



POVERTY REDUCTION STRATEGY

GOVERNMENT OF SINDH

Planning & Development Department
Government of Sindh

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GLOSSARY

Abbreviations / Acronyms / Terms	Description
ADB	Asian Development Bank
ADP	Annual Development Program
CDLD	Community Driven Local Development
CIF	Community Investment Fund
CO	Community Organization
CPI	Community Physical Infrastructure
DC	District Chairman
DCo	District Commissioner
Dev	Development
DTL	Deputy Team Leader
EC	European Commission
ERU	Economic Reforms Unit
EU	European Union
EUD	European Union Delegation
EY	Ernst and Young
FD	Finance Department
FG(s)	Focus Group
GCP*	Government – CSOs Partnership
GoS	Government of Sind
JDC	Joint Development Committee
KE	Key Expert(s)
LG	Local Government

Sindh Poverty Reduction Strategy

Abbreviations / Acronyms / Terms	Description
LSO	Local Support Organization
M&E	Monitoring and Evaluation
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MTBF	Mid-term Budget Framework
MTEF	Medium Term Expenditure Framework
NFC	National Finance Commission
NRSP	National Rural Support Program
P&D	Planning and Development
P&DD	Planning and Development Department
PFC	Provincial Finance Commissions
PFM	Public Finance Management
PPAF	Pakistan Poverty Alleviation Fund
PPP	Public Private Partnership
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RGCs	Rural Growth Centers
RGCC	RGC Coordinator
RSPN	Rural Support Program Network
Rural Poverty Programme*	comprising the following four components; UCBPRP 4, UCBPRP 5, UCBPRP 6 and SUCCES 8
SPDC	Strategy and Policy Dialogue Committee
SRSO	Sind Rural Support Organization
SUCCESS	EU Sindh Union Council and Community Economic Strengthening Support

Sindh Poverty Reduction Strategy

Abbreviations / Acronyms / Terms	Description
SUCCESS 8*	SUCCESS districts: Dadu, Jamshoro, Kambar Shahdadkot, Larkana, Matiari, Sujawal, Tando Allahyar, Tando M. Khan
TA	Technical Assistance
TL	Team Leader
ToR	Terms of Reference
TRDP	Thardeep Rural Development Program
UCBPRP	Union Council Based Poverty Reduction Programme
UCBPRP 4*	Districts where UCBPRP was implemented in the initial phase: Jacobabad, Kashmore, Shikarpur, Tharparkar
UCBPRP 5*	Five districts where this Draft PRS proposes expansion of UCBPRP: Ghotki, Hyderabad, Naushero Feroze, Shaheed Benazirabad, Sukkur
UCBRP 6*	Six districts of the current UCBPRP: Badin, Khairpur, Mirpurkhas, Sanghar, Thatta, Umerkot
VIP	Village Improvement Programme
VO	Village Organization
WB	World Bank

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EXECUTIVE SUMMARY

1. INTRODUCTION

The Poverty Reduction Strategy (PRS) has been developed by the Government of Sindh (GoS) with support of the Technical Assistance (TA) Team of the wider Europe Aid programme 'Sindh Union Council and Community Economic Strengthening Support' (SUCCESS).

SUCCESS is a programme providing rural development support to the GoS which works through Rural Support Programmes (RSPs) to reduce poverty through community-driven local development (CDLD). The programme focuses on social mobilisation and micro interventions. Currently SUCCESS provides funds to RSPs for work in 8 districts of rural Sindh. SUCCESS replicates the approach applied by the GoS's own flagship programme of community-based poverty reduction - the Union Council-Based Poverty Reduction Programme (UCBPRP). The UCBPRP has been supporting community-based poverty reduction effort in rural districts of Sindh since 2009 and is currently working with 10 districts – 4 in a residual monitoring stage after former programme effort in earlier years and 6 in a current programme launched in 2017.

The brief for the policy component of SUCCESS was originally to support the GoS to develop a policy and dedicated budgeting and monitoring framework for CDLD. However, at its first meeting in April 2015, the Strategic Policy Dialogue Committee (SPDC) - which was established by the GoS to provide oversight and direction - requested the EU Delegation to widen the scope of assistance, to provide for development of a wider provincial poverty reduction strategy, including addressing both rural and urban poverty.

The overall objective is:

'Facilitate the task of the Government of Sindh in developing and monitoring a poverty reduction strategy'.

The purpose is:

'To assist the Government of Sindh in developing, institutionalizing and monitoring a dedicated policy and budget framework for a poverty-reduction strategy (PRS) for urban and rural Sindh, with a specific focus on a community-driven local development (CDLD) policy'.

The PRS presented herewith is required in the following Key Results of the TA ToRs:

Result 1: Develop a dedicated poverty reduction strategy for urban and rural Sindh, through the relevant institutional structures, legal and budgetary frameworks.

Result 2: Develop a dedicated provincial community-driven local development policy, as part of the above-mentioned poverty reduction strategy, through the relevant institutional structures, legal and budgetary frameworks.

DEVELOPMENT OF THE PRS AND CDLD POLICY

The PRS and CDLD Policy was developed through a fifteen-month period of policy development, based on stakeholder consultation together with selected research on key policy areas relating to the poverty and CDLD context. The consultation process began with meetings with relevant stakeholders during the Inception Stage of the project (starting October 2016) and has continued through 2017.

