Focus, leverage and scale:
A ten-year engagement strategy for Pakistan.

World Bank Group

Proposed Country Partnership Framework (CPF)

FY25-FY34

CPF Process and Timeline

The World Bank Group

IBRD	IDA	IFC	MIGA
International Bank for Reconstruction and Development	International Development Association	International Finance Corporation	Multilateral Investment Guarantee Agency
Loans to middle-income and credit-worthy low-income country governments	Concessional loans and grants to governments of poorest countries	Solutions in private sector development	Guarantees to private sector investors and lender against non-commercial risks

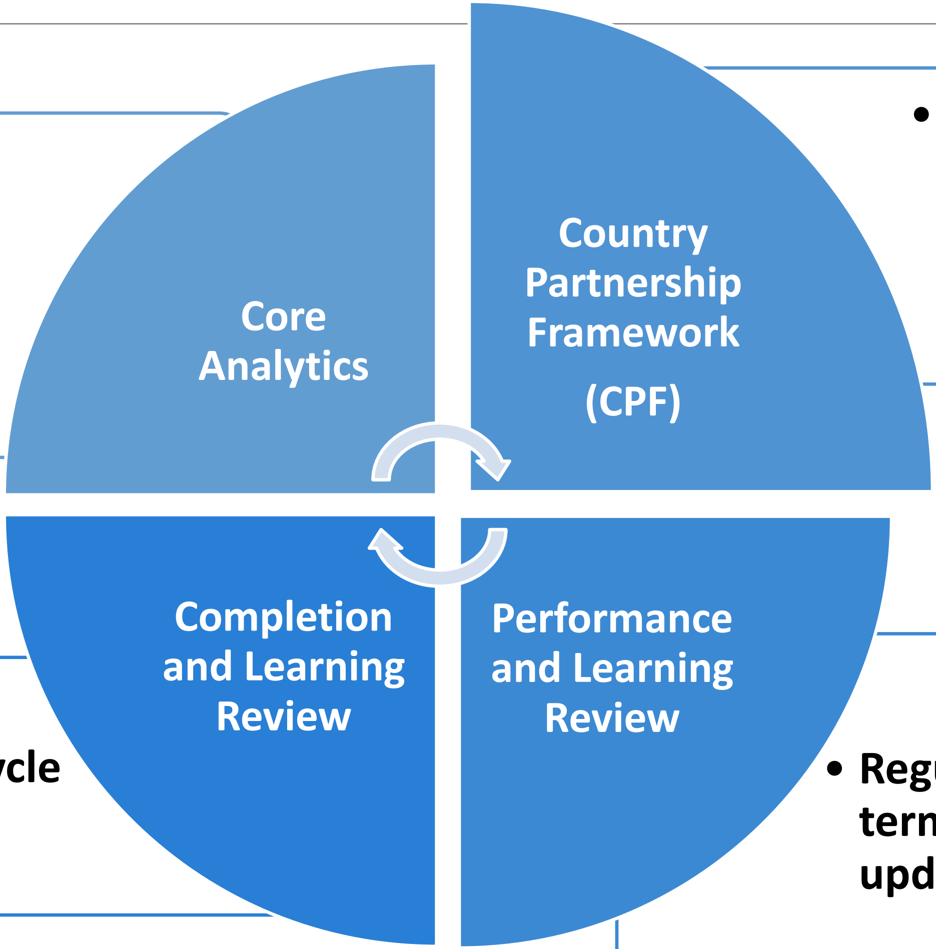
Over $14.5 billion committed in 55 projects all over Pakistan. These range from operations on energy, private sector development, service delivery, and inclusion (social sectors)

Expected annual commitment (FY24) of $1.8 billion

Exposure of $204 million in 3 projects in the energy and manufacturing sectors

Process

- CCDR, Country Economic Memorandum, *Reforms for a Better Future*, Human Capital Review, SCD, CPSD



- Preparation underway – Board planned in September/October

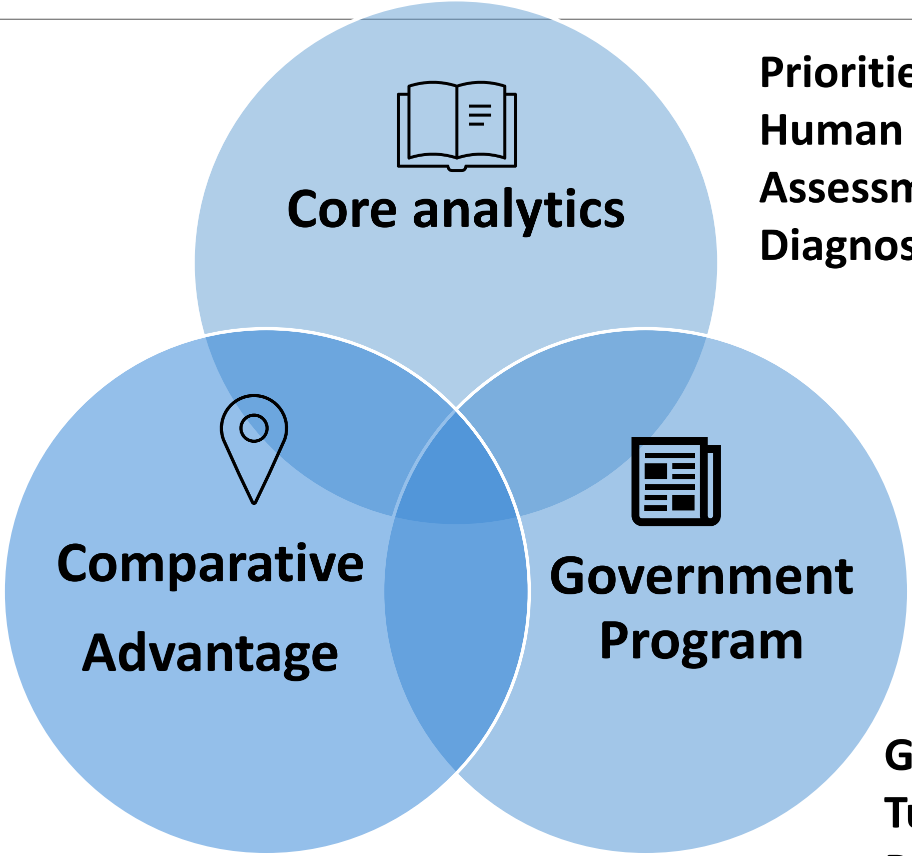
- At end of the cycle

- Regular and Mid term reviews and updates

Selectivity

Priorities identified in CCDR, Human Capital Review, Poverty Assessments, Water Diagnostics, among others

