World Bank Group

Proposed Country Partnership Framework (CPF)

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

December 2024

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

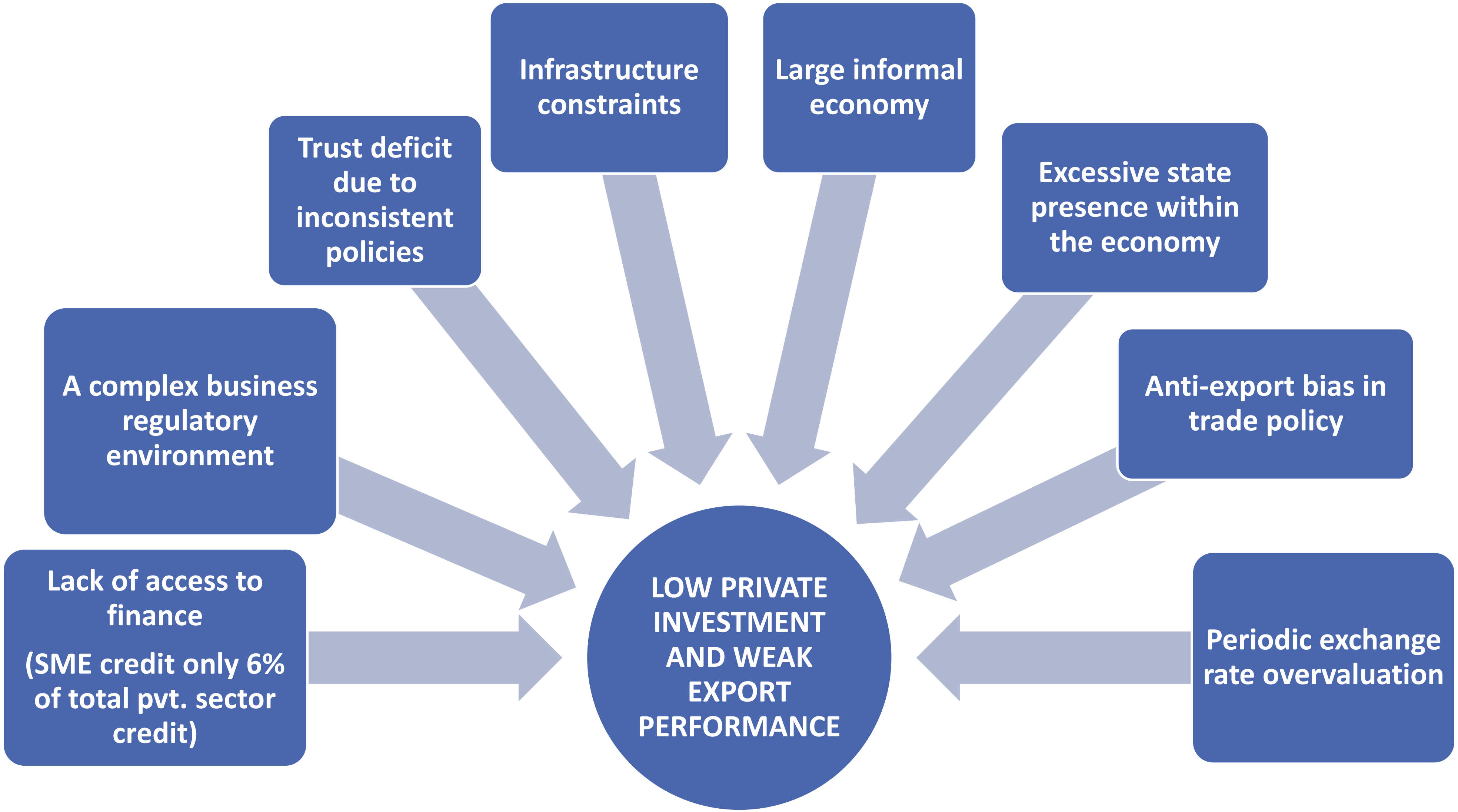
Over $14.5 billion committed in 55 projects all over Pakistan (~half federal, ~half provincial). Most development sectors. ~$2 billion new commitments $2b disbursements every year.

FY24 commitment of ~$2.2 billion, portfolio of 45 companies (50% climate), advisory on PPPs, policy/regulations

Exposure of $204 million in 3 projects: energy, manufacturing

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.



CONSTRAINTS TO PRIVATE SECTOR GROWTH

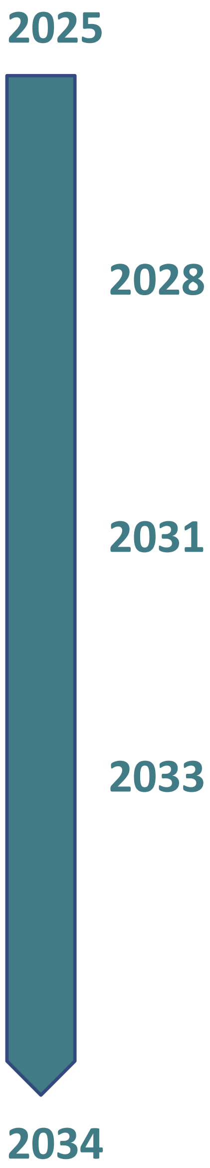
A ten-year focused CPF to …

… 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, WASH, education or stunting)