The main steps in the PRS/CDLD policy development process have included:

- Consultation meetings with relevant stakeholders throughout 2016-2017
- A series of specific consultation workshops on 'the way forward' for poverty reduction
- Development of a set of selected 'research working papers' by the TA experts
- A series of meetings held with focal persons from selected GoS line departments
- An analysis of GoS expenditure, including analysis of ADP and recurrent budget expenditure across districts and analysis of 'pro poor' expenditure of selected line departments
- Presentation of 'the indicative PRS' (outlining the indicative proposals developed by the TA Team) at several key meetings with senior officials of P&DD.

Key stakeholder groups who have contributed to development of the PRS have included:

- Senior officials of the P&D and of other selected line departments of the GoS
- Senior officials of the District administrations
- Representatives of local government
- Members of the UCBPRP team
- Expert advisors on CDLD and rural poverty including RSPs, particularly those implementing the SUCCESS and UCBPRP programmes
- Representatives of the community institutions created through social mobilisation
- Expert advisors on urban poverty
- Representatives of other NGOs working in the areas of CDLD and poverty reduction
- Representatives of academia, including research institutes.

Key recurring themes from stakeholders during consultations included:

- Micro interventions do not work alone – a combination of macro and micro level interventions is required to really have an impact on poverty
- Poverty cannot be addressed without community engagement and community ownership is the key to sustainability of interventions
- Social mobilisation is at the heart of CDLD and community-based approaches
- There has not been sufficient evaluation in the past of the impact of poverty reduction interventions, particularly if micro interventions have had any overall impact on poverty
- There is a need to take advantage of the benefits of agglomeration and economies of scale
- The GoS is not visible in poverty reduction and CDLD, and it is not widely known that GoS is funding some of the programmes run by RSPs and other providers
- A new paradigm in planning is needed, where government and communities work together

- Women empowerment is a key to poverty reduction
- Addressing urban poverty needs a different approach to rural poverty
- Participation of local government and district government is important
- Transparency and accountability measures should be integrated in the policy, to minimise chances of corruption.

2. BACKGROUND – THE CONTEXT FOR POVERTY REDUCTION AND EXISTING GOVERNMENT OF SINDH ACTIVITIES TO ADDRESS POVERTY

THE POVERTY CONTEXT IN SINDH PROVINCE

Sindh is the second largest province of Pakistan, accounting for 18% of area and 23% of population. It hosts 47.88 million people or 8.59 million households, of which 23.0 million persons or 4.2 million households reside in rural areas in 83 rural talukas of the province. The average rural population and household per rural taluka works out to 277,108 and 50,602, respectively. It has the highest concentration of urban population at 49% as compared to an overall country average of 32.5%. Average population density, persons per square kilometre, in the province is reported at 339/km².

Sindh is considered the economic hub of Pakistan, with natural resources, relatively well-developed infrastructure, quite competitive human resource, two major ports, functioning communication network, an industrial base and modernized financial & services sector. It accounts for around 60% of the country's oil fields and 44% gas fields and contributes 56% oil and 55% of Pakistan's daily gas production. Its coal reserves are estimated at 185 billion tonnes) and a huge potential for renewable energy with 60 km wide and 180 km deep wind corridor. Its contribution to the national GDP is around 33% and collects 70% of Pakistan's Income Tax and 62% of Sales Tax.

Sindh has a well-developed agricultural base supported by an extensive irrigation network on the Indus. Around 14% wheat, 30% rice, 30% sugar cane, 25% cotton and 30% vegetable crops grown in Pakistan are from Sindh. Sindh's coastline of approximately 350 km accounts for 48% of fish export from Pakistan.

Despite the resource endowments outlined above, Sindh is afflicted with large pockets of endemic poverty, particularly in rural and semi-urban areas. It has a dual economy, with the port city of Karachi being relatively developed, while the rest of the province fares poorly relative to the rest of the country in terms of incidence of poverty, consumption poverty, vulnerability, nutrition statistics, etc. Half the districts classify as high deprivation, with districts that were rated as very poor three decades ago continuing to rank as such.

Earlier research has identified lack of ownership of or access to assets (land, livestock, etc.) as the major determinant of rural poverty and unemployment as the major determinant of urban poverty.

A detailed summary of information relevant to the poverty context in Sindh, together with an analysis of poverty variables and issues in poverty reduction is presented in Section 2 of this PRS report.

EXISTING STRATEGIES AND ACTIVITIES OF THE GOS TO ADDRESS POVERTY

The GoS has a range of existing sector strategies and programmes underway which, either directly or indirectly, have an impact on poverty. Key important strategies in this respect include:

- Sindh Agriculture Policy and Strategy
- Sindh Sanitation Policy, 2017
- Health Sector Strategy, Sindh (2012 – 2020)
- Inter-sectoral Nutrition Strategy for Sindh (INSS), 2013
- Sindh Education Sector Plan, 2014 – 2018

In 2009 the GoS launched a Union Council level community based scheme to address poverty – the UCBPRP. It is a pioneering initiative in rural development and poverty reduction and has become a flagship programme in provincial government support for community-based interventions. The programme, which uses the World Bank's 'poverty scorecard' tool to target assistance to poor households, focuses on social mobilisation and micro interventions. The UCBPRP approach has now been replicated by the EU-funded SUCCESS programme, where funds are allocated to RSPs to carry out a similar programme of interventions in 8 districts. Together the UCBPRP and SUCCESS programmes provide CDLD-based poverty reduction support in a total of 18 rural districts of Sindh.

