

## Program Completion Note for co-financed Policy-Based Financings under the COVID-19 Crisis Recovery Facility (CRF)

### Pakistan: COVID-19 Active Response and Expenditure Support Program

#### 1. Key Information

Project ID:	000403	Investment Number:	L0403A
Member:	Pakistan	Region:	Southern Asia
Sector:	Economic Resilience/PBF	Sub-sector:	NA
Financing Type:	<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Guarantee	E&S category:	C
Co-financier(s):	Asian Development Bank		
Borrower:	Islamic Republic of Pakistan		
Guarantor:	NA		
Implementing Entity:	Ministry of Finance (MoF)		
Other entities involved:	Economic Affairs Division; National Disaster Management Authority; Ministry of Health and Service; Benazir Income Support Program		
Project Team Leader(s):	Ghufran Shafi, Senior Investment Operations Specialist		
Project Team Members:	Bernardita Saez, Senior Counsel Yogesh Malla, Financial Management Specialist Yangzom Yangzom, Procurement Specialist Yang Shuai, Environment and Social Development Specialist		
Site Visits by AIIB including virtual:	Site visits were not possible due to COVID-19 restrictions. However regular virtual consultations were held with MoF and Asian Development Bank (ADB).		

#### 2. Summary and Objective

The Program's objective was to mitigate the significant negative economic and social impacts caused by the COVID-19 pandemic. The Program enabled the Government of Pakistan (GoP) to effectively manage COVID-19 outbreak and reduce its immediate social and economic impacts.

The COVID-19 pandemic significantly impacted Pakistan's ability to continue with its economic recovery initiative and sustain high and inclusive growth. Initially, a comprehensive and subsequently, partial lockdowns were imposed by government as precautionary measures which also impacted Pakistan's economy and its population. The Gross Domestic Product (GDP) for FY2020 declined by 0.94%, whereas the closure of economic activities led to major job losses.

The GoP acted quickly to approve a health sector and counter-cyclical development expenditure program. The total countercyclical development expenditure package of USD7.3 billion consisted of three broad areas of support: health measures, social safety net measures and economic stimulus measures. Additionally, GoP also approved on 23 April 2020 a comprehensive COVID-19 Strategic Preparedness & Response Plan (Plan) including USD595 million in financing for priority activities. These expenditure allocations contained specific strategies for protecting the poor and vulnerable, including women; augmenting the health sector capacity and supplies; and protecting productive sectors and small businesses from economic downturn. AIIB's financing under the CARES program was provided for the purpose of meeting gaps in the GoP's development financing needs.

### 3. Key Dates

Approval:	June 16, 2020	Signing:	June 19, 2020
Effective:	June 23, 2020	Restructured (if any):	
Orig. Closing:	June 30, 2021	Rev. Closing (if any):	

### 4. Disbursement Summary (USD million)

a) Committed:	USD500	b) Cancelled (if any):	NA
c) Disbursed:	USD500	d) Last disbursement: (amount /date)	USD500, June 25, 2020
e) Undisbursed (if any):	NA	f) Disbursement Ratio (%) <sup>1</sup> :	100%

### 5. Estimated and Actual Costs

AIIB approved USD500 million under its CRF Facility. This constituted about seven percent of the government's total response package of USD7.3 billion announced in FY2020. The loan was immediately disbursed and consumed to support government emergency expenditures.

### 6. Implementation, including major changes to the original Objective, Design, Implementation Plan, and Results Indicators

The Program has been rated as "Highly Relevant", "Effective" and "Highly Efficient" by ADB. Pakistan's economy, health services and social sector were under tremendous pressure due to the COVID-19 pandemic. AIIB's provision of crucial financial support was timely for the government to boost its fiscal stimulus and deal with the economic and social shocks of the pandemic. Pakistan was effectively able to roll out the countercyclical development expenditures (approved by the government for FY2020) for various economic, health and social relief measures. AIIB responded to Government's request in an efficient manner. It joined the ADB's fact-finding consultations (virtually) and was able to mobilize additional resources through CARES program. The swift approval of financing and immediate single-tranche disbursement was instrumental for government to effectively manage and mitigate the negative impacts of COVID-19 pandemic. As a result of government's efforts, Pakistan's GDP rebounded strongly in FY2021 as compared to other regional economies.

The Program was expected to mitigate the potential economic shocks from the COVID-19 pandemic by extending onward assistance to the industries and the vulnerable groups. The development objective of the Program has been assessed as satisfactorily achieved. The government's COVID-19 response measures helped (i) mitigate some of the worst effects of the pandemic on the country's efforts to achieve Sustainable Development Goal targets by helping to limit mass unemployment; (ii) sustain vital social protection programs, particularly for some of the most vulnerable and poor people in the country; and (iii) not only maintain the employment level but also contributed toward generating additional employment opportunities.

Two indicators were used to assess the Program outcome, "COVID-19 outbreak more effectively managed and its immediate social and economic damages reduced". The two outcome Indicators were: (i) food consumption of Benazir Income Support Program BISP women beneficiaries (excluding the original beneficiaries) reached pre-COVID-19 level (inflation-adjusted), and (ii) COVID-19 testing must reach at least 5,000 per 1 million population. Three outputs were monitored for program performance, namely: (i) measures to arrest COVID-19 pandemic introduced, (ii) cash assistance and financial inclusion programs targeting women implemented, and (iii) measures to prevent job losses introduced. Results for the outcomes and outputs are given in next section.

<sup>1</sup> Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e.,  $f = c / (a - b)$

## 7. Results Achieved (against the original indicators and/or revised indicators)

As noted above, program performance was assessed by measuring the results for two outcome indicators and nine indicators to assess the results for three outputs. Results for each of these indicators are shown in below table:

Project Objective	Result Indicators and Targets	Results
<b>COVID-19 outbreak more effectively managed and its immediate social and economic damages reduced</b>	(i) food consumption of Benazir Income Support Program BISP women beneficiaries (excluding the original beneficiaries) reached pre-COVID-19 level (inflation-adjusted)	<b>Baseline:</b> PKR19,749 (Feb 2020) <b>Result:</b> Substantially Achieved. Nominal food consumption of BISP women beneficiaries increased to PKR19,986 right after the distribution of cash transfers from May 2020. Adjusting for inflation, the change reached 96.5% of the pre-COVID-19 level.
	(ii) COVID-19 testing must reach at least 5,000 per 1 million population	<b>Baseline:</b> 5,000 per 1million (April 2020) <b>Result:</b> Achieved. As of 15 May 2021, 12,444,042 COVID-19 tests had been conducted, translating to more than 56,000 tests per 1 million population.
Project Outputs	Result Indicators and Targets	Results
<b>1. Measures to arrest COVID-19 pandemic introduced</b>	1a. By December 2020, the government imported an additional 5,000 ventilators.	<b>Baseline:</b> 2,080 (2019) <b>Result:</b> Substantially Achieved. Tenders for procurement of 5,000 ventilators were issued but only 770 were imported due to supply chain issues. Eventually, from July 2020, Pakistan developed the capability to produce ventilators locally with the capacity to manufacture between 250 and 300 units per month. NDMA reported a total of 2,901 ventilators procured locally. In sum, at least 3,671 additional ventilators were purchased.
	1b. By December 2020, the government imported an additional 10,000 COVID-19 protective kits for medical staff (of which at least 60% are for female medical staff), consisting of, among others, correctly fitting personal protective equipment, with goggles, face masks and shields, and diapers and menstrual kits, as necessary.	<b>Baseline:</b> 0 (2019) <b>Result:</b> Achieved. Achieved volume of procurement through local tender. Gender target achieved.
	1c. By December 2020, MNHSRC established a centralized age- and sex-disaggregated online coronavirus database management system and one for each province.	<b>Baseline:</b> no database exists (2019) <b>Result:</b> Achieved. A centralized age- and sex-disaggregated database established, linking provincial COVID reporting systems and displaying the data/information/statistics of COVID-19 cases on a live website <a href="https://covid.gov.pk">https://covid.gov.pk</a>

**2. Cash assistance and financial inclusion programs targeting women implemented**

2a. The government disbursed cash assistance totaling USD1.20 billion to 3 million daily wage workers, of whom at least 23% are women.

**Baseline:** 0 (2019)

**Result:** Substantially achieved based on revised target. Gender target achieved. Cash assistance under EECF were provided to 1.18 million beneficiaries out of the revised target of 1.26 million eligible laborers. Out of those beneficiaries, 278,385 (23.55%) were women.

2b. By December 2020, the government disbursed USD0.44 billion total of cash grants to 12 million families under the Kifalat Program, of which 50% are women beneficiaries from the 7.5 million new families added.

**Baseline:** No cash assistance to new women beneficiaries (2019)

**Result:** Achieved.

Gender target substantially achieved. Cash assistance of PKR179.27 billion has been disbursed to around 14.83 million beneficiaries under the revised target for the emergency cash transfer program which includes the Kifalat Program.

Out of the 10.18 million new families that received disbursements, 3,350,657 were women beneficiaries (33%).

2c. By December 2020, under the Financial Inclusion Strategy, at least 6 million female beneficiaries received money through their bank accounts.

**Baseline:** 4.5 million (2019)

**Result:** Achieved.

All BISP beneficiaries have limited mandate bank accounts to receive the disbursement. For the emergency cash transfer program, around 8.16 million were women beneficiaries.

3a. By December 2020, at least 25% of beneficiaries of the loan under the Kamyab Jawan Program are women entrepreneurs.