Lessons learned from previous CPF and from projects and global experience



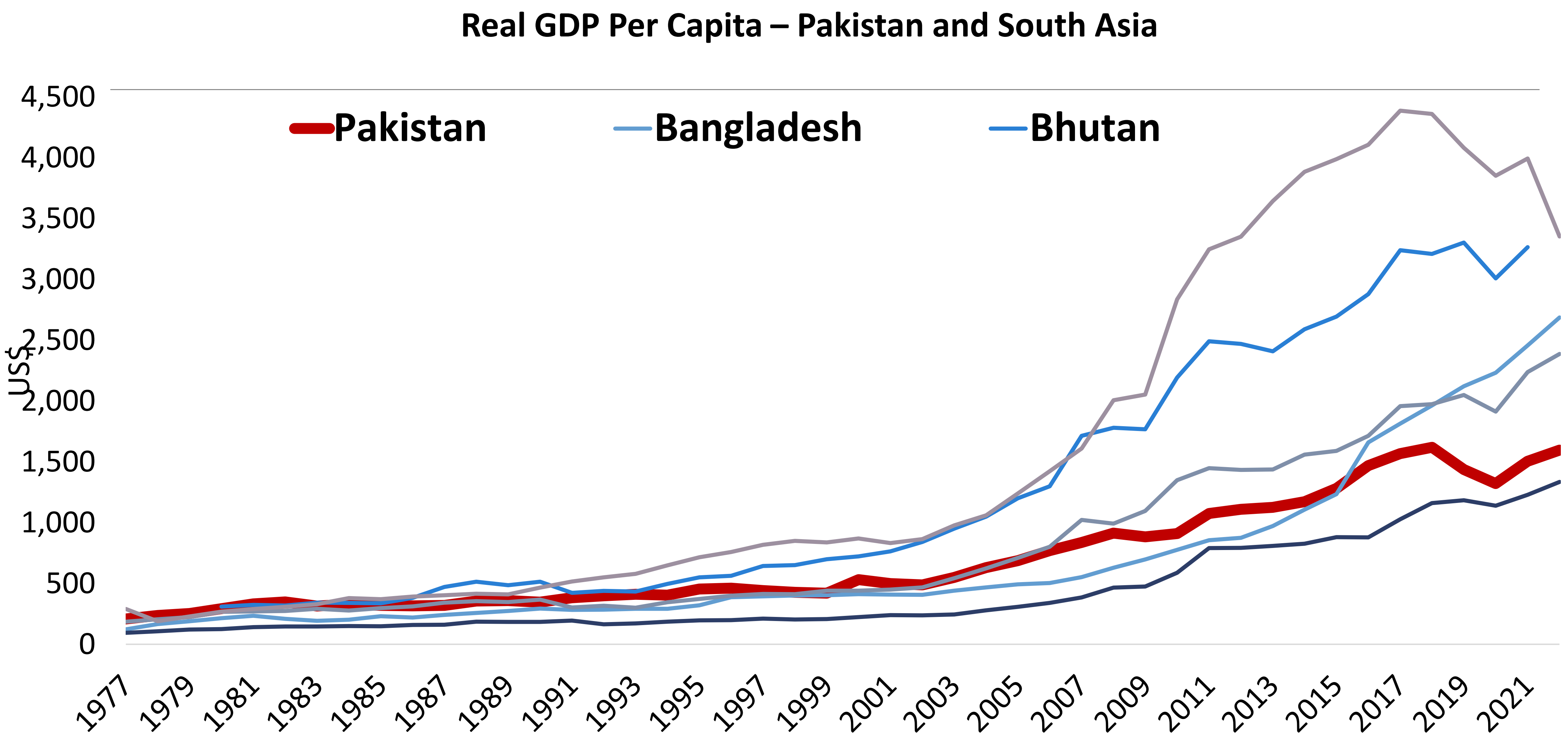
Government's 5E Agenda to Turn Around Pakistan
Provincial Strategies