In identifying the range of GoS programmes and activities that could be identified as either targeted to poverty reduction or defined as 'pro poor', a working definition was developed to identify what constitutes 'poverty-related programmes' or that could be applied to identify 'pro-poor' expenditure. In accordance with the CDLD-focus of the PRS, it was decided that the definition of 'poverty targeted programmes' or 'pro poor' expenditure should be confined to those programmes/activities which have a direct impact on poverty at the household and community level. This consists of:

- Those programmes/activities which are aimed to increase household income
- Those programmes/activities which reduce household expenditure or create savings.

Using this definition, it was identified that some 24 percent of schemes and programmes in the Annual Development Plan (ADP) can be classified as 'pro-poor'. Analysis of the recurrent budget was more difficult and focused on 7 selected relevant departments. The expenditure analysis revealed that about 46 % of the recurrent budget of these 7 departments, and 11% of total recurrent expenditure could be identified as 'pro poor'. However, an expenditure analysis across districts revealed there is a low correlation between per capita government expenditure in districts and poverty levels therein.

The ADP schemes and programmes and the recurrent budget activities of the seven selected line departments that have been identified as 'pro poor' are outlined in Section 2 of this proposed PRS report. The expenditure analysis relating to the seven departments, which includes a cross-district analysis, is also presented in Section 2.

3. THE FRAMEWORK, RATIONALE AND PARAMETERS FOR A POVERTY REDUCTION STRATEGY FOR SINDH

STRATEGIC FRAMEWORK FOR POVERTY REDUCTION

In light of increased devolution to provinces, the provinces need to take a more strategic approach to planning and budgeting for key functions, in carrying out their provincial governance responsibilities. Poverty reduction, as a key cross-cutting issue, consequently needs more attention and focus on a strategic approach from provincial governments. Sindh province is leading the way in being the first province to have taken the bold step of formulating a specific Poverty Reduction Strategy (PRS). The PRS to be developed is aimed to act as medium-term instrument to address the challenge of poverty in Sindh and to have a specific focus on CDLD. This is a logical approach for Sindh, given GoS initiatives over the last decade in CDLD, through the UCBPRP.

During the policy development process, a number of key parameters and principles were identified to define the focus and priorities for the PRS. The first was the importance of alignment with the strategic framework that starts with the Sustainable Development Goals (SDGs). The PRS and CDLD policy shall contribute to the attainment of SDGs in Sindh, in particular

- Goal 1: No Poverty,
- Goal 2: Zero Hunger,
- Goal 3: Good Health and Wellbeing,
- Goal 5: Gender Equality,
- Goal 6: Clean Water and Sanitation,
- Goal 10: Reduced Inequalities,
- Goal 11: Sustainable Cities and Communities

At the same time, its successful implementation and attainment of desired outcomes will highly be dependent on achievement of other SDGs, including

- Goal 4: Quality Education,
- Goal 7: Affordable and Clean Energy,
- Goal 8: Decent Work and Economic Growth,
- Goal 9: Industry, Innovation and Infrastructure,
- Goal 16: Peace, Justice and Strong Institutions,
- Goal 17: Partnership for the Goals

PARAMETERS, PRINCIPLES AND PRIORITIES FOR THE PRS

The policy development started with some broad understandings with which to approach the task of designing the PRS, which were outlined originally in the TA Inception Report. These working assumptions were further refined during the policy development phase, and evolved into the following 'rationale priorities' to determine shape, scope and focus of the PRS.

Rationale Priority 1: The Need for a Customised, Selective and Targeted PRS for Sindh

This grows out of the need for a ‘home grown’ strategy, customised to the Sindh context, focusing on what works and learning from experience, and not trying to produce an all-inclusive strategy. Ultimately, poverty reduction may be deemed to incorporate almost everything required for development, but this PRS is based on the notion that specific poverty reduction interventions need to be targeted, and not just equated with an overall economic development strategy.

Rationale Priority 2: The Need for a CDLD Focus as the Foundation

The CDLD focus prescribed in the TA ToRs assumes that CDLD is the foundation for poverty reduction approaches for the PRS. The CDLD focus brings other assumptions into play, including:

- The CDLD approach is based on the RSP methodology of social mobilization and community-based micro-level interventions
- The focus on social mobilisation over several decades has built a significant level of community capital via the three-tier structure of community organisation, which can and should be utilised in further community engagement in relation to poverty reduction as well as input to planning of development and provision of services.

Rationale Priority 3: The Need for a Government-CSOs Partnership Approach

The State has the capacity to intervene at scale and to define a strategic framework for approaching poverty reduction. Community organisations have limited capacity to scale but can effectively reach villages and households. Given the relative strengths and weaknesses of public and civil society organizations, it is advisable to harness the relative strengths of both. In this respect, the traditional divide between public versus private sector centred development strategies is now irrelevant and the demands of poverty reduction are too large for either government plans or service delivery, or the community-based activities of CSOs, to address independently. The situation establishes the justification for initiating a new approach to poverty reduction through adoption of partnerships with civil society organisations. The GoS already has a model to build on via its UCBPRP initiative and the SUCCESS programme.

