

SBF Project Completion Note

Pakistan: Pakistan – Building Resilience with Countercyclical Expenditures (BRACE) Program

1. Project Information

Project ID:	P000704
Responsible department:	PSC2
Borrower:	Islamic Republic of Pakistan
Implementing Agency:	
Financing type:	Sovereign-Backed Financing
Instrument type:	Loan
Member:	Pakistan
Sector:	CRF-Economic Resilience/PBF
E&S category:	Not applicable
Overall rating:	Successful
Effectiveness Assessment:	Effective
Relevance Assessment:	Relevant
Efficiency Assessment:	Efficient
Sustainability Assessment:	Likely sustainable

2. Project Development Objectives

To promote sound macroeconomic management and support deployment of countercyclical development expenditures to deal with combined adverse impacts of lingering COVID-19 pandemic, geopolitical tension and climate-induced flood disaster.

3. Key Dates

Approval:	11/09/22	Signing:	11/10/22
Effective:	11/21/22	Restructured (if any):	
Orig. Closing:	12/31/23	More Restructured dates (if any)	
Rev. Closing:			

4. Financial Summary (US Dollar million)

Currency:	US Dollar		
Committed:	500.00	Cancelled:	0.00
Disbursed:	500.00	Undisbursed:	0.00

5. Overall rating

Overall rating:	Successful
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Executive summary of the completion note:

Executive Summary: Building Resilience with Active Countercyclical Expenditures Program (BRACE)**Program Overview**

The Building Resilience with Active Countercyclical Expenditures Program (BRACE), co-financed by the Asian Infrastructure Investment Bank (AIIB) and the Asian Development Bank (ADB), was designed to support the Government of Pakistan (GoP) in mitigating the severe socioeconomic impacts of multiple crises, including the war in Ukraine, the 2022 floods, and post-COVID-19 recovery challenges. Approved on November 9, 2022, AIIB provided USD 500 million, complementing ADB's USD 1.5 billion, to fund countercyclical development expenditures (CDEP) totaling USD 2.331 billion. The program aimed to enhance social protection, food security, and business support, targeting the poor and vulnerable, particularly women and girls, amidst a macroeconomic crisis marked by inflation, currency depreciation, and GDP growth slowdown.

Objectives and Scope

BRACE sought to bolster Pakistan's resilience against exogenous shocks by financing a USD 2.331 billion CDEP package, including USD 1.688 billion for social security, USD 0.324 billion for food security, and USD 0.320 billion for business support. Key measures included unconditional cash transfers, subsidies for food and utilities, and employment schemes, aligned with the International Monetary Fund's (IMF) Extended Fund Facility (EFF) objectives for fiscal stability and inclusive growth.

Implementation and Performance

The program was executed efficiently, with loan agreements effective by November 10, 2022, and disbursements commencing immediately. By June 2023, 95% of the budgeted CDEP (485.4 billion PRs out of 510.8 billion PRs) was utilized, achieving 97.9% progress in social security, 90.5% in food security, and 84.3% in business support. Notable achievements included cash transfers to 8.977 million female-headed households (15.1% increase over the initial value), subsidies for utility stores (PRs 33.17 billion), and significant business loan disbursements (PRs 108 billion). Gender equity was prioritized, with effective mainstreaming through targeted support for women.

Outcomes and Impact

BRACE effectively mitigated crisis impacts, distributing PRs 69.222 billion to 2.769 million flood-affected families and sustaining social protection programs. Inflation, initially at 12.6% in June 2024, declined to 6.9% by September 2024, aligning with the State Bank of Pakistan's 5-7% target by FY2026. GDP growth is projected to reach 4.5% by FY2027. The program's design and monitoring framework ensured relevance, achieving most targets despite challenges like delays in scholarship enrollment due to floods.

Evaluation

Rated "highly successful" overall, BRACE was highly relevant to Pakistan's crisis response, effective in achieving outcomes, and highly efficient in delivery. Sustainability remains tied to ongoing government commitment, with a 32% increase in social support disbursements in FY2023-2024. AIIB and GoP performances were satisfactory, with strong coordination among development partners enhancing impact.