Context

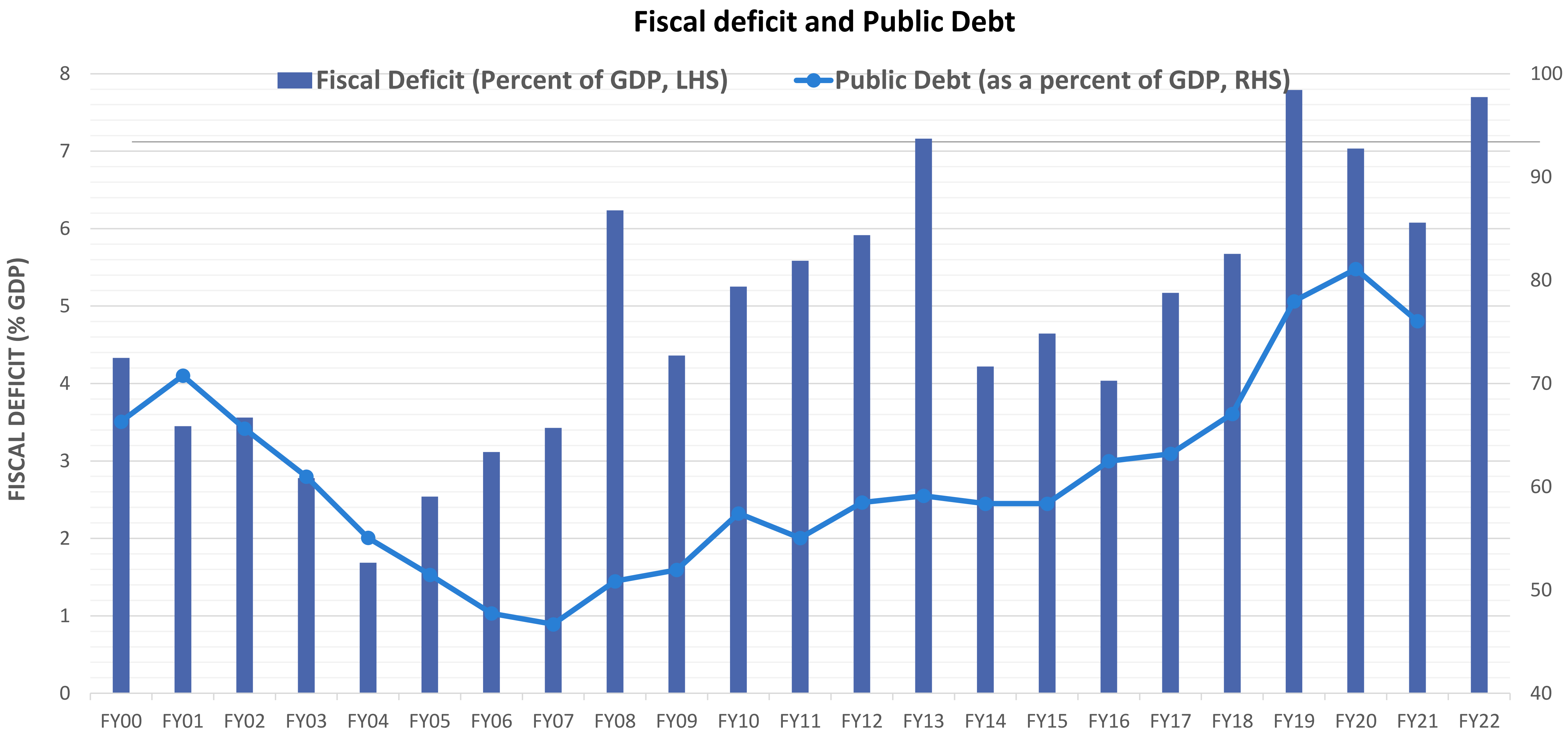
Key Challenges constraining growth and long-term development

- **A (silent) Human Capital crisis**—learning outcomes, health outcomes (stunting, child mortality, fertility) remain low and stagnant. Dramatic poverty decline trend is reversing.
- **Recurrent fiscal mismanagement cycles and structural imbalances -** volatile, consumption-driven growth. Limited prospects for growing fiscal space without major structural reforms, on revenues and expenditures.
- **Significant climate and disaster vulnerability**–extreme climate-related events + environmental degradation + air pollution projected to reduce GDP by ~20% by 2050. Prioritize agri-food-water nexus + water management.
- **Large infrastructure gaps** persist. Fossil fuel-dependent and structurally inefficient Energy sector, large T&D losses. Large gaps in investment in municipal/rural service delivery (WASH, transport) and digital connectivity.
- **Governance and institutions as a foundation:** incomplete decentralization—low local government capacity and powers; insufficient transparency, accountability and e-governance.
- **Large gender gaps and low** (but growing) **female labor force participation** in the economy.
- **Constrained private sector** due to a cumbersome regulatory environment, large State/SOE presence, limited financial markets depth, distortions in pricing and tax incentives, high government borrowing that crowds out private credit, and an **anti-export bias** in trade policies.

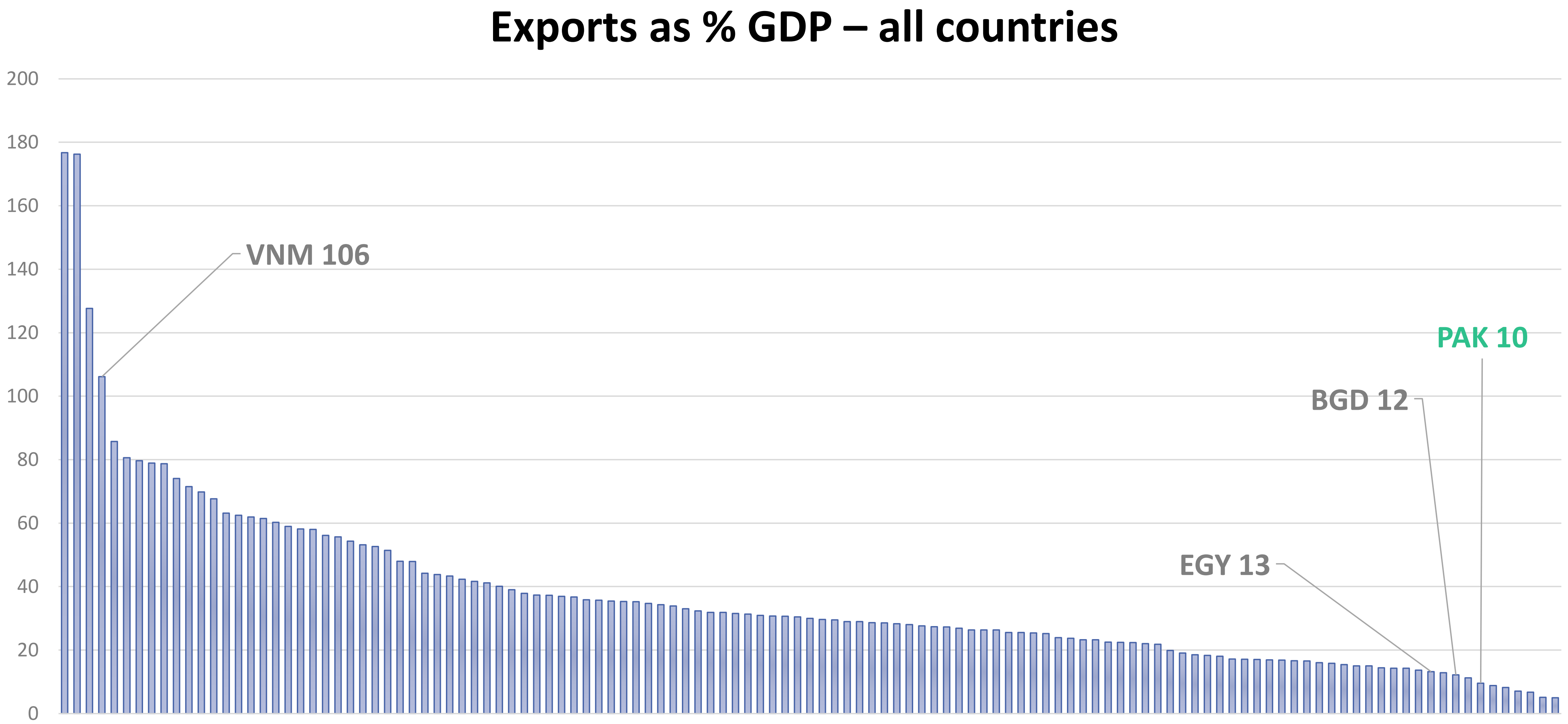
AN ECONOMY THAT HAS FALLEN BEHIND SOUTH ASIAN PEERS