Rationale Priority 4: The Need for Targeted Interventions to Address Urban Poverty

The different dimensions of urban and rural poverty require that different interventions to target poverty in an urban context are required. The addition of the urban poverty dimension brings an opportunity to review urban/rural connections and create a cohesive approach to development of the PRS and CDLD. It was concluded during the policy development phase that while general principles of CDLD can be applied in an urban context, this dimension cannot be entirely contained within the modalities developed for the rural support programmes.

Rational Priority 5: The Need for a New Approach - Beyond Micro Level Interventions

The opportunity of the PRS opens up two new windows for consideration of poverty reduction:

- It introduces the macro-economic element to poverty reduction and

- It adds the urban poverty dimension.

Notwithstanding the working assumption of a 'selective and targeted' approach to the PRS and a focus on CDLD, approaches need to go beyond micro-level interventions, since research has shown that micro-level interventions alone cannot change poverty. The interaction with GoS through the policy development stage made it clear that the GoS is looking for innovation in the way forward. This should include consideration of initiatives where the confluence of macro/micro initiatives may provide a new strategic framework for poverty reduction. Thus, the requirement for a provincial PRS with a focus on CDLD, which provided that the TA component was essentially tasked to work with two complementary actions - one meso and the other micro.

Overarching Principles for Poverty Reduction

Three key overarching principles emerged from consultation and research. These included:

- Agglomeration is the key to rapid growth – hence growth centres are seen to be critical in poverty reduction as well.
- A catalytic approach is needed to prioritize sectors and interventions, so as to reap maximum benefits beyond project periods and sustainability of the interventions in poverty reduction.
- For poverty reduction to be successful, communities must be engaged in their own development.

Types of Poverty Reduction Strategies

Since all working assumptions, priorities and principles point to the focus of community-based poverty reduction interventions that have an impact at the household level, it is important to focus on key types of strategies that are relevant at this level. Research and consultation during the policy development phase indicate two major categories of poverty reduction strategies. These are:

1. Strategies that relate to 'survival' issues. Poverty reduction strategies in a range of countries concentrate on improving the socio-economic conditions of poor sections of the population. But people cannot engage in activities aimed to improve their circumstances if at the same time they are struggling with the very challenge of survival. A significant proportion of the population of Sindh is struggling with the most basic survival issues. Survival strategies are aimed to save lives and are needed to address adequacy of basic living conditions in the following areas:
 - Water – regular supply of clean drinking water
 - Sanitation – for health and hygiene
 - Nutrition – access to an affordable nutritious diet
 - Shelter – affordable and adequate housing and disaster protection
 - Access to basic health services.
2. Strategies that provide opportunity for individuals and households to get out of the poverty trap. These strategies focus on interventions aimed to either increase household assets or improve chances of employment. Such strategies focus in the following key areas:
 - Education – to ensure standard literacy levels

- Vocational skills development, for employment opportunity
- Enterprise development – to increase assets and income levels.

4. THE POVERTY REDUCTION STRATEGY

STRATEGY ONE: COMMUNITY DRIVEN LOCAL DEVELOPMENT – THE FOUNDATION

Policy for Community Driven Local Development

In consultation with stakeholders, the following key principles emerged as fundamental to a community-driven local development approach in poverty reduction:

- Participation in their own development is a basic right of communities, and poverty cannot be reduced without active community engagement
- Social mobilisation is at the heart of community-driven local development
- A women-centred approach not only empowers women but is the most effective way to reduce poverty at the household level
- Poverty reduction at community level can only be implemented effectively through a partnership between Government and community organisations
- A new paradigm in planning is needed, with grassroots community involvement and combination of a top-down/bottom-up approach.

If the above principles are accepted as the core of a CDLD policy for Sindh, then policy actions by the Government of Sindh to implement CDLD potentially would include:

- The Government of Sindh formally adopts the PRS and CDLD Policy, to include institutionalisation and mainstreaming of CDLD within GoS programmes and approaches
- The Government recognises the social capital created at community level through social mobilisation, including:
- Facilitation of services to communities by leveraging the institutional structures created through social mobilisation – thus recognising ‘institutions of the people’ (community-based organisations)
- The GoS endorses the Joint Development Committees as a mechanism to bring together representatives of district and local government, line departments and community representatives (members of LSOs)
- Commitment to implementation of the PRS and CDLD policy through a Government-CSOs partnership model and approach
- Recognition that the existing pro-poor programmes which the various line departments of the GoS are already engaged in could have an enhanced impact if structured and delivered to incorporate the CDLD policy principles.

The Strategic Approach to CDLD Implementation - Expansion of Union Council-Based Poverty Reduction Programme

Further expansion of the UCBPRP is proposed as a primary means for extension of CDLD implementation. This assumes that UCBPRP will continue to be at the core of an expanded programme of CDLD implementation. Proposals for expansion include the following:

- That the existing programme with 10 districts be expanded to include 5 new rural districts. Together with the SUCCESS 8 districts, this would expand the combined UCBPRP/SUCCESS CDLD-based programme to all rural districts of Sindh
- That the whole UCBPRP programme be re-designed as an overall programme with a defined phasing strategy for activities in all districts. This would incorporate the current residual programme for 4 (previous) districts, the current 3-year programme for 6 districts which commenced in mid-2017, and the proposed new expansion for 5 new rural districts. This would include provision for a more defined transition to a 'sustainability' phase where the programme becomes self-managing at community level. This would require an appropriate level of ongoing administrative/fiduciary oversight for accountability purposes.
- That the current PMU for UCBPRP becomes the core of an expanded PMU, with greater responsibility and capacity for oversight of the expanded programme and integration of CDLD with line departments.