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

… **with "constrained flexibility"**, with annual joint reviews with Government and the ability course-correct mid-way **.**



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

What's different? what's new?... First "new generation" CPF

1. **Selectivity and focus:** 6 CPF outcomes, 10 contributing areas of focus; exiting from 10+ areas (WB)
2. **Clearly defined one WBG approach:** clarity on joint areas; IFC-only areas and WB-only areas.
3. **Long-term ambition – ten years:** mid-term progress review after 5 years and annual updates and two-year business planning.
4. **"Constrained flexibility":** clarifying circumstances justifying a change of focus (e.g. "if-then" areas where engagement is conditional on policy shifts; exceptional shock; major changes in priorities)
5. **A "*Programming-Tracking-Updating*" live strategy:** bi-annual reviews to take stock and course-correct; annual "CPF country days" in early Q3, with clients, to inform pipeline programming
6. **Ambition in leverage—"strategic bets":** co-/parallel- financing with other partners; Gov. budget
7. **Significant expansion of the data-measurement-evaluation agenda:** rigorous tracking of Corporate Scorecard Indicators and other outcomes; IE agenda (e.g. *Pakistan Data and M&E Lab*)

Proposed CPF: six outcomes and ten targets.

CPF Outcomes

1. Reduced child stunting	2. Reduced learning poverty	3. Increased resilience to climate change	4. Cleaner energy and better air quality	5. More public resources for inclusive development	6. Increased productive private investment
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**	2.1 Increased access and attendance to quality schools and improved **foundational learning** for primary and secondary school students	3.1 A more **diversified agriculture**, resilient to water scarcity, droughts and changing rain patterns 3.2 Increased **resilience to floods** and other climate-related disasters	4.1 Improved **affordability reliability** and **sustainability of energy** 4.2 Reduced sources of **air pollution**, with focus on: *transport, industry, energy construction, agriculture and residential (cooking).*	5.1 Increased **fiscal space** for more stable, efficient and inclusive public spending for development.	6.1 More productive and inclusive **private investments:** to improve balance of payments and job creation, including for women

CPF Theory of change and contributing areas to the six outcomes

CPF Outcomes

1. Reduced child stunting

2. Reduced learning poverty

3. Increased resilience to climate change

4. Cleaner energy and better air quality

5. More public resources for inclusive development

6. Increased productive private investment

CPF Targets and Contributions to WBG Corporate Scorecard

1.1 **50** Million people receiving quality health, nutrition and population services. WBG Scorecard

1.2 **30** million women using modern contraceptives.

1.3 **60** million people provided with water, sanitation and/or hygiene, o/w (%) is safely managed. WBG Scorecard

2.1 **12** million students supported with better education WBG Scorecard *with focus on foundational learning of primary and secondary school students.*

3.1 **30** million people with strengthened food and nutrition security WBG Scorecard

3.2 **75** million people with enhanced resilience to climate risks WBG Scorecard *with focus on resilience to floods and other climate-related disasters.*

4.1 **10** GW of renewable energy capacity enabled WBG Scorecard *sustainably, including via grid strengthening and gradual replacement of thermal generation capacity.*

4.2 **35%** reduction of the population-weighted $PM_{2.5}$ average annual exposure (from 55 to 35 µg/m³).

5.1 Tax revenues-to-GDP ratio above **15%,** with increased collections WBG Scorecard

6.1 Private Investment as a percentage of GDP

[contribution]

Client Context Indicator

WBG Corporate Scorecard Outcomes

3 Healthier lives

6 Inclusive and equitable water and sanitation services

2 No learning poverty

5 Green and Blue Planet and Resilient Populations

7 Sustainable Food Systems

9 Affordable, Reliable and Sustainable Energy for All

4 Effective Macroeconomic and Fiscal Management

15 More Private Investment

Proposed CPF: six outcomes, ten targets and two cross-cutting areas.

1. Reduced child stunting

1.1 50 Million people receiving quality health, nutrition and population services. WBG SCORECARD

1.2 30 million women using modern contraceptives.

1.3 60 million people provided with water, sanitation and/or hygiene, o/w (%) is safely managed. WBG SCORECARD

2. Reduced learning poverty

2.1 12 million students supported with better education WBG SCORECARD *with focus on foundational learning of primary and secondary school students.*

3. Increased resilience to climate change

3.1 30 million people with strengthened food and nutrition security WBG SCORECARD

3.2 75 million people with enhanced resilience to climate risks WBG SCORECARD *with focus on resilience to floods and other climate-related disasters.*

4. Cleaner energy and better air quality

4.1 10 GW of renewable energy capacity enabled WBG SCORECARD *sustainably, including via grid strengthening and gradual replacement of thermal generation capacity.*

4.2 35% reduction of the population-weighted $PM_{2.5}$ average annual exposure (from 55 to 35 $\mu g/m^3$).