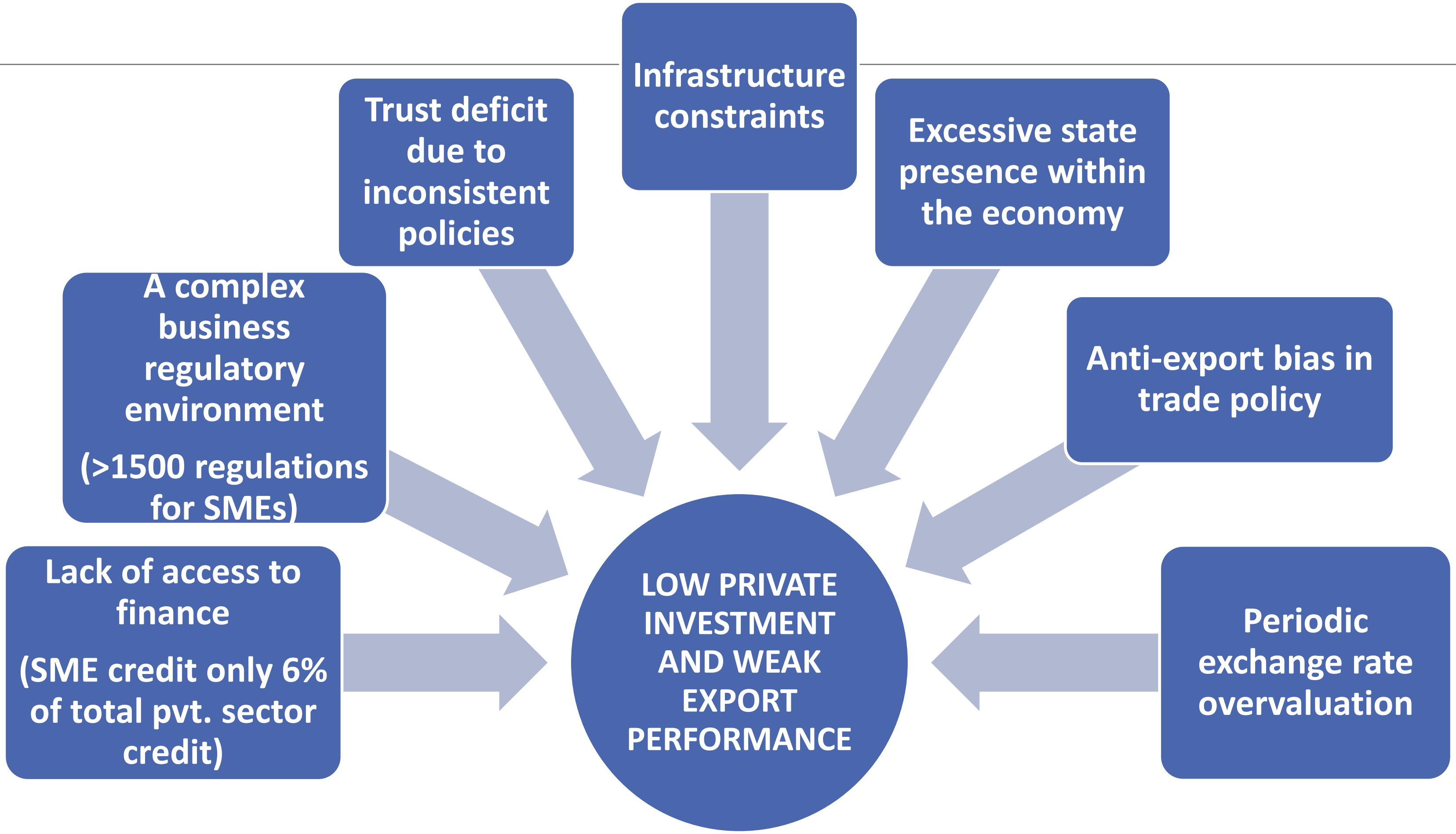
FISCAL SUSTAINABILITY IS A KEY CHALLENGE