In addition to the proposed expansion of UCBPRP and changes in the proposed UCBPRP Programme Design, some changes to UCBPRP interventions are envisaged, including:

- Incorporation of a village improvement programme for community-based improvement of facilities and infrastructure, incorporating CPI allocation and low-cost housing. This is aimed to address the need for more assistance with 'survival strategies' at community level.
- Additional funds for enterprise development to boost rural economic activities
- More flexibility in the allocation of CIF funds.

Institutionalisation of a CDLD approach will be a key part of implementation of the CDLD policy.

STRATEGY TWO: ADDRESSING URBAN POVERTY

GoS Policy to Address Urban Poverty

Policy principles to address urban poverty include:

- The same principles of CDLD applied to rural development poverty reduction may also be applied as a general policy approach to urban poverty. However different focus and some variations to methodologies and interventions will be required.
- Cluster-based 'industrial' developments in small cities and towns in the largely rural districts of Sindh (and potentially in peri-urban areas), may be adopted as a policy by the GoS to address the livelihood needs of targeted urban poor. Clusters of similar or complementary activities can take advantage of proximity of location for enterprise development, essentially operating as

SME co-operatives – thereby creating opportunities for income-generating activity and employment.

- A GoS/CSO partnership approach may be applied in implementation of policy actions for urban poverty reduction.

The Strategic Approach for Addressing Urban Poverty

The core of the poverty reduction strategy for addressing urban poverty is that poverty in urban areas is primarily a feature of disadvantages in income and employment. Therefore, interventions must target ways to reduce poverty by creating or facilitating improved opportunities for increased income generation through enterprise development and employment.

Implementation of the policy is proposed as two-fold:

- Expansion of the UCBPRP approach into urban parts within the rural districts, (and potentially peri-urban areas) and
- A particular focus on urban economic clusters.

Approaches required for poverty reduction in urban areas will differ from those applied in rural areas. The focus is not on targeting ‘the poorest of the poor’ as in the rural development programme but instead it is more about targeting interventions to viable opportunities for generating enterprise development and employment.

Similar businesses that use similar inputs or produce similar outputs may be developed as urban economic clusters (co-operatives), where they can take advantage of locational opportunity to share common resources or markets. Clusters act as a large integrated plant, enjoying most of the benefits of economies of scale that large units accrue. The cooperative effort can also serve to reduce individual capital requirements and distributes risks associated with start-ups in enterprise development.

Proposed Programming Approach for Urban Poverty Reduction Interventions

Expansion of the UCBPRP programme is envisaged, to include an urban poverty programme where the focus is on ‘urban within rural’ i.e. focusing on small cities and towns within the rural districts, prioritising those small cities and towns and cities where the incidence of poverty is higher than the incidence of poverty in the rural areas.

It is proposed that this urban programme would be extended to all 23 rural districts – thus including the 10 existing and proposed new 5 districts and the 8 SUCCESS districts. Following the same rationale as for extension of UCBPRP in 5 new districts, it is proposed that a similar GoS-CSO partnership approach be adopted for implementation of UBPRP expansion in urban areas.

The proposed urban poverty programme consists of:

- A general urban poverty programme, entitled ‘Urban Income Enhancement Programme’, where key interventions would include support for enterprise development and vocational skills training, targeted at individuals and households where there is viable capacity for employment or enterprise opportunity.

- A specific focus on urban economic clusters, as having possibly the most potential for small enterprise development. The establishment and initial management of urban clusters may be entrusted to RSPs, or other suitably qualified NGOs/CSOs. RSPs or other CSOs can provide the initial market research to identify enterprise potential, and facilitation support in start-up. However, the clusters would be expected to develop further under their own steam.

STRATEGY THREE: INNOVATION AND A NEW STRATEGIC FRAMEWORK FOR POVERTY REDUCTION THROUGH RURAL SERVICE HUBS (GROWTH CENTRES)

GoS Policy for Consolidation of Public Services in Rural Hubs/Growth Centres

Based on the background of poverty and status of villages in Sindh and the rationale presented in Section 3, it is envisaged the Government of Sindh formally adopts the concept of Rural Hubs/Growth Centers as a tool for development planning, service delivery and generation of economic activity in the rural areas.

Villages, in defined proximity to each other, may be identified in groupings where one or two villages within each cluster – with defined characteristics (population size, common cultural dimensions, markets, road/rail connectivity) – may be identified as ‘Rural Growth Hubs’ which will be prioritized by the Government and partner CSOs for future allocation and investment of financial and organizational resources and consolidation of services.

GoS Strategy for Implementation of the RGCs

A rural hub is likely to enable concentration of economic services to support the rural villages, which will likely generate agglomeration economies and bring about balanced socioeconomic development in the entire area. It will also extend a higher level of services to village populations and enhance quality of life – for example enabling larger and higher quality schools and higher service level health centres.

A Rural Hub may include:

- Housing with amenities, including drains and walkways
- Commercial centre to support local agri-based businesses and services, for:
 - o Storage of inputs (seed, fertilizer, etc.) and distribution centres for outputs
 - o Sheds/yards for trading/marketing of grain, livestock, and other commodities
 - o Milk collection point and chilling plant
 - o Small cold storage
 - o Agricultural equipment repair and maintenance facilities
 - o Bus stop and truck stand
 - o High school (multi teacher, multi classrooms, other facilities) for students from villages in the cluster instead of one room/one teacher schools in every village
 - o Vocational training centre
 - o Rural Health Centre.