5. More public resources for inclusive development

5.1 Tax revenues-to-GDP ratio above **15%,** with increased collections WBG SCORECARD

6. Increased productive private investment

6.1 Private investment as a percentage of GDP [contribution] CLIENT CONTEXT INDICATOR

CONNECTING COMMUNITIES

Digital Connectivity and Services and ***Transport Infrastructure and Services*** for households and firms, ensuring inclusion of ***Persons with Disabilities***.

PROTECTING 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+MIGA *Blue:* IFC only (+ MIGA)**

1. Reduced Child Stunting

1.1 Improved access to basic **health** services and diversified **nutrition**

- ***Quality delivery of essential health and nutrition services*** *for women, adolescent girls, and children*
- ***Equitable, efficient, and sustainable health financing***
- *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, age of first pregnancy and increase birth spacing*

1.3 Improved access to safely managed **water and sanitation** services, and **hygiene** related information

- *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 and information campaigns to improve* ***household and community hygiene*** *practices*
- *PPPs/investments in* ***urban wastewater and solid waste management*** *including in industrial zones*

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

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 (+ MIGA)**

2. Reduced learning poverty

2.1 Increased access and attendance to quality schools and improved **foundational learning** for primary and secondary school students

- *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*

CONNECT: *Improved* ***rural accessibility and safe transport to schools****; access for* ***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.***

PROTECT: *Conditional cash transfers* ***incentivizing school attendance, achievements, and transitions.***

3. Contributors to *Increased Resilience to Climate Change*

Black: ***World Bank*** ***Red:*** ***joint WB + IFC*** ***Blue:*** ***IFC only (+ MIGA)***

3. Increased Resilience to Climate Change

3.1 A more **diversified agriculture**, resilient to water scarcity, droughts and changing rain patterns

- ***Reduce distortions and subsidies to repurpose public spending to core public goods*** *(agriculture research and development and infrastructure) to* ***promote climate-resilient solutions*** *(especially against droughts, e.g., 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 value chains***
- ***Invest in climate-smart agri-food companies*** *(animal protein, dairy, aquaculture, livestock); and in* ***agri-logistics*** *sector (including via Public Private Partnerships)*

3.2 Increased **resilience to floods** and climate 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 Environmental Social and Governance regime and capacities*

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

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 *Cleaner Energy and Better Air Quality*

***Black:* World Bank** ***Red:* joint WB + IFC** ***Blue:* IFC only (+ MIGA)**

4. Cleaner energy and better air quality

4.1 Improved affordability, reliability and sustainability of **energy** with lower GHG emissions per unit of GDP

- *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 Reduced sources of **air pollution**, with focus on: *transport, industry, energy, construction, agriculture and residential (cooking).*

- ***Decarbonization of key polluting sectors:** transport (EVs), industry, construction (brick kilns), residential cooking stoves and agriculture.*
- ***Reduce crop residue burning**, more **low-emission fertilizer** and **manure use**, less **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/investments in sectors (manufacturing, green buildings, etc.)*

CONNECT: ***Decarbonization of transport** (e-buses, railway freight, etc.); Investments to **decarbonize telecoms infrastructure**, solarization of towers.*

PROTECT: ***Social Safety Nets** that protect the poorest from price shocks, phasing out of energy subsidies or transitions to cleaner technologies.*

5. Contributors to *More Public Resources for Inclusive Development*

***Black:* World Bank** ***Red:* joint WB + IFC** ***Blue:* IFC only (+ MIGA)**

5. More public resources for inclusive development

5.1 Increased **fiscal space**
more progressive and efficient taxation and expenditures, for increased, more stable and inclusive public spending on development

- ***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 State-Owned Enterprises (SOE) losses (**advisory services to privatization/increased private sector participation in SOEs**); improved debt and public investment management; improved fiscal coordination; increased efficiency, progressivity, and inclusiveness of public spending*

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

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 (+ MIGA)***

6. Increased productive private investment

6.1 More productive and inclusive **private investments:** to improve balance of payments and job creation, including for women.

- ***Open trade*** *(reduced anti-export bias)* ***and investment*** *policies;* ***improved business regulatory environment; reduced State presence*** *in economy and improve competition environment*
- *Financial sector reforms for* ***increased intermediation and stability***
- ***Increased financial intermediation/inclusion****, incl. finance/MSME sector for agri, climate, gender*
- ***Capital markets development*** *(including pension sector reform, long term finance, DPRs, etc.)*
- ***Investments to improve the balance of payments, particularly in export-oriented sectors*** *and via PPPs in technical/vocational training, to increase employability and productivity*

PROTECT: ***Social Safety Nets*** *that protect the bottom 50% from economic shocks and transitions;* ***Financial Inclusion*** *for SMEs, agriculture and entrepreneurs.*

CONNECT: ***Transport infrastructure for competitiveness*** *and access to* **(rural)** *markets;* ***Digital Infrastructure****,* ***Government-to-Business services digitalization.***