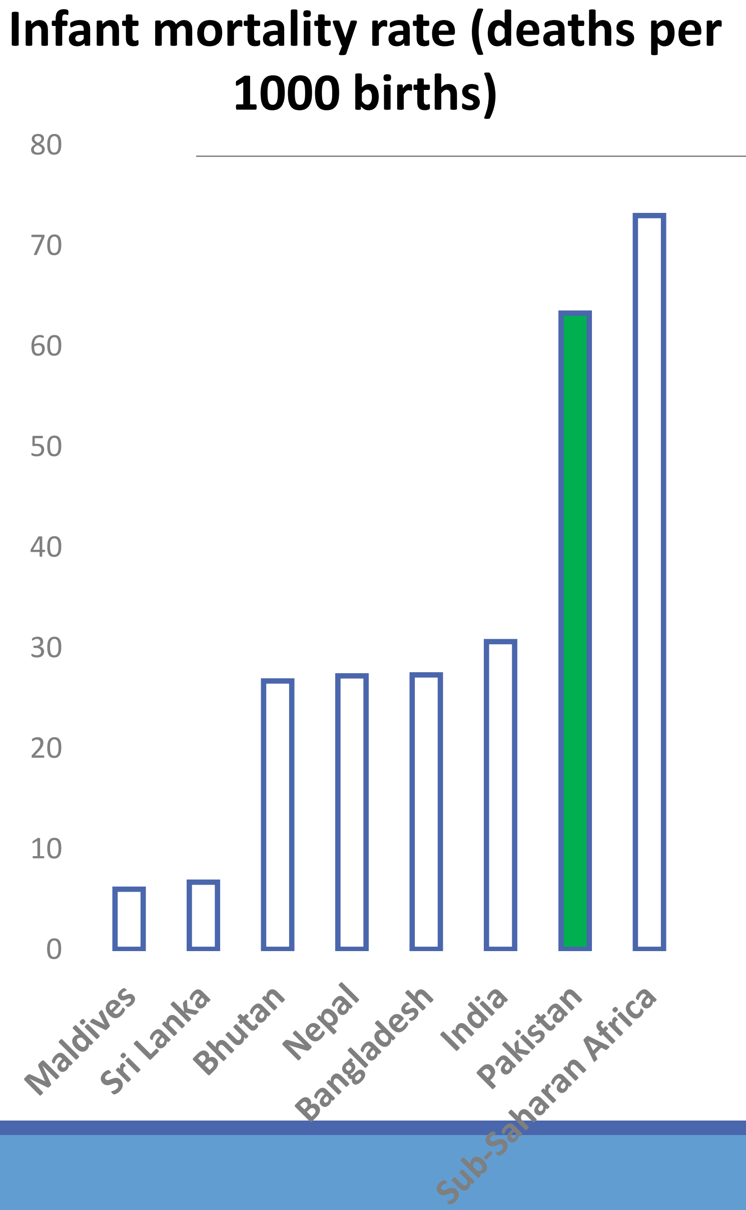
A POLICY ENVIRONMENT THAT DETERS EXPORTS AND INVESTMENT

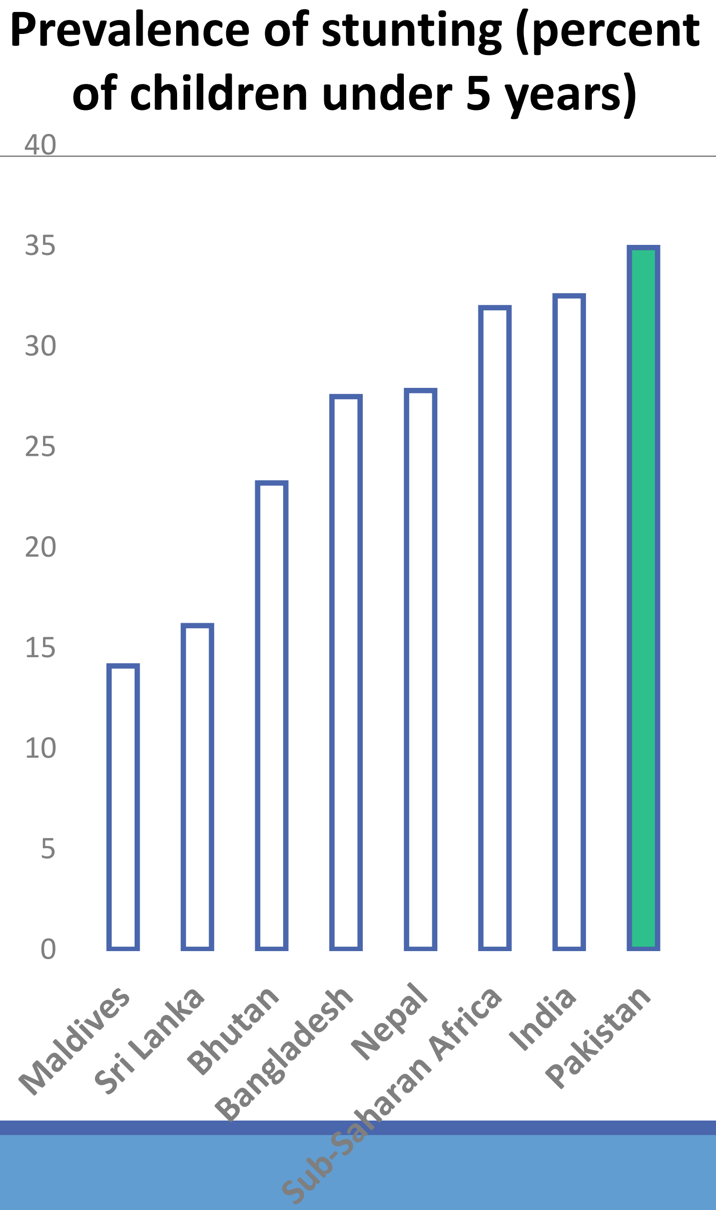


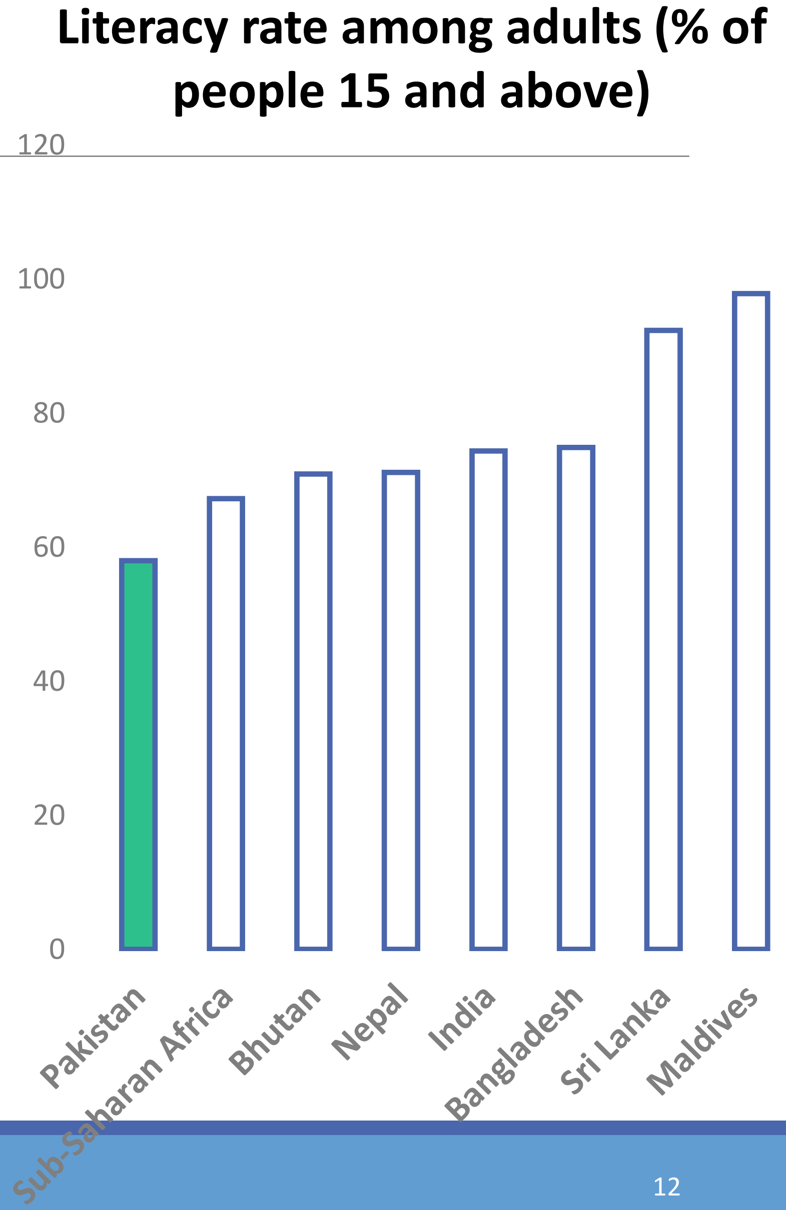
CONSTRAINTS TO PRIVATE SECTOR GROWTH



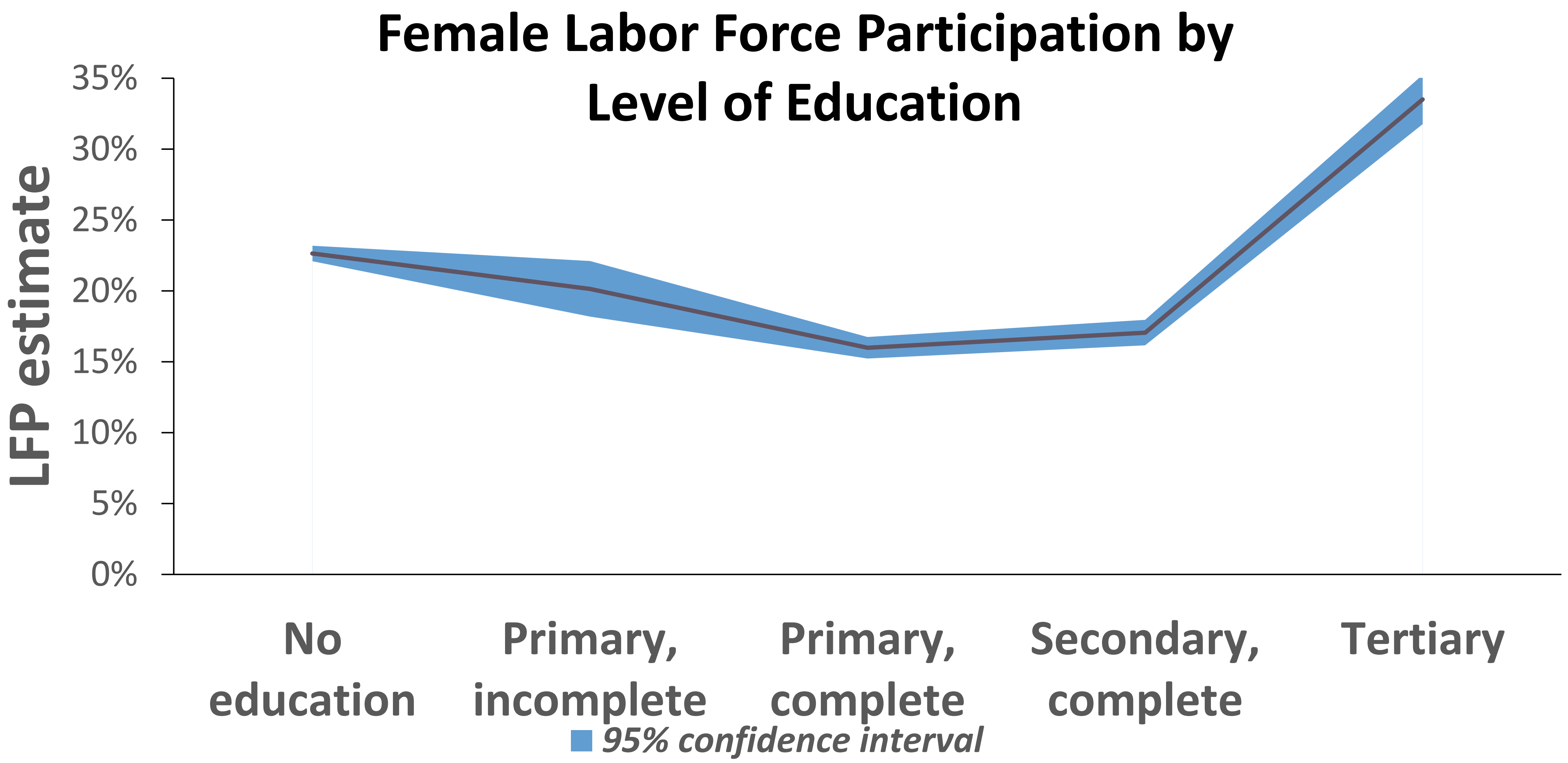
HUMAN DEVELOPMENT OUTCOMES AMONG THE WORST IN THE REGION







AN ECONOMY SUFFERING FROM THE EXCLUSION OF WOMEN



AN AGRI-FOOD SECTOR MIRED BY HEAVY STATE PRESENCE

40% of the labor force employed in agriculture

One quarter the South Asian average rate of agricultural productivity growth

130 grams of crop output per liter of water, compared to 390 grams in India, and 800 grams in China.