A Rural Hub will need to be located on high ground to protect it and its infrastructure from flooding and relevant flood protection measures will need to be put in place. Local government will have

responsibility for building and maintaining the physical infrastructure in the hubs, including buildings, local roads, minor irrigation, etc., while many of the economic services will likely draw in the private sector.

Three levels of interventions are visualized. At the government level, government line departments will be required to provide (build, rehabilitate or up-grade) physical facilities and spaces for commercial activities. At the private sector level, private operators can be expected to set up/upgrade and operate their manufacturing, sales and service establishments, utilizing the infrastructure provided by the government. There is likely to be little or no additional expenditure requirement from the government however there is likely to accrue revenue income for the local government from local taxes, fees and rent charged from private sector operators. At the civil society organization level, CSOs will operate designated public service delivery as contractors for the government, to provide the following facilities and manage the following services via the network of COs, VOs and LSOs:

- IGG/CIF/CPI funding
- Housing
- Locally sourced water supply (hand pumps, RO Plants)
- Village improvement, i.e., drains and walkways (including maintenance)
- Other village facilities
- Kitchen gardening
- Enterprise development funding for: drinking water plants, livestock, milk chilling plants, village stores, village workshops, transport vehicles; thereby, contributing to improved services and development of local private sector.
- Minor irrigation works
- Local village to market roads and connectivity with Rural Hub
- Any other service identified as needed by village communities

Needless to say, the cluster is a notional construct and does not entail any reorganisation of political or administrative boundaries as such no changes to the existing political and administrative institutional arrangements are envisaged.

Proposed Programming Approach for RGCs

It is proposed that the Rural Growth Centre approach will initially be rolled out through pilots, with allocations under ADP. As implementation matures and proceeds past the pilot developments, the policy of consolidation of public services can be progressed through all line departments for planning and implementation of their developmental activities.

It must also be noted here that the purpose of piloting the RGCs in an initial implementation period is to learn lessons from the implementation of this new concept and intervention. The lessons learned during this phase will be essential for mainstreaming the RGC policy in to GoS sector strategies and service delivery.

FURTHER POLICY RECOMMENDATIONS

It is proposed that the existing range of pro-poor programmes and functions of the GoS must also be considered as a part of the overall PRS and therefore their costs considered as part of the cost of the overall PRS.

It was found during the policy development/analytical stage that in many instances, the poorest districts were not receiving a level of per capita expenditure as per the poverty index would suggest appropriate. It should be part of GoS planning to take the poverty indices into account and over time seek for greater alignment between budgets and the poverty profile of the district. This aspect has also been considered in the phasing in of the proposed expansion of the UCBPRP to five new rural districts and the urban areas within the rural districts.

It was found that the recurrent expenditure of line departments quickly eroded because of inflation. This suggests that all programmes of the Government of Sindh should be indexed for inflation.

During consultations with line departments, it was identified that coordination amongst line departments at the grass roots level is not very effective. In many instances line departments are unaware of other departments' activities and programmes in the same district. It is important to develop greater synergies for more effective poverty reduction impact.

During the policy development phase, it was identified that the Community Investment Fund which is a part of UCBPRP and SUCCESS interventions, generates interest revenues. These revenues appear to be going to the RSPs at present, in addition to the funds that are received by RSPs to cover allocations for programme interventions and operating expenses to undertake the programmes, for which they are contracted as implementing partners. The CIF funds are an allocation of money from either donors or the GoS, provided for the benefit of communities, without any expectation of return. However, returns are generated. The GoS could consider mechanisms where these revenues could be returned to the programme and used to partially offset ongoing programme costs, as well as building the CIF as an ongoing fund for CDLD, for the LSOs to access and administer. These options may include disbursement of programme allocations from the central administration and revising the manner in which funds are allocated to RSPs or other CSOs implementing the programme.

Also, it is proposed that the LSOs should administer the CIF funds after the initial social mobilization phase of active RSP programme – with appropriate registration, compliance and oversight from the central administration.

5. COSTING AND FINANCING THE POVERTY REDUCTION STRATEGY

COSTING OF NEW PRS PROGRAMMES

Total Five Year Estimate of PRS Costs

Total costs of the new programs and activities in the PRS are estimated to be about PKR 72.5 Billion for the period FY2018/19 to FY 2022/23. The table below provides a summary of the cost estimates per strategy. Furthermore, a continuation of programming costs is anticipated after FY 2022/23 up to the FY 2024/25 for another PKR 15.9 Billion.

Three PRS Strategies	Total cost estimate in PKR billions FY2018/19 to FY 2022/23 (prices 2017)
CDLD Rural Program	36.2
Urban Program and Urban Economic Clusters	31.8
Rural Service Hubs (Rural Growth Centers)	4.5
Total Costs of Proposed New Programming	72.5

The summaries below show the costing of each of the three major strategies. Costing and phasing assumptions are included in the full text of Section 5.