**Baseline:** 12% of the total approval (2019)

**Result:** Not achieved.

11.64% of beneficiaries as of 31 March 2021 are women entrepreneurs. The State Bank of Pakistan (SBP) recognizes that the root causes of gender gap in finance go beyond access and are situated within powerful social norms. The 25% target for women borrowers is an aspirational goal that takes time to achieve, and in pursuance of comprehensively addressing the challenges of expanding lending to women, SBP is embarking on a policy for banking equality and has issued such circular on 17 September 2021 specifying measures to improve institutional diversity, product diversification, customer acquisition & facilitation approaches and better gender-disaggregated data collection for improving women's access to financial services.

**3. Measures to prevent job losses introduced**

3b. By December 2020, Federal Board of Revenue (FBR) released PKR75 billion of pending tax refunds.

**Baseline:** 0 (2019)

**Result:** Achieved.

Pending refunds of PKR110 billion issued by FBR under the COVID-19 relief package. Refunds of PKR50 billion in income tax, PKR40 billion in sales tax, and PKR20 billion in

custom duty drawback issued by FBR.

3c. By December 2020, SBP reduced the capital conservation buffer to 1.5% to increase the size of loanable funds. **Baseline:** 2.5% (2019) **Result:** Achieved. SBP issued notification Banking Policy & Regulations Department Circular No 12 of March 2020.

## 8. Alignment to the objectives and principles of the COVID-19 Crisis Recovery Facility

The Program was aligned with AIIB's commitment to support members in responding to the COVID-19 crisis through the Facility. The Program included measures that assisted Pakistan in dealing with the COVID-19 crisis by addressing urgent economic, financial and public health pressures. In preparing the Facility, AIIB anticipated coordination with International Financing Institutions, including ADB, through co-financing programs such as CARES. The Program has reinforced AIIB's mandate to promote economic and social development by preventing long-term damage to productive capacity of Pakistan's economy with a particular focus on sectors that were hit hard by the pandemic.

## 9. Implementation of project-specific Environmental and Social instruments

The Program was co-financed with the ADB as lead co-financier, and the Program's Environmental and Social (ES) risks and impacts were assessed in accordance with the ADB's Safeguards Policy Statement (SPS). AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to policy-based operations. Therefore, as permitted by the decision of the Board of Directors set forth in the Decisions to Support the AIIB COVID-19 Crisis Recovery Facility (Decisions), the provisions of ADB's SPS applicable to policy loans were applied to this operation in lieu of AIIB's ESP, which provided a harmonized approach to addressing the ES risks and impacts of the program. Under its SPS, ADB categorized the Program as C for environmental safeguards because the activities were confined to policy and institutional reforms only. The Program was assessed Category C for both involuntary resettlement and indigenous peoples safeguards as no social safeguard impacts were anticipated.

The Program was categorized by ADB as "effective gender mainstreaming", as it was expected to expand the social assistance programs for the poor and vulnerable with clear linkages to women's welfare. The Program is rated successful for gender results and implies that including a substantial number of gender targets helps ensure that the government delivers on its commitment to women's empowerment during a period when women are disproportionately impacted by the crisis.

## 10. Lessons Learned

AIIB learnt important lessons from the Program which were incorporated in subsequent CRF operations. This included: (i) rapid and flexible nature of countercyclical support to counteract the impacts of the exogenous crises; (ii) regular interaction and exchange of information with government team for information collection, data validation and cross-verification of analysis; (iii) focus on support for social protection measures; and (iv) crisis shall not derail the reform momentum rather the critical structural reforms shall be supported to improve public expenditure and debt management.

## 11. Borrower's Feedback

AIIB received consolidated feedback through the Economic Affairs Division on the working relationship between Project Team and various agencies, AIIB's flexibility and efficiency for project preparation and implementation, AIIB's value addition to the Program and other related aspects. The borrower has been appreciative of AIIB and the Project Team's professionalism during preparation and implementation and acknowledged responsiveness of the team in addressing questions. The borrower also expressed its appreciation of AIIB's adaptability to address challenges that arose during Program implementation. This is important since the policy-lending was a novel instrument that was designed by AIIB specifically to help the member countries in dealing with the adverse impacts of COVID-19 pandemic. It demonstrates AIIB flexibility to urgently design new instruments to respond to client's needs and the staff commitment to implement and test the new instruments in challenging circumstances. The borrower has also provided suggestions to improve the performance of AIIB's operations in member countries, which include deployment of staff and representatives in Pakistan. The borrower has also requested to design more favorable financing terms including the waiver of front-end fee for the emergency operations.

**12. Any Pending issues and Follow-up actions, if applicable**

There are no pending or outstanding issues. The Borrower complied with all the legal requirements including submission of the required information, implementation monitoring and maintaining continuous dialogue with financiers.

**13. Achievement of Project Results**

Program Results have been satisfactorily achieved. Program was supposed to deliver two outcomes. The first outcome was substantially met, while the results for the second outcome exceeded the target. Whereas nine indicators were designed to measure the performance of three outputs. Except for one, all the other output indicators were either substantially achieved or exceeded the targets (Section 7). The successful implementation of this operation has led to follow-on policy loans in Pakistan, which are either in implementation or preparation.