US$4.9 billion in savings just from reducing subsidy support to agriculture in Sindh and Punjab

PERENNIAL ENERGY SECTOR PROBLEMS MUST BE RESOLVED

- ✓ **Reduce and better target energy subsidies**
- ✓ **Improve efficiency of distribution and transmission, including through private sector participation**
- ✓ **Transition to cheaper and cleaner renewable energy sources over time**

13%
reduction in energy costs from renewable generation

US$2 billion
in savings from energy efficiency

US$13 billion
in avoided imports

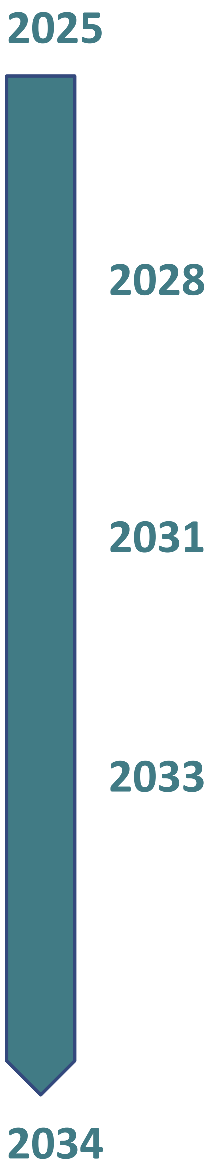
Proposed Focus Areas

A ten-year focused CPF to …

… **provide an anchor and stability of engagement**. The CPF aims to provide a clear, focused, ***medium-term vision*** of WBG engagement

… **ensure a coordinated approach among development partners,** to allow for co-programming and ***leverage*** around stable decade-long thematic country platforms (such as on energy or stunting)

… **increase WBG accountability and focus** around a limited set of indicators we can actually impact



Frequent updates to course correct, and one mid term review to confirm priorities

Proposed CPF: Ten focus areas to impact six country-level outcomes.

PEOPLE

Healthier Lives, with lower Learning Poverty and access to more Inclusive and Equitable Water and Sanitation services

1. Reduced child stunting

- 1.1 Improved access to basic **health** services and diversified **nutrition**
- 1.2 Improved access to **family planning** services
- 1.3 Improved access to safe **water, sanitation** services, and **hygiene**

2. Reduced learning poverty

- 2.1 Increased access and attendance to quality schools and **foundational learning**

PLANET

Resilient Populations, with access to Sustainable Food Systems and Affordable, Reliable and Sustainable Energy

3. Increased resilience to climate change

- 3.1 A more **diversified agriculture**, resilient to water scarcity, droughts & changing rain patterns
- 3.2 Increased **resilience to floods** and disasters

4. More decarbonized environment

- 4.1 Access to cleaner, more **sustainable energy**
- 4.2 Decarbonize sources of **air pollution**: transport industry, agriculture, etc.

PROSPERITY

Effective Macroeconomic and Fiscal Management, More Private Investment and More and Better Jobs

5. More public resources for inclusive development

- 5.1 Increased **fiscal space** for more stable, efficient, inclusive public spending

6. Increased productive private investment

- 6.1 More productive and inclusive **priv. investments:** export-oriented, job creating (incl. for women)

Impacting these 6 outcomes will often require to CONNECT people and communities to services, and PROTECT the poorest households from economic and climate shocks and adversity

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CONNECTED COMMUNICTIES and DIGITAL CONNECTIVITY:

Digital connectivity and services and ***Transport*** infrastructure and services for households and firms, ensuring inclusion of ***Persons With Disabilities***.

PROTECTION FOR THE POOREST:

Social safety nets and ***financial inclusion*** to support and protect the bottom 50%, particularly women, and incentivize human capital investments.

1. Contributors to ***Reduced child stunting***

Black: World Bank **Red:** joint WB & IFC **Blue:** IFC only

CONNECT: *Improved **physical access to basic health units** at the community level, in **rural** areas; **Digitalization of public health** systems; **Digital infrastructure**/broadband to enable health-tech; Direct and indirect investments in **health-tech***

1. Reduced Child Stunting

1.1 Improved access to basic health services and diversified nutrition

- ***Primary health care and nutrition** services, particularly **mother and child health**, deworming, etc.*
- *Support diversified, nutritious, safe, sustainable **agri-food production***
- *PPPs/investments in tertiary healthcare, health-tech*
- *Investments in pharma manufacturing and food fortification*

1.2 Improved access to family planning services

- ***Family planning and population** services to reduce fertility and increase birth spacing*

1.3 Improved access to safe water, sanitation services, and hygiene

- *Access to safely managed **water and sanitation** services, including the use of sustainable tariff schemes to ensure appropriate O&M costs are paid for*
- *Behavioral change campaigns to improve **household and community hygiene** practices*
- *PPPs/investments in **urban wastewater and solid waste management** including in industrial zones*

PROTECT: *Conditional Cash Transfers **incentivizing behavioral change/investments in health, family-planning and nutrition***

2. Contributors to *Reduced learning poverty*

Black: World Bank **Red:** joint WB & IFC **Blue:** IFC only

CONNECT: *Improved* ***rural accessibility and safe transport to schools****; access of* **Persons with Disabilities**; ***Digital governance*** *of education system; Investment in* ***digital infrastructure*** *to increase access and enable* ***ed-tech****; Direct/indirect investments in* ***ed-tech***

