National Poverty Graduation Program (NPGP) – Project Brief

1. **Economy.** Pakistan is a lower middle-income country, with an average income per capita of US$1,512.2. The economy is based mainly on the service sector (59 per cent), followed by agriculture (21 per cent) and industry (20 per cent). The agriculture sector employs 44 per cent of the national workforce. Pakistan is the sixth most populous country in the world (with a population of 191 million). 61 per cent of the population of Pakistan (116 million people) live in rural areas; 32 per cent of young people are illiterate and only 6 per cent have technical skills. In 2050, the country's population is projected to reach 302 million (at 1.9 per cent annual growth).

2. **Rural Poverty context.** In 2008, the Government carried out a nationwide poverty survey for a national poverty scorecard, ranking households on a scale from 0 to 100. The corresponding IFAD target groups are households with a score from 0 to 34 (approximately 97 million people across Pakistan). In 2015, the Government redefined the cost of the calorie-based poverty line from 2,350 Pakistani rupees per adult per month to 3,030 Pakistani rupees (about US$29) per adult per month. Based on this new definition, 30 per cent (59 million) of the total population is defined as poor and an additional 20 million have been declared vulnerable. Pakistan's performance on most Millennium Development Goal targets – including education, gender, health, nutrition and infant mortality – was below expectations. The country has adopted the new Sustainable Development Goals, but unless concerted efforts are made to achieve these, there is a strong probability that they will also be missed. Women in rural Pakistan are particularly disadvantaged in terms of access to basic social services and livelihood opportunities.

Background and Rationale

3. Lessons learnt from various poverty reduction programmes have revealed that social protection/ poverty alleviation interventions like cash transfers alone do not provide a holistic solution to the complex nature of extreme rural poverty. Pakistan is currently spending around US$ 1.2 billion through BISP unconditional cash transfers and there is still no evidence to show whether any of the 5.4 million beneficiary households are moving out of poverty. However, there have been some global pilots that have shown positive results. One of the most successful approaches, in enabling the extremely poor to escape poverty has been the graduation approach called 'Challenging the Frontiers of Poverty Reduction/Targeting the Ultra Poor' programme, pioneered by BRAC in Bangladesh.

4. In 2009, with the aim to graduate destitute households to a level where they could access mainstream microfinance, a pilot was launched by Pakistan Poverty Alleviation Fund with IFAD assistance called the Social Safety Net-Targeting Ultra Poor (SSN-TUP) programme. This model reaching 2,000 households operated on the premise that the poorest households needed tailored support matched to their circumstances and capacities to help them graduate out of poverty. Depending on each household's situation, it could comprise of cash grants, food aid, subsidized employment, a productive asset or a combination of them to initially meet their basic survival needs to then build sustainable streams of income to ultimately graduate them out of poverty. Total cost of the package averaged US$ 467. At the end of the intervention, statistically significant impacts on all 10 key outcomes, ranging from food security, assets creation, women decision making, to consumption and mental health etc.

had been observed. These outcomes were validated by the Global research study published in the May 2015 issue of ***Science*** using evidence from randomized control trials. On the basis of good results, the ultra-poor alleviation model was also scaled up to 95,000 households through the World Bank supported PPAF 3 project.

5. The Government of Pakistan is struggling to have an effective poverty graduation strategy that would lessen the current load of 5.4 million BISP beneficiaries with over US$ 1.2 billion expenditure a year - so far with no real success. The theory of change in the proposed programme is that with the right kind of responsive and flexible support a number of ultra and poor families can be graduated to the next level of wellbeing where they have opportunities to link up with other sources of assistance including microfinance. Experience in previous small-scale pilots show that there are a large number of BISP beneficiary households that have some inherent potential which, if properly identified and addressed, can help them get out of poverty.

6. The poverty graduation approach being proposed in the NPGP combines elements of three distinct approaches - **social mobilization, livelihoods development, and financial inclusion** - and draws on the most relevant aspects of these to deliver results by combining support for immediate needs with longer-term human capital and asset investments to move households out of extreme poverty and into sustainable livelihoods. In this process, the capacity-building of community organizations through strong social mobilization support is a key so as to support individual households to access multiple opportunities (from markets, private sector and government).

7. NPGP is designed to catalyze change at the grassroots to pull people out of poverty, building largely (but not exclusively) upon BISP beneficiaries and leveraging PMIFL to build a smooth 'seamless service' where the poorest can move from consumption support to asset transfers to interest fee loans to microcredit. PPAF works on multi-dimensional aspects of poverty, addressing economic, social and institutional aspects which are reflected in the NPGP design and in the composition of the Poverty Score Card.

Geographic Area and Target Groups

The project will cover 23 districts including one agency in FATA in order to demonstrate a national representative model that is scalable. Areas will be selected keeping in view available resources and need to achieve demonstrable impact. The primary target group for asset transfers falls between 0-18 on the PSC and for access to finance a further target group of 19-40 has been identified (with the overall target group for interest free loans being 12-40).

8. **Programme Objectives.** The overall goal of the programme is to assist the ultra-poor and very poor in graduating out of poverty on a sustainable basis; simultaneously improving their overall food security, nutritional status and resilience to climate change. The Development Objective is to enable the rural poor and especially women and youth to realize their development potential and attain a higher level of social and economic wellbeing through a proven flexible and responsive menu of assistance following the toolbox approach.

9. **Expected outcomes** include:

- Improved livelihoods, living conditions and income-generative capacities for poor households and the youth (with diversified assets for sustainability in moving up the poverty ladder)
- Women from ultra-poor and poor households experience higher levels of socio-economic empowerment and their families experience improved nutrition and food security
- Target populations have improved access to financial services and investment opportunities
- Strengthened dialogue and knowledge sharing on pro-poor (and climate resilient) poverty reduction policies, supported with evidence-based research

10. **Programme Components** consist of two components:

11. **Implementation Arrangements.** Pakistan Poverty Alleviation Fund will be the lead agency responsible for execution of the programme. There will be a dedicated programme management team within PPAF responsible for planning, coordination, implementation, monitoring and reporting. Field activities will be implemented by a network of 13-15 partners who will be engaged on the basis of their existing presence in the target district, past performance and existing portfolio of activities, extent of target area coverage, and capacity and experience in terms of programme interventions (social mobilization livelihoods and interest-free loan provision). PPAF will enter into output and performance based agreements with these partners whereby they will be remunerated on the basis of agreed performance indicators.