Conclusion

BRACE provided timely, impactful budget support, strengthening Pakistan's resilience and supporting recovery. Its success underscores the value of rapid, coordinated multilateral assistance in addressing complex crises, with lasting benefits for the poor and vulnerable.

Section I. EffectivenessEffectiveness Assessment: **Effective**

Overall assessment of effectiveness:

The Building Resilience with Active Countercyclical Expenditures Program (BRACE) demonstrated strong effectiveness in addressing Pakistan's socioeconomic crises triggered by the war in Ukraine, the 2022 floods, and post-COVID-19 recovery challenges. The program achieved 95% financial progress by June 2023, expending PRs 485.405 billion of the budgeted PRs 510.778 billion, with notable success in social security (97.9% progress), food security (90.5%), and business support (84.3%). Key outcomes included unconditional cash transfers reaching 8.977 million female-headed households (a 15.1% increase over the initial value), PRs 69.222 billion disbursed to 2.769 million flood-affected families, and significant subsidies and loans bolstering food security and businesses, despite minor shortfalls like stagnant scholarship enrollment due to prior batch completions.

This effectiveness is further evidenced by macroeconomic improvements, with inflation declining from 12.6% in June 2024 to 6.9% by September 2024, aligning with the State Bank of Pakistan's 5-7% target by FY2026, and GDP growth rebounding to a projected 4.5% by FY2027. The program's gender-focused interventions and alignment with IMF-supported fiscal stabilization enhanced resilience among the poor and vulnerable, earning it an "effective" rating. While challenges like flood-related disruptions persisted, BRACE's rapid deployment and high target achievement underscored its critical role in mitigating crisis impacts and supporting Pakistan's recovery trajectory.

Project Objective Indicators**Monitoring end year: 2024**

Indicator Name	Unit of Measure	Baseline	Actual (Current)	End Target
By June 2024, inflation declines to the State Bank of Pakistan's target range of 5%–7%	Percentage	12.2%	12.6	5%-7%
By June 2024, number of female heads of poor families that have received unconditional cash transfers have increased by 15%.	Number	7.8 million	8.98 million	8.97 million

Comments:

Intermediate Result Indicators**Monitoring end year: 2023**

Component:

Countercyclical Development Expenditure Program

Indicator Name	Unit of Measure	Baseline	Actual (Current)	End Target
By June 2023, unconditional cash transfers are provided to an additional 1 million female heads of poor families, with total female beneficiaries reaching 9 million	Number	7.8 million households	9 million	9 million households
By June 2023, an additional 10,000 students are provided BISP undergraduate scholarships, of which at least 50% students are female	Yes/No	No	Yes	Yes
By June 2023, conditional cash transfers for health and nutrition are extended to 159 districts nationwide for pregnant and lactating mothers and children under 2 years of age	Number	14 districts	124 districts	159 districts
By June 2023, an additional 2 million children are enrolled in conditional cash transfer for education at the primary, secondary, and higher secondary levels	Number	6 million	9.5 million	8 million
By June 2023, the government has provided a subsidy of at least PRs17 billion for the Utility Stores Corporation	Number	PRs6 billion	PRs 33.17 billion	PRs17 billion
By June 2023, the government has provided a subsidy on the import of urea and fertilizer of PRs6 billion	Yes/No	No	Yes	Yes
By June 2023, the import of all seeds is exempted from the application of sales tax	Yes/No	No	Yes	Yes
By June 2023, commercial banks disburse loans worth PRs45 billion under the government's employment and entrepreneurship schemes to companies, of which at least 15% are led by women	Number and Percentage	PRs25 billion, 11.6% companies led by women	PRs108 billion, 10.6% led by women	PRs45 billion, at least 15% led by women
By June 2023, the government has provided PRs60 billion in fuel and power subsidies to export-oriented sectors	Number	PRs36 billion	PRs52.6 billion	PRs60 billion

Comments:

Achievement of Project Results - Component {x}:

The Building Resilience with Active Countercyclical Expenditures (BRACE) Program largely achieved its intermediate results targets across its three output areas—social protection, food security, and business support.

Section II. Relevance

Relevance Assessment:	Relevant
Alignment with AIIB's Strategic Priorities:	
AIIB was able to deliver our client liquidity at a time of need using the countercyclical program to enhance the economy.	
Alignment with Member policies, subnational planning and stakeholder needs, including changes to project objective and design:	
The Building Resilience with Active Countercyclical Expenditures Program (BRACE) was closely aligned with Pakistan's national policies, subnational planning, and stakeholder needs, reflecting a strategic response to the country's macroeconomic and social challenges. Designed to support the Government of Pakistan's (GoP) countercyclical development expenditure plan, BRACE complemented the IMF's Extended Fund Facility (EFF) objectives of fiscal sustainability and inclusive growth, while addressing subnational priorities through targeted social protection, food security, and business support measures tailored to the poor and vulnerable, including flood-affected regions. Stakeholder needs, particularly those of women, youth, and struggling businesses, were prioritized via cash transfers, scholarships, and subsidies, with the program's Design and Monitoring Framework (DMF) ensuring consistency with national goals and AIIB's monitoring standards. No significant changes to the program's objectives or design were noted, as it remained relevant and adaptable to evolving crises, such as repurposing fuel subsidy funds for flood relief (PRs 50.42 billion), demonstrating flexibility while maintaining alignment with Pakistan's overarching development and stabilization strategies.	

Section III. Efficiency

Efficiency Assessment:	Efficient
Achievement of efficiency, including implementation delays, cost overruns and savings:	
The Program was highly efficient, implemented without any delays or cost overruns.	

Section IV. Sustainability

Sustainability Assessment:	Likely sustainable
Implementation of project-specific Environmental and Social (E&S) instruments, such as the Environmental and Social Action Plan (ESAP), including the establishment and operation of a project-level Grievance Redress Mechanism:	
The Program was co-financed with ADB being the lead co-financier, hence the Program applied the provisions of ADB's Safeguard Policy Statement (SPS) to assess its ES risks and impacts, and relied on ADB's Independent Accountability Mechanism (IAM) to address any ES-related complaints that may arise. Under ADB's SPS, the Program was classified as Category C for environment, involuntary resettlement, and Indigenous Peoples with no adverse ES safeguard impacts being expected. During the Program's implementation, no environmental or social risks were identified, and no relevant complaints have been reported under ADB's IAM. The Program was also categorized by ADB as "effective gender mainstreaming" and was rated successful for its gender results with four out of five of its gender-related indicators largely met. Enhanced social protection for women brought by the Program is expected to have long-term positive impacts.	
Investment Sustainability (operational, financial/commercial, institutional):	
The Program provided the GoP much-needed liquidity and is positively contributing to the sustainability of government finances.	
Any Outstanding issues and Follow-up actions, if applicable:	

N/A

Lessons Learned

Lesson 1.

Category	Project Design
What had AIIB planned would happen?	AIIB planned to ease Pakistan's crisis impacts with \$500 million, supporting a \$2.331 billion program for social protection (e.g., 9 million female beneficiaries), food security (e.g., PRs 17 billion subsidy), and business aid (e.g., PRs 45 billion loans), aiming for 5-7% inflation by June 2024.
What happened during implementation?	The program spent 95% of its budget, reaching 8.977 million women, providing PRs 33.17 billion in subsidies, and disbursing PRs 108 billion in loans. Inflation hit 12.6% by June 2024, later falling to 6.9%, with some targets (e.g., scholarships, 15% women-led loans) unmet.
Why was there a difference between what was planned and what happened?	Floods forced fund shifts (e.g., fuel subsidy to relief), while global pressures and prior scholarship limits delayed goals. Inflation lagged due to prolonged economic shocks, only easing later with new policies.
What can AIIB do differently in the next project?	AIIB could add flexible contingency plans, set realistic inflation goals, boost local capacity for targets like scholarships and loans, and include a clear "Lessons Learned" section for future guidance.

6. Client feedback

The client provided positive feedback on this program.



Project Completion Note

Prepared on 08/25/25

Annex: Client Feedback on the Project

N/A