PAKISTAN RESULTS FRAMEWORK: CPF OUTCOMES, TARGETS AND THE WBG CORPORATE SCORECARD

SCORECARD OUTCOMES	1 Reduced child stunting	2 Reduced learning poverty	3 Increased resilience to climate change	4 Cleaner energy and better air quality	5 More Public Resources for Inclusive Development	6 Increased productive private Investment
2 *No learning Poverty*		❑ 2.1 Millions of students supported with better education				
3 *Healthier lives*	❑ 1.1 Millions of people receiving quality HNP services ○ 1.2 Millions of women using modern contraceptives					
4 *Effective macro economic & fiscal management*					❑ 5.1 Tax revenues-to GDP at or above 15%	
5 *Green and Blue Planet & Resilient Populations*			❑ 3.2 Millions of people with enhanced resilience to climate risks	○ 4.2 Population-weighted $PM_{2.5}$ average annual exposure		
6 *Inclusive and equitable water and sanitation services*	❑ 1.3 Millions of people provided with water, sanitation, and/or hygiene, of which (%) is safely managed					
7 *Sustainable Food Systems*			❑ 3.1 Millions of people with strengthened food and nutrition security			
9 *Affordable, Reliable and Sustainable Energy for All*				❑ 4.1 GW of Renewable Energy capacity enabled		
15 *More Private Investment*						❖ 6.1 Private investment as a percentage of GDP

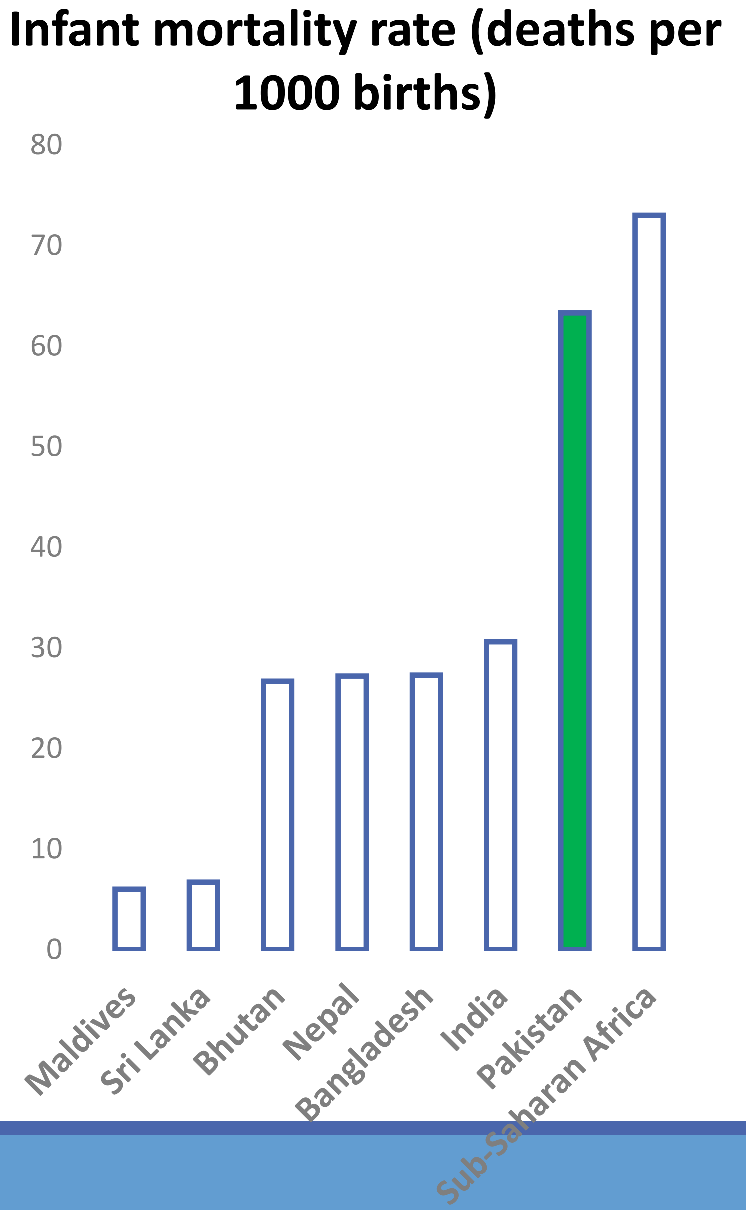
❑ WBG Scorecard indicator ○ Non-Scorecard indicator ❖ Client context indicator

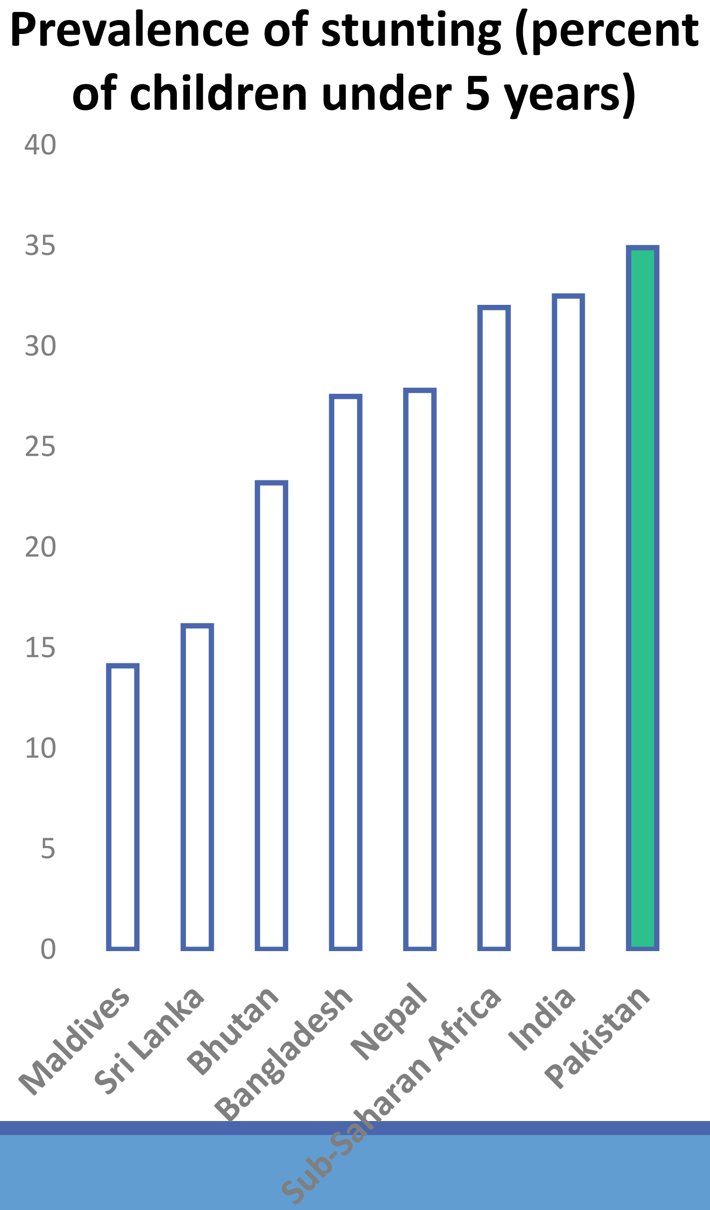
Annex

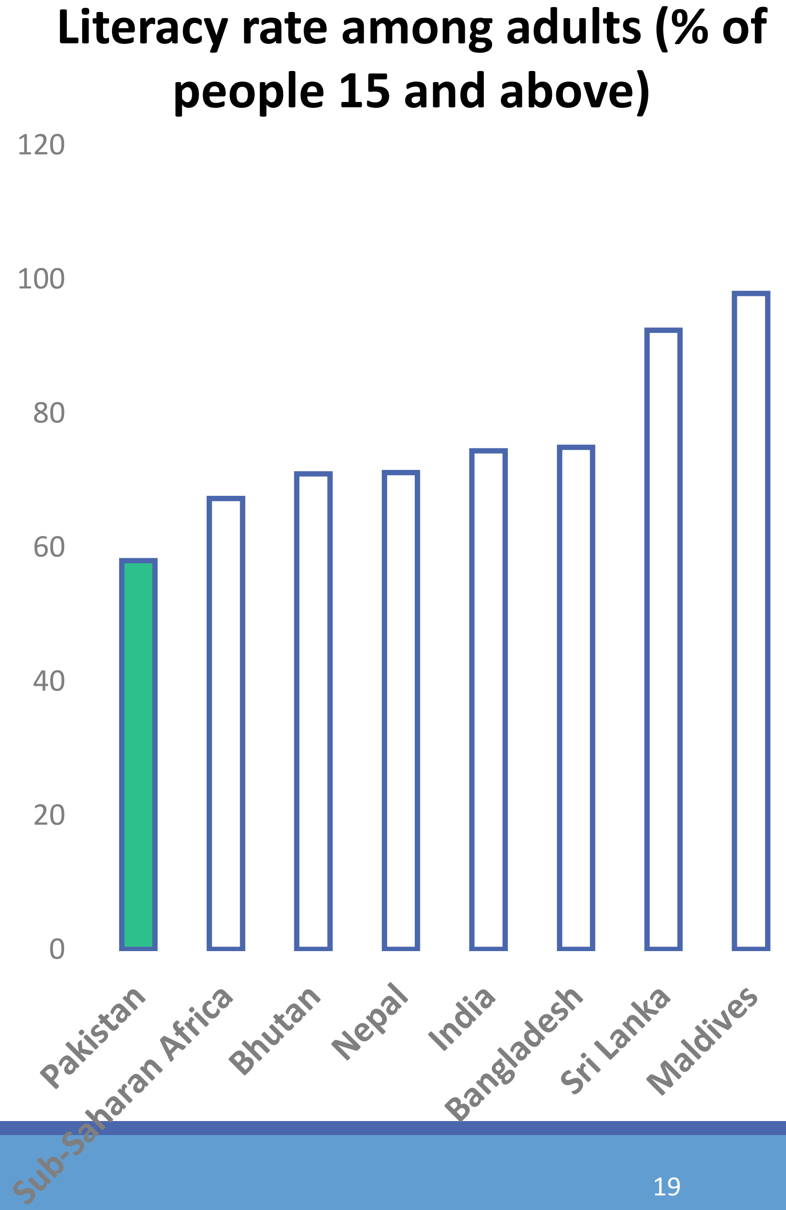
5 AREAS OF WORLD BANK - IFC COLLABORATION TO SCALE UP PRIVATE SECTOR PARTICIPATION