Costs of CDLD-Based Rural Program

	Components of CDLD Rural Programming	Total cost estimate in PKR billions FY2018/19 to FY 2022/23 (prices 2017)
1	Extension of UCBPRP to 5 new rural districts	7.1
2	Phase 2 for all ongoing UCBPRP & SUCCESS districts, and 5 new districts	9.1
3	Village improvement & maintenance	20.0
	Total rural programming	36.2

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The table below summarizes the phasing assumptions of the main components of the CDLD Rural programming.

		2018/19	2019/20	2020/21	2021/22	2022/23
1	Extension of UCBPRP to 5 new rural districts					
2	Phase 2 for all ongoing UCBPRP & SUCCESS districts and 5 new districts					
	UCBPRP-6					
	SUCCESS-8					
	UCBPRP-5 (new)					
3	Village improvement					
	UCBPRP-6					
	UCBPRP-5 (new)					
	Village improvement maintenance					
	SUCCESS-8					
	UCBPRP-6					
	UCBPRP-5 (new)					

Costs of Urban Programme, Including Enterprise Clusters

	Components of urban programming	Total cost estimate in PKR billions FY2018/19 to FY 2022/23 (prices 2017)
1	Urban Income Enhancement Program	8.9
2	Urban Economic Cluster Program	18.1
	Total	27.1

The table below summarizes the phasing assumptions of the main components of the urban programming.

	2018/19	2019/20	2020/21	2021/22	2022/23
Urban & Urban Economic Cluster Program					
Group 1					
Group 2					
Group 3					
Group 4					

Costs of the Rural Service Hubs (Rural Growth Centers)

The RGCs programme will initially be implemented as pilots, and later on it is envisaged will be adopted as a policy tool for planning of development activities. It is proposed that in the first phase, three pilots for Rural Growth Centers will be established in three districts, which will be chosen in close consultation with the Government of Sindh during the Roadmap phase. Therefore, the cost estimates presented in the main table above are only pertinent for the three proposed pilots.

It must also be noted that these cost estimates are based on very 'rough order' calculations based on the proposed key features of a Rural Growth Center i.e. a high school, rural health center and a market place for generating economic activity and some basic infrastructure upgrades.

These cost estimates will be revised during the Roadmap phase, once the locations have been selected and further assessment of the infrastructure requirements has been carried out. It must also be noted here that the purpose of piloting the RGCs in the two-year implementation period of the EU SUCCESS TA component is to learn lessons from the implementation of this new intervention. The lessons learned during this phase will be essential for mainstreaming the RGC policy in to GoS sector strategies and service delivery.

COSTS OF EXISTING PRO-POOR GOVERNMENT PROGRAMMES

In Section 2, the PRS outlined an assessment of existing pro-poor activities that the GoS currently undertakes. For the budget of FY17/18 total pro-poor expenditure, using the working definition applied, is estimated to be PKR 190.6 million, based on the assessment of the recurrent expenditure of 7 selected departments and the full list of schemes and programmes that met the 'pro poor' definition in the ADP. Ultimately these activities and programmes should be considered part of the final total PRS. For a complete estimate of all the costs of existing GoS pro-poor activities over the period FY2018/19 to FY 2022/23 additional research is required, to analyse the budgets of all line departments. This has been added to the proposed agenda for the Roadmap.

FINANCING OF NEW PRS PROGRAMMES

The PRS is a strategic intervention at provincial level and therefore, its financing will be dependent upon GoS fiscal management in the medium to long term. The GoS will require to draw its fiscal landscape in a manner that would ensure PRS is adequately funded for timely achievements of its objectives. Additional financing will be required but the GoS will also benefit from net savings that will accrue by consolidation of various poverty reduction programs under the PRS framework. Furthermore, by incorporating PRS into provincial public investment planning, the GoS can keep the incremental financing at manageable levels. Thus, mainstreaming of the PRS is critical not only for political ownership but also for sustainable funding over the medium to long term.

Sources of Finance

The GoS funded its flagship UCBPRP CDLD programme in 4 districts and from 2015 onwards EU financed the rollout of a similar programme (SUCCESS) in 8 more districts. In the 2016/17 budget, GoS has further committed funds for 6 more districts from its own sources.

The indicative cost for the new program proposed under the PRS framework would be around PKR 68 billion during the implementation period. It is important to note that the current SUCCESS-8 districts have not been costed as they are already programmed. It is assumed that the PRS will be fully funded during the phase 2018/19 to 2021/22, based on the various financing options currently available to the GoS.

The principal sources of finance for the PRS includes GoS own-source funds, donor funds, savings through consolidation and re-prioritisation of services over time, and contributions from the private sector as part of PPP arrangements, including CSO programme implementation partners.

In addition to the above, the GoS has an investment portfolio that is managed by Sindh Fund Management House (SFMH) mandated under Finance Department, Sindh. This investment portfolio may be used to bridge finance the poverty reduction program. This fund has already been applied once towards UCBPRP when the GoS was facing acute funding gaps in 2009.

An additional potential source of funds is re-direction of some of the interest generated from the CIF to offset programme costs. The GoS may look at administrative mechanisms to ensure redirection of part of this interest revenue back into the programme, to offset the programme costs, as well as ensuring that the CIF continues to build as a community asset fund. These options may include disbursement of programme allocations from the central administration and revising the manner in which funds are allocated to RSPs or other CSOs implementing the programme.

All three main strategies (components) of the PRS have different scope, execution modalities and timelines, therefore the following table illustrates the key sources of finance for each of the components of the PRS.

Program	Sources of Finance	
UCBPRP Rural CDLD	GoS	GoS will provide funds under provincial ADP scheme for UCBPRP-5 districts. This will be in addition to ongoing UCBPRP-6 districts, which has already been budgeted. GoS will provide additional budget to the line departments for some of the activities relating to CDLD interventions at sectoral level (education, health etc.). The district government may also provide funding for some of the CDLD activities especially in the case of village improvement program depending upon the fiscal space available to districts governments.
	EU	EU is currently funding SUCCESS-8 districts in partnership with RSPs. This 5-year program will run till FY 2020/21. EU may decide to provide additional support to the GoS for further implementation of the PRS/CDLD based on evaluation and successful achievement of the objective.
	RSPs or CSOs	In partnership with EU under SUCCESS program, RSPs contribute around 5% of the total cost program cost (EUR 82.13). For the new UCBPRP-5 districts, GoS may enter into PPP arrangements with (a) CSO(s), which will then be required to share a portion of the program cost.
	Program internal funds – Community contribution	CIF will generate funds over time in the form of interest chargeable to the beneficiary. Although, there is no current policy in place for the mark-up rate on loans disbursed, PRS assumed that the CIF will be a self-generating fund. The interest recovered will be reinvested in the same fund and will be one of the

Sindh Poverty Reduction Strategy

Program	Sources of Finance	
		sources of finance.
Urban and Urban Cluster Program	GoS	GoS will provide funding for the Urban and Urban Economic Cluster program that would include vocational training, enterprise development and CIF.
	CSOs	GoS may enter into PPP arrangement with the CSO, which will then be required to share part of the program cost. It is assumed that CSO share will be in the range of 5% to 8% of the total program cost.
	Program internal funds	As in the case of UCBPRP rural, CIF for urban cluster program will also generate interest income that will be reinvested in the fund. Policy has to be formulated for this purpose for uniform application of the mark-up rate.
	Other donors	Once PRS is approved and adopted by the GoS, it may act as an advocacy tool for GoS to attract international development partners (donors). A government owned program with a robust strategic framework and clear strategy document would be appealing for donors to add into their development portfolio.
Rural Growth Centers	GoS	For the pilot phase, GoS will provide incremental funding through the provincial ADP and subsequently it is assumed the funds for RGC will be provided through line departments. It is important to note that as the RGC approach will be mainstreamed into the public investment planning, no additional funding will be required, as funding will come from consolidation and re-prioritization of services. Thus, the line departments will continue to allocate their budget for their development schemes but using the RGC approach.
	Private sector investors	RGC entails consolidation of public services within each union council into an appropriate geographical

Program	Sources of Finance	
		locus. A PPP arrangement will be mutually beneficial for GoS and private sector investors to develop and manage such service delivery.
	Budget Savings	In the long term, the consolidation of public services will not only improve service delivery but will result in cost savings due to synergy and intra sector cost sharing – thus making funds internally available for completion of the RGC program across the province.

6. IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY: THE LEGAL, INSTITUTIONAL AND PFM/BUDGETING FRAMEWORK

The PRS, as developed and presented in this report, is envisaged to be an overarching ‘whole-of-government’ cross-cutting strategy that is intended to be incorporated into the overall GoS policy-linked strategic planning and budgeting framework. It needs to be effectively implemented, monitored and tracked for operationalization and achievement of the poverty reduction outcomes sought, with accountability to the senior level of GoS and to the Provincial Assembly.

OPTIMAL INSTITUTIONAL FRAMEWORK FOR PRS IMPLEMENTATION

PRS institutional arrangements should be founded on the following principles:

- **Sustainability:** PRS is an action oriented government instrument, aimed to ensure outcomes in poverty reduction and interventions used are sustainable at community level.
- **Harmonization:** Poverty reduction is a strategic policy intervention rather than a one- off project, therefore linkage with SDG goals and co-ordination with other macro-micro strategies being implemented in the province is important.
- **Integrated development planning and budgeting:** Priorities set in the PRS are linked to the overall fiscal framework (BSP and MTEF), linked with relevant sector strategies and budgets (MTBF) and itemized in the ADP and annual budget. PRS priorities are set for a medium term horizon.
- **Institutional Capacity:** Management units are set up with the capacity for effective programme operationalization, monitoring and evaluation. From political to executive to administrative personnel, all stakeholders understand the criticality of the poverty issue and are able to discern the poverty outcomes.

- Transparency: Policy and planning documents clarify objectives and programmes, GFMS supports transparent allocations for the PRS plus fund flow enables tracking of PRS expenditure.
- Accountability: A performance monitoring, reporting and evaluation system is established that can connect financial numbers with outputs and outcomes achieved.

The PRS will need to be managed and implemented via a central PMU, with co-ordination and control responsibilities, but because of its cross-cutting implications, implementation consequently cannot be tied on a portfolio basis to any one line department. Therefore, the P&D is the most appropriate departmental location for this enhanced PMU. It is also envisaged that for enhanced 'whole-of-government' co-ordination, the PMU could be set up with an overall PRS Co-ordinator at the Chief Minister's office. The enhanced PMU could be developed from the core of the existing UCBPRP PMU, but will need to be expanded and further enhanced through capacity development because of the expansion of programme scope, functions and responsibilities.

The main purpose of the proposed Unit would be to:

- Coordinate implementