD Performance	4	4	3	4	4	<b>3.8</b>
Performance of Cooperating Institutions	4	4	3	5	3	<b>3.8</b>
Performance of Government	4	4	3	5	4	<b>4</b>
<b>VI. Overall Project Achievement (g)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	

(a) Mathematical Average of Relevance, Effectiveness and Efficiency; (b) Ratings from Pakistan IEE CWP and CPE; (c) Ratings from Pakistan IEE CWP  
(d) Ratings from OE Completion Evaluation; (e) Ratings from Impact Assessment Study and CPE; (f) Ratings from Impact Assessment Study and CPE; (g) This is a combination of Relevance, Effectiveness, Efficiency, Sustainability and Innovation and Replicability. It is not a mathematical average.



## Social Indicators

	Year		Year(*)	
Population (million)	1991	115.5	2004/5	152.5
Average annual population growth rate	1980/90	2.7	2004/5	2.1
Crude birth rate (per thousand people)	1990	42	2003	32
Crude death rate (per thousand people)	1990	12	2003	8
Infant mortality rate (per thousand live births)	1991	97	2003	74
Life expectancy at birth (years)	1990	56	2003	64
Number of rural poor (million) (approximate)	1991	24		
Poor as per cent of total rural population	1988	29	1999	36.3 per cent
Total labour force (million)	1991	34.753	2003	55.72
Female labour force as per cent of total	1991	12.73	2003	30
Human Development Index (HDI)		.444		.497
HDI ranking				142/147
<b>Education</b>				
Education expenditure, total (as per cent of GNP)	1991	2.2	2003	1.7
School enrolment, primary (per cent gross)	1990	37	2003	69
Adult literacy rate (per cent)	1990	35	2004/5	53
<b>Nutrition</b>				
Daily calorie supply per capita	1988	2 280		
Malnutrition prevalence, height for age (per cent of children under 5)	1990	57	2003	37
Malnutrition prevalence, weight for age (per cent of children under 5)			2003	38
<b>Health</b>				
Health expenditure, total (as per cent of GNP)	1991	0.8	2005	0.6
Physicians (per thousand people)	1984	0.34		1
Rural population with access to tap water (per cent)	1999	12	2005	23
Population with access to essential drugs (per cent)				
Population using adequate sanitation facilities (per cent)			2002	54
<b>Agriculture and Food</b>				
Food imports (per cent of merchandise imports)			2003	10
Fertilizer consumption (hundreds of grams per ha of arable land)			2003	1,381
Food production index (1999-2000=100)			2003	106
Cereal yield (kg per ha)			2003	2,312
<b>Land Use</b>				
Arable land as per cent of land area	1989	33.4	2003	28
Forest area as per cent of total land area	1989	4.4	2003	3
Irrigated land as per cent of cropland	1987	62	2003	81

(\*) Most recent data available.



## Key Findings and Recommendations Extracted from the 1995 Pakistan Country Programme Evaluation

### A. Key Findings

The Pakistan country programme was evaluated in 1995. Among the issues noted by the CPE<sup>1</sup> were:

The programme started with top down projects. They were followed by second generation projects characterized by focusing on a participatory model targeting the rural poor, using NGOs as the delivery mechanism for rural services and mobilizing community based organizations (CBOs);

Not one of the first generation projects was closed on time, with time overruns of 40-83 per cent being experienced. Second generation projects also faced delays. There were start up problems and a slow disbursement rate, extending implementation periods by up to 8 years. Preparation of PC-1s was a significant delaying factor;

Unexpected political interference was experienced in projects;

Targeting was unscientific with the result that the 'upper social stratum' primarily benefited from projects, especially the 'first generation' ones. Poor targeting was compounded by prolonged delays in undertaking socio-economic studies for target group selection. Base line studies were often planned late and not completed in time to be useful during implementation. As the CPE noted<sup>2</sup>, without adequate data on the social profile of the population in the project area, project activities could neither be appropriately targeted nor subsequently evaluated;

Reaching women proved particularly difficult with the conclusion that women were not major beneficiaries in projects. The CPE concluded that there were both a clear lack of objectives and little adherence to gender approaches developed for projects by implementing agencies;

Social organization activities were launched with inadequate planning and resources. Numbers of groups formed became the objective overlooking the fact that the creation of a sustainable CBO is a slow process requiring experience, flexibility and very considerable skill on the part of PMU staff;

Little attention was given to environmental aspects of projects at design, appraisal or completion because of insufficient data on the environment and a lack of concern for environmental issues until just before the CPE;

A lack of attention was given to social benefits such as health, sanitation, nutrition and education. For example, there was no analysis of relationships between projects and nutrition, it simply being assumed that improved agricultural production would produce improved nutrition;

There were difficulties with coordination of a large number of agencies in area development projects with resultant weak linkages at all levels of decision making. Project Steering Committees (PSC) and Project Coordinating Committees only had powers to influence decision makers, often with little success;

A variable quality of project managers was experienced with very few with any prior experience of project management.

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<sup>1</sup> Office of Evaluation and Studies, **Pakistan, Country Portfolio Evaluation**, August 1995, p. 42-43, 132, 144.

<sup>2</sup> Office of Evaluation and Studies, **Pakistan, Country Portfolio Evaluation**, August 1995, p. 135.

## **B. Lessons and Recommendations regarding Future Programme Development (paragraphs 107 to 113)**

107. With its modest financial contribution, IFAD has had only a limited opportunity to influence GOP policies regarding rural poverty alleviation. The Fund, however, should not avoid taking a proactive position in some macro-policy issues that have an impact on the effectiveness of poverty alleviation activities. Cases in point include credit policies as well as the general orientation of the agricultural research system. It is recommended that IFAD approach other international financing institutions to develop a common understanding on these matters.

108. To further maximize the impact of the future programme, it is necessary that IFAD, GOP and the cofinanciers focus their cooperation on a few strategic areas and/or institutions, including:

- (i) research outreach programmes that have a direct benefit for farmers;
- (ii) special credit schemes targeted at the rural poor;
- (iii) activities sponsored by the National Rural Support Programme (NRSP) and sister organizations; and
- (iv) support to private investment in underground water resources development at the tail-end of irrigation schemes.

109. A sustained rate of project approval is also essential for ensuring the impact. Thus the evaluation mission recommends that the current intensity of programme development be maintained, and resources permitting, increased.

110. Establishing a project in a marginal area is not in itself a sufficient condition to ensure that the target group will be reached. Follow-up projects may be necessary especially where they ensure a specific focus on IFAD's target group, the rural poor. Subject to satisfactory performance, these second phase projects should:

- (i) build on accumulated experience and knowledge, making use of previous investment in human resource development as well as in institutional capacity-building;
- (ii) allow sufficient time for development efforts to yield results at the grass roots level and to correct any negative distribution effect of the first phase; and
- (iii) improve the cost-effectiveness of the overall programme by minimizing the cost of designing new projects, and by speeding-up project start up and loan disbursement.

111. The effectiveness of beneficiary participation would appear to be determined by:

- (i) the combination of grant financing and effective mobilization of significant local resources for the successful establishment of grass roots associations;
- (ii) a continuing flow of benefits from the group's investment, shared by a large majority of the members of the group. This is a main determinant of sustainability of these associations;
- (iii) the existence of responsive institutions that can identify, test and promote profitable income-generating opportunities regularly, as GUs' long-term development is constrained by their weak capacity in this respect; and
- (iv) the level of cohesion and solidarity within the community. This is a historically determined factor, on which projects can play when the context is favourable, but which remains beyond their capacity to change, otherwise.

112. At the level of management, autonomy, flexibility and support are needed from the relevant political power. This type of environment and support could not be provided by steering committees retained so far by project designers. It is suggested that an Advisory Board be appointed, composed of independent and recognized personalities, that would volunteer to sponsor the project over its life, assist in attracting the attention and support of senior civil servants towards achieving project

objectives and reduce undue political interference when necessary. Such an advisory board could provide a valuable support to project management without interfering in decision-making. It could also use its influence to promote more favourable conditions for target group's participation.