2. Reduced learning poverty

2.1 Improved access to, and attendance in quality schools and foundational learning

- *Strengthen* ***governance/decentralization*** *across national, provincial and district education agencies*
- ***Reform teacher recruitment, training, career management****, and equitable allocation to schools*
- ***Expand use of proven foundational learning practices*** *through better prepared teachers and classroom environments; expand reach to out-of-school children*
- *Systematically* ***expand quality early childhood education*** *to support school readiness*
- ***Leverage private sector for expanding access****, enhance regulations/supervision to improve quality*
- ***Expand access to WASH facilities*** *in schools*

PROTECT: *Conditional Cash Transfers* ***incentivizing school attendance, achievements and transitions***

3. Contributors to *Resilience to climate change*

Black: World Bank Red: joint WB & IFC Blue: IFC only

CONNECT: *Rural roads and **transport infrastructure that is more resilient to floods**; Investment in **cold chain agri. storage & transport** Direct/indirect investments in **ag-tech;** Investment in **digital infrastructure to enable ag-tech/digital use cases in agriculture***

3. More resilience to climate change

3.1 More diversified, productive agriculture, resilient to water scarcity, droughts and changing rain patterns

- ***Reduce distortions and subsidies to repurpose public spending to core public goods** (agriculture R&D and infrastructure) to **promote climate-resilient solutions** (esp. droughts and heat-resistant varieties and breeds) and the **adoption of climate-resilient farming practices** (water use efficiency, sustainable soil fertility management, fertilizer-use efficiency, post-harvest loss reduction, etc.)*
- ***Develop high-potential agri. value chains** (smallholder livestock, horticulture, aquaculture, agri-processing) and address challenges of smallholder farmers to **increase productivity and inclusion into agri-food VCs***
- ***Invest in climate-smart agri-food companies** (animal protein, dairy, aquaculture, livestock); and in **agri-logistics** sector (including via PPPs)*

3.2 Increased resilience to floods and disasters

- ***Flood-resilient infrastructure** and nature-based solutions (e.g. reducing deforestation), and improved early warning systems and disaster risk information and management systems*
- *Mobilizing blended climate finance and green financing instruments to support **climate resilient urban infrastructure and adaptive real sector investments**; strengthening ESG regime and capacities*

PROTECT: ***Unconditional Cash Transfers** that protects the bottom 50%; **Adaptable social protection** that can respond to shocks and expand access for emergencies; **Savings schemes** for the poorest quintiles; **Financial inclusion** solutions, including microfinance*

4. Contributors to *Decarbonization*

Black: World Bank **Red: joint WB & IFC** **Blue: IFC only**

CONNECT: ***Decarbonization of transport sector*** *(EVs—incl. public transportation, switch to railway freight, etc.); Investments to* ***decarbonize telecoms infrastructure****, incl. solarization of towers*

4. More decarbonized environment

4.1 Access to cleaner more sustainable energy

- *Power and gas sector reforms*
- ***Transition to clean energy****, including hydropower, solar, and other potentials (wind, geothermal, etc.)*
- *Investment in* ***power transmission and distribution*** *sectors, including via* ***private participation***

4.2 Decarbonize the sources of air pollution: transport, industry, agriculture, etc.

- *Decarbonization of key polluting sectors: transport (EVs), industry, construction (brick kilns), home cooking*
- *Reduce crop residue burning, encourage low-emission fertilizer and manure use, reduce GHG intensity of livestock production*
- *Enhance capacity to develop and invest in projects to* ***promote a viable carbon credits market***
- ***Energy/resource efficiency*** *and decarbonization advisory and investments in real sectors (manufacturing, green buildings, etc.)*

PROTECT: *Social safety nets that protect the poorest from price shocks and/or phasing out of energy subsidies*

5. Contributors to *More public resources for inclusive development*

Black: World Bank **Red:** joint WB & IFC **Blue:** IFC only

CONNECT: ***Digitalization*** *of transactions, tax administration and public investment/financial management*

5. More public resources for inclusive development

5.1 Increased fiscal space for more stable, efficient and inclusive public spending

- ***Increased tax and non-tax revenues*** *(including reducing tax exemptions); increased provincial and local governments' revenues, including from agriculture income, real estate and retail*
- ***Rationalized expenditures and improved spending efficiency:*** *reduced regressive subsidies, inefficient expenditures and SOE losses; improved debt and public investment management; improved fiscal coordination; increased efficiency, progressivity and inclusiveness of public spending*

PROTECT: ***Improved targeting of Social safety nets*** *to increase spending progressivity of social transfers*

6. Contributors to *Increased productive private investment*

Black: World Bank **Red:** joint WB & IFC
Blue: IFC only

CONNECT: ***Transport infrastructure for competitiveness*** *and access to* (rural) *markets*; ***digital infrastructure***, ***G2B services digitalization***

6. Increased productive private investment

6.1 More productive and inclusive private investments: export-oriented, job creating (including for women)

- ***Open trade*** *(reduced anti-export bias)* ***and investment*** *policies;* ***improved business environment; reduced State presence*** *in economy and improve competition environment*
- *Financial sector reforms for* ***increased intermediation and stability***
- ***Increased financial intermediation/inclusion****, incl. µfinance/MSME sector for agri, climate, gender*
- ***Capital markets development*** *(incl. pension sector reform, long term finance, DPRs, etc.)*
- ***Invest in exports/tradables****, incl. technical/vocational training PPPs to ↑ employability & productivity*

PROTECT: ***Social safety nets*** *that protect the bottom 50% from economic shocks and transitions;* ***Financial inclusion*** *for SMEs, agriculture & entrepreneurs*

5 AREAS OF WORLD BANK - IFC COLLABORATION TO SCALE UP PRIVATE SECTOR PARTICIPATION

- **Transmission & Distribution**
  - Bankable frameworks for PPPs in transmission lines & DISCOs
- **Water**
  - Bankable frameworks for industrial and urban usage water/waste plants
  - Improve credit worthiness & operational efficiency of municipal authorities
- **Digital Infrastructure**
  - Enabling regulatory work on data protection
  - Expand broadband infrastructure
- **Agriculture**
  - Policy/reg work in sub-sectors to support competitiveness
  - Support to agri-processors/export oriented agri players
- **Financial Inclusion**
  - Facilitate de-risking/ credit enhancement instruments
  - Launch capital market products