- **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 & towers 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

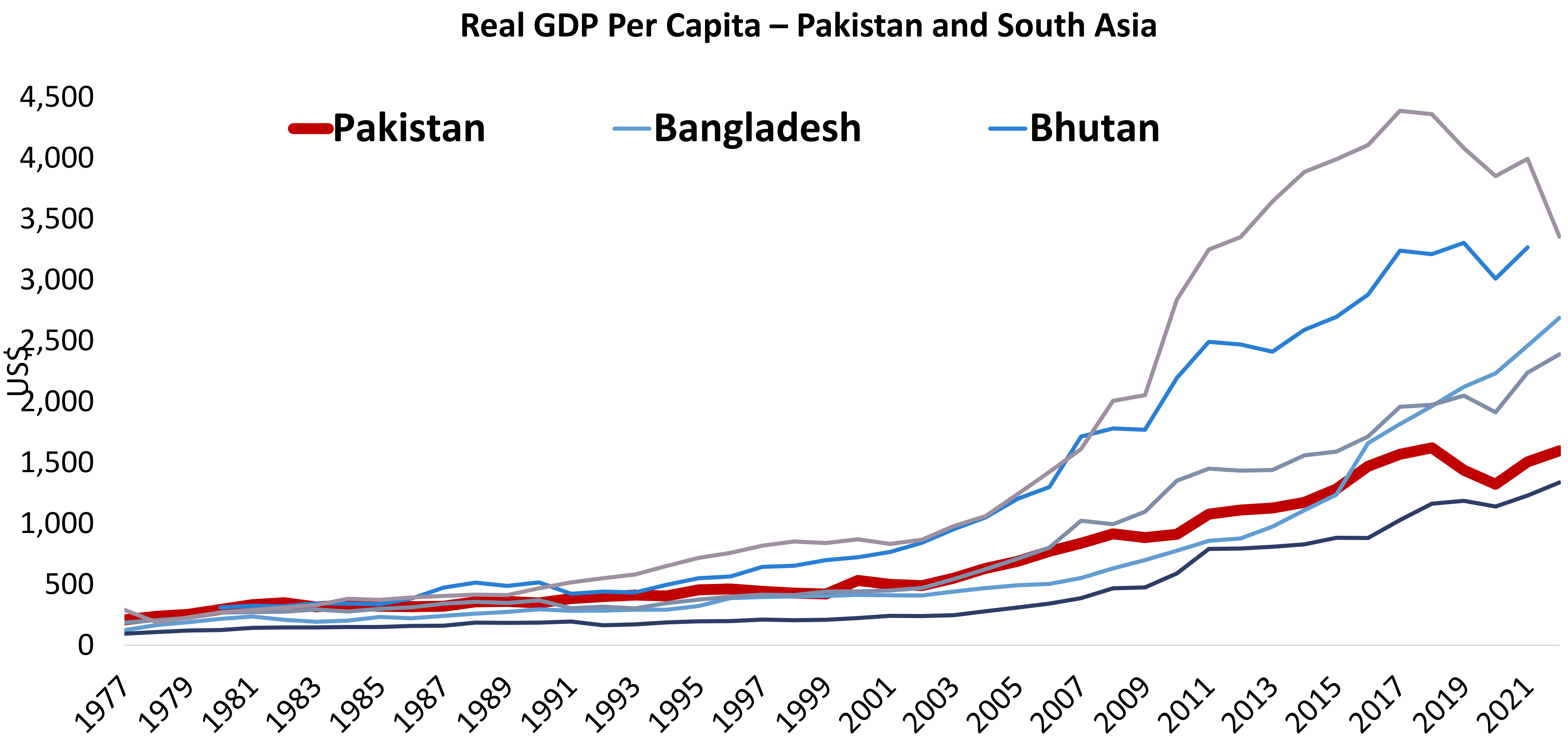
HUMAN DEVELOPMENT OUTCOMES AMONG THE WORST IN THE REGION



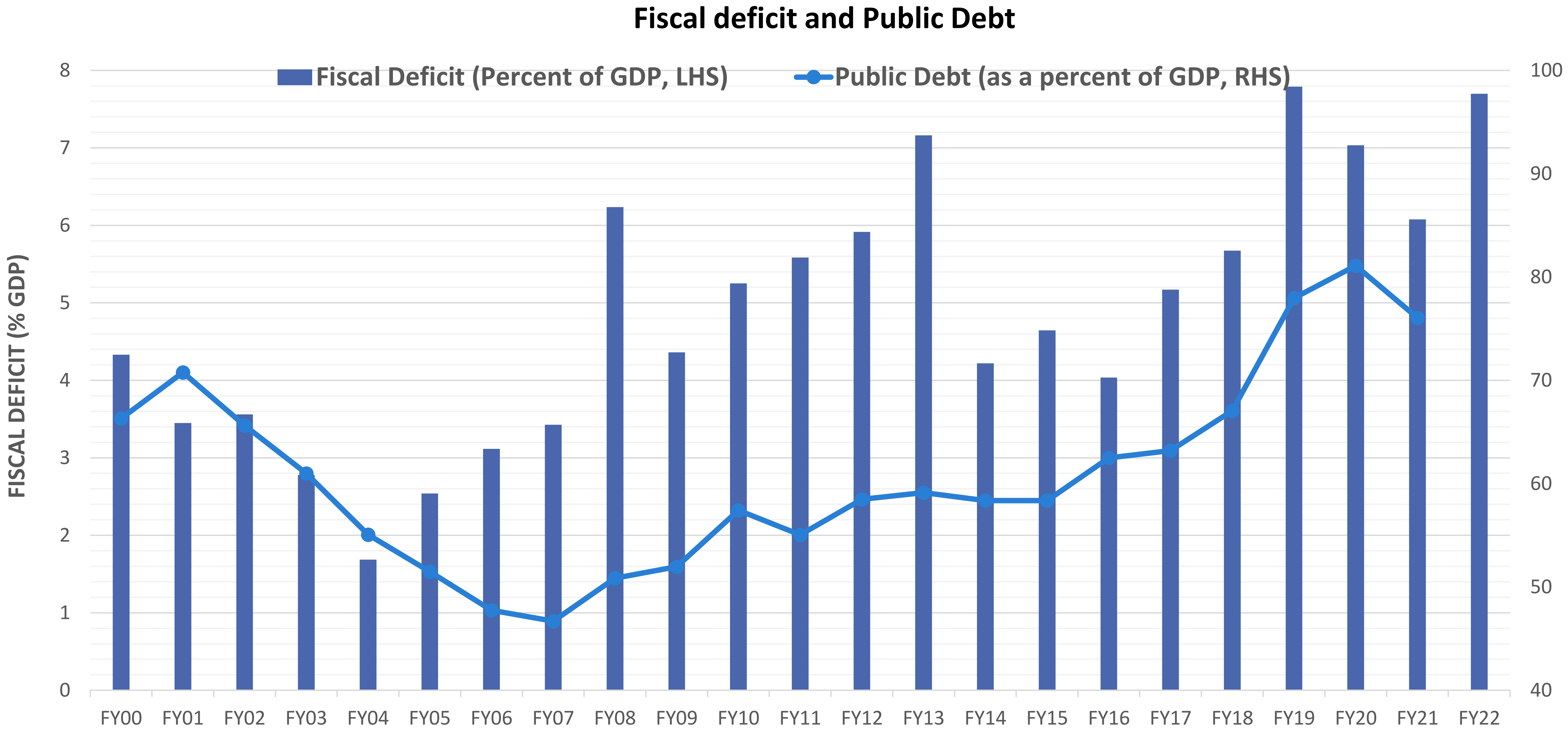




AN ECONOMY THAT HAS FALLEN BEHIND SOUTH ASIAN PEERS

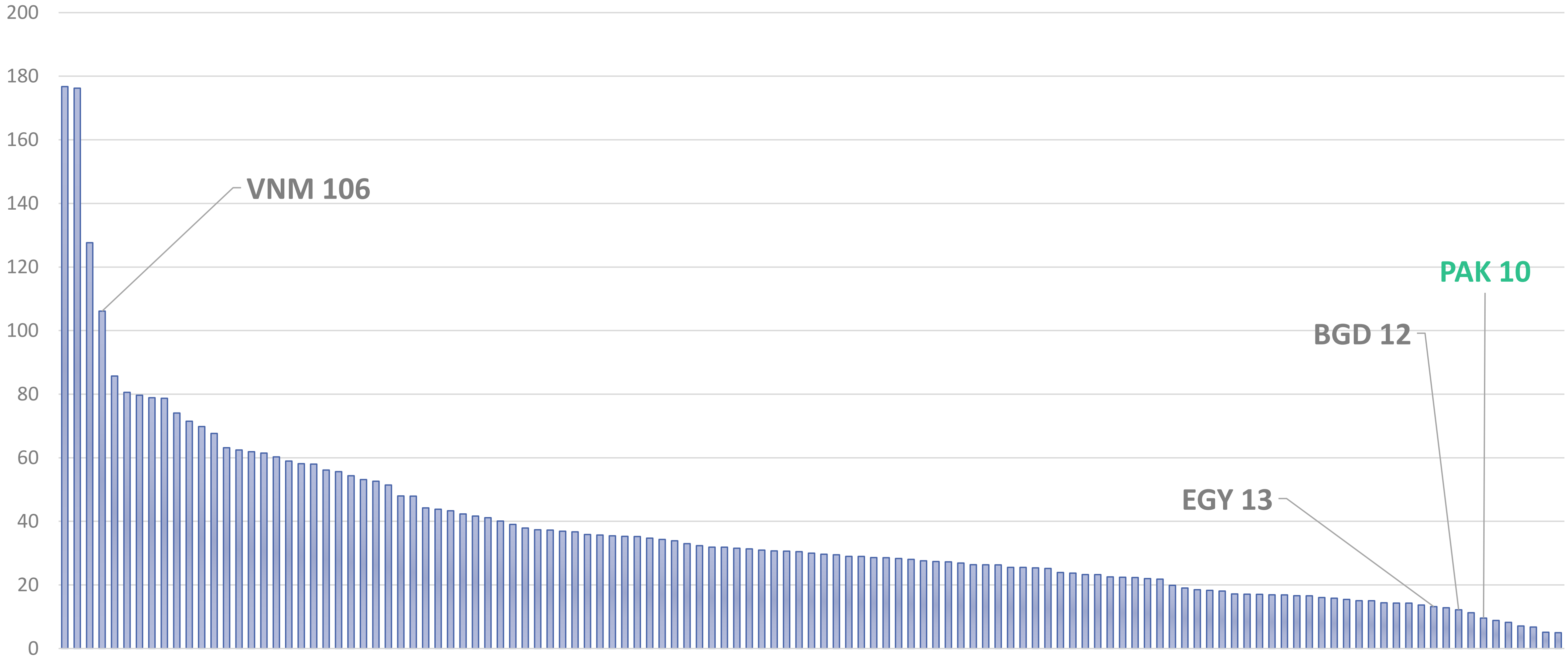


FISCAL SUSTAINABILITY IS A KEY CHALLENGE

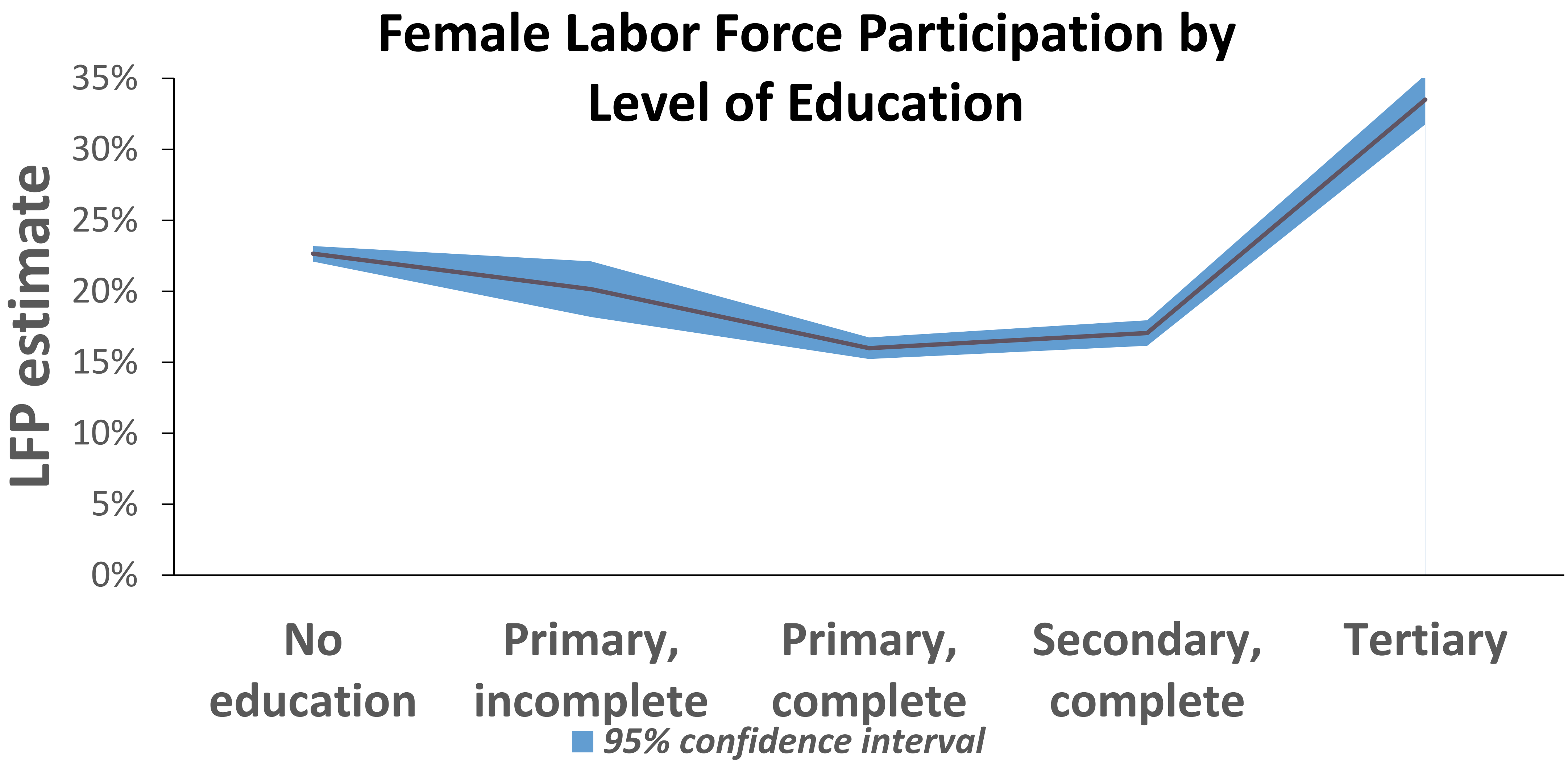


A POLICY ENVIRONMENT THAT DETERS EXPORTS AND INVESTMENT

Exports as % GDP – all countries



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