113. While project design has improved with time, targeting and people's participation still require emphasis. Notwithstanding the difficulties related to the unequal distribution of productive assets that characterizes rural Pakistan, the GPE has identified a number of avenues that could be followed in future design:

- (i) a focus on the central objective of creating/supporting sustainable grass roots associations and organizations that will gradually assume responsibility for local development and link up with the institutional set-up;
- (ii) the nucleus of people's participation is created at the moment of project design;
- (iii) projects should be conceived from the target group's perspective, not from an institutional/governmental point of view;
- (iv) the need to commission a thorough assessment of farming systems and farmers' practices, constraints and productivity whenever IFAD considers an intervention in a new environment;
- (v) the projects should have their own identity in order to ensure that their specific objectives are not diluted into line agencies' own programmes. This implies setting clearly spelled out links between project support and effective results on the ground, possibly by promoting contractual approaches to project implementation; and
- (vi) the need to enhance M&E accordingly.





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<sup>1</sup> Project refers to NWFP-Barani area development project as BADPII (Barani area development project II) as it is seen to follow the AsDB funded, Barani area development project, phase 1. The project is indeed upscaling interventions piloted under the AsDB project and previous Mansehra village development project.

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## Summary of the Impact Assessment Study of Two IFAD-assisted Projects in NWFP and Punjab

### 1. Methodology

1. This study is based on a sample survey of 484 respondents, equally divided between women and men, and between beneficiaries and a control group, drawn from the project areas of the Barani Village Development Project (BVDP) in Punjab and the NWFP Barani Area Development Project. Both the control group and the beneficiaries were first asked to assess changes (development trends) they had experienced during the last five-to-six years in indicators corresponding to the impact domains of the evaluation methodology of the Office of Evaluation (OE). The beneficiaries were asked subsequently to rate project impact for almost the same set of indicators, plus several others for social capital and empowerment. The study also developed a picture of the development context by analyzing development trends and using secondary sources, including government documents and previous IFAD evaluation reports.

2. The analytical methods used in the study include two new directions based on OE's CPE methodology. One of these consists of *interpreting the rating scale of 1-6* in simple language with the help of certain thresholds (defined below). The essential elements of this are described as follows:

- (a) Respondents' rating of 1 (negative change) is understood as a *sign of distress* for affected households in the sample.
- (b) Beneficiary ratings of 2 (no benefit) and 3 (negligible benefit) are aggregated in order to estimate whether the project had no impact on the majority (at least 50 per cent) of the beneficiaries in a given impact indicator. This is referred to as a *sign of stagnation* in this study.
- (c) Higher ratings are aggregated in order to identify *signs of progress* for some of the beneficiaries. Progress is acknowledged if at least 20 per cent of the beneficiaries rated a change as 4, 5 or 6 (that is, some benefit, large benefit or very large benefit, respectively).

3. Preliminary analysis showed that:

- (a) A majority of the beneficiaries had not attributed any benefits to the project in 53 out of 63 impact indicators for the BVDP, and 39 for the NWFP Barani.
- (b) There were signs of progress in 41 indicators for the BVDP, and in 45 for the NWFP Barani.

4. The second set of methodological innovations helped review these findings in a more realistic manner. This added *robustness in attributing impacts* to the project by using the following criteria:

- (a) *Significance*. This requires that: (i) there should be a statistically significant difference between the responses of beneficiaries and the control group; and, (ii) there should also be a numerical difference of at least 10 per cent between the responses of the two groups.
- (b) *Plausibility*. This requires that: (i) it should be possible to relate the attributed benefits either directly or indirectly (e.g., through income, production and consumption effects) to project interventions; and, (ii) there should be no perversion in terms of the logic of attribution as, for example, when a

comparison between beneficiaries and the control group shows that the latter reported greater improvements than the beneficiaries during the last five-to-six years.

## 2. Findings from the Overall Sample

5. As many as 92 per cent of the overall sample (beneficiaries plus the control group) had access to electricity for lighting, and more than one-half lived within 1 km of a pakka road and a school for girls, and got their drinking water from a tap or pump of some kind. Only 23 per cent of the sample drew most of their income from agriculture. However, about one-third of the respondents felt that their household was in the lower half of the village in terms of overall well-being. Almost one-half (47 per cent) were illiterate and 93 per cent depended on wood or cow dung for cooking fuel. Moreover, 28 per cent of the sample (with no difference between beneficiaries and the control group) could not increase their overall consumption or purchase of food in recent years<sup>1</sup>. Based on these observations, *the project areas seem to be under-privileged in relation to most of the population of the country.*

6. A comparison between the sub-samples drawn from the two project areas suggests that respondents from the NWFP Barani area were somewhat poorer than those in the BVDP area; this is consistent with secondary sources. Although there are differences between the two projects, *a number of indicators suggest that the projects, taken together, focused on the better off communities or households in their project areas.* Statistically significant differences between the beneficiaries and the control groups in neighbouring villages existed in the following indicators: respondent's rating of well-being in relation to the village as a whole, literacy and distance from a pakka road. In addition, statistically significant differences favouring project beneficiaries were also observed in indicators of distress (reduction in recent years in the ownership of land and cattle, and reduction in savings and jewellery); these differences were more pronounced in the BVDP.

7. The main development trends that emerged from the sample may be summarized as follows<sup>2</sup>:

- (a) Stagnation rather than progress in terms of impact indicators has been by far the dominant force in the project areas during the last five-to-six years.
- (b) Signs of progress during this period have spanned a wide range of indicators, but progress was limited to a small proportion of the rural community.
- (c) Signs of distress, as evidenced by liquidation of assets (land, cattle, savings and jewellery), were found in up to 10 per cent of the sample (and a higher proportion of the control group).

## 3. Summary and Analysis of Project Impacts

8. A majority of the beneficiaries of the BVDP experienced impacts on seven of the 63 impact indicators identified in the study (Table 1). Of the seven, however, five represent aspects of social capital and only two have a bearing on the goods and services available to a household. With a lower threshold corresponding to 20 per cent of the beneficiaries, four

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<sup>1</sup> The official rural poverty headcount for Pakistan estimated in 2005 was also 28 per cent. The official poverty line is food-based (that is, based on the rupee equivalent of a specified intake of calories).

<sup>2</sup> These findings are based on respondent recall of changes occurring over the last five-to-six years; this is roughly the duration for the government's medium-term planning, and the about the same length of time that an IFAD-assisted project has available for implementing its activities.

additional indicators of impact on goods and services, and seven others related to social capital, are also recognized.

9. The *NWFP Barani comes out ahead in both kinds of indicators, those that have a bearing on the goods and services available to a household, and those that relate only to social capital and empowerment*. In the former category, it has impacted a majority of the beneficiaries in six of the 63 indicators used in the study, with an additional five showing signs of progress by impacting at least 20 per cent of the beneficiaries (Table 2). The major reason for finding a broader range of impacts in this project is its design, and particularly the inclusion of roads and social sector interventions (health, education and drinking water) in the project.

10. There is also, however, another discernible difference in comparison with the BVDP, and that is in terms of social capital and empowerment: NWFP beneficiaries reported more positive impacts on the majority than the BVDP beneficiaries, and their responses were also more consistent with the notion of empowerment. The difference may be due to the provinces, the design of the project, the approach adopted by the Rural Support Programme (RSP) engaged by the project, or a combination of these factors. Available information suggests that the RSP approaches to social mobilization are not highly differentiated from each other, except that the NRSP (in BVDP) emphasizes microfinance to an extent that no other RSP has been able to do so far. The institutions of the two governments —WFP and Punjab— are also characterized by more similarities than differences, except that Punjab has more resources.

**Table 1-Appendix 7. Summary of Plausible and Significant Impacts in the BVDP**

Impact Domain and Indicators		Plausible and Significant Impacts	
		Reported by a Majority of the Beneficiaries	Additional Impacts Reported by At Least 20 per cent of Beneficiaries
<i>Household Physical and Financial Assets</i>	Goats and sheep		Yes
	Poultry		Yes
	Savings and jewellery		Yes
<i>Public Services</i>	Loans	Yes	
<i>Household Human Assets</i>	Level of skills and crafts	Yes	
<i>Social Capital and Empowerment</i>	System of deciding village priorities	Yes	
	System of managing village schemes	Yes	
	System of managing loans/savings	Yes	
Responsiveness of community to poor people		Yes	
Responsiveness of community to women's problems		Yes	
System of managing water in the village			Yes
System of agricultural input supply			Yes
Responsiveness of government to community			Yes
Responsiveness of government to women's problems			Yes
Responsiveness of government to poor people			Yes
Linkages between community and NGOs			Yes
Linkages between community and private sector			Yes
<i>Environment</i>	Productivity of soil		Yes

**Table 2-Appendix 7. Summary of Plausible and Significant Impacts in the NWFP Barani**

Impact Domain and Indicators		Plausible and Significant Impacts	
		Reported by a Majority of the Beneficiaries	Additional Impacts Reported by At Least 20 per cent of Beneficiaries
<i>Public Services</i>	Roads	Yes	
	Drinking water	Yes	
	Extension services		Yes
	Veterinary facilities		Yes
	Agricultural markets		Yes
<i>Household Human Assets</i>	Women's health	Yes	
	Level of skills and crafts	Yes	
<i>Household Food Security</i>	Production of cereals	Yes	
	Production of vegetables		Yes
<i>Social Capital and Empowerment</i>	System of deciding village priorities	Yes	
	System of managing village schemes	Yes	
	System of managing water in the village	Yes	
System of agricultural input supply		Yes	
Responsiveness of government to community		Yes	
Responsiveness of government to women's problems		Yes	
Responsiveness of government to poor people		Yes	
Responsiveness of community to women's problems		Yes	
Responsiveness of community to poor people		Yes	
Linkages between community and NGOs		Yes	
Linkages between community and private sector			Yes
System of managing loans/savings			Yes
System of managing forest and grazing			Yes
System of agricultural marketing			Yes
<i>Environment</i>	Quality of water	Yes	
	Trees and forests		Yes

11. *The most plausible explanation for differences in the range and nature of impacts generated by the two projects lies in project design.* First, it is obvious that the more interventions a project (such as the NWFP Barani) has, the more impact indicators it would span. In NWFP, IFAD was fortunate to have a larger partner (the AsDB) with fewer restrictions on the interventions it could support (health, education and rural roads being particularly relevant in this connection). Second, the study suggests that some interventions (e.g., agricultural research and extension) would not generate significant impact without interventions in other areas (e.g., input supply, marketing and roads). Third, there is interplay between social capital and interventions that directly impact well-being through goods and services. In the final analysis, the two sets of interventions can be seen to be symbiotic: the broader range of interventions in NWFP addressed more of the community's concerns and, thereby, provided additional stimulus to the real and perceived benefits of social capital.



12. In concluding the discussion on impacts, it may be noted that *the gender differences in perception of impact that are reported in this study are not surprising, except perhaps in the magnitude of some of the differences*. The main differences are as follows:

- (a) Many more women than men appreciated the project's impact on increasing the government's responsiveness to women's problems, increasing the community's responsiveness to women and the poor, and establishing linkages to non-governmental organizations and the private sector.
- (b) Men consistently gave a more appreciative assessment than women when it came to impacts related to land, other natural resources, roads and markets. Women, on the other hand, were more appreciative of impacts in the health and education indicators.
- (c) Men gave more credit to the project than women did for increasing the production of cereals and vegetables. But women far outnumbered men in reporting impacts on poultry, livestock and milk production. And they were also consistently and considerably more appreciative of project impacts on food consumption.

#### 4. Main Conclusions

13. *The findings of this study suggest that estimates of impact obtained through missions, Project Completion Reports and previous evaluations have over-stated the range and extent of project impacts*. The reason is that this study avoided over-optimistic impact attribution by:

- (a) comparing responses from the control group with those of the beneficiaries;
- (b) introducing criteria for robust assessment of the benefits reported by beneficiaries; and,
- (c) adopting clear thresholds to differentiate between progress and stagnation.

14. Based on the analysis of context, including the overall sample, it would be reasonable to infer that the areas in which the two projects operated are under-privileged in relation to most of the country. At the same time, a number of key indicators suggest that *the projects, taken together, focused on the better off people in their project areas; this was more pronounced in the BVDP*.

15. The impacts identified by pursuing the methodology identified above are limited in range and extent, and more so in the BVDP. *Beneficiary perceptions of "feel good" factors (social capital and empowerment) were highly appreciative, while those concerning the "get better" indicators (goods and services for the household) were generally feeble or non-existent*. The study suggests that one reason for this is that the accumulation and improvement of most household and community assets that generate rural poverty impacts is not possible during a five-to-six year period, at least in Pakistan. Another reason is that impacts on rural poverty depend on a holistic approach as well as real synergies between interventions, which are not adequately reflected in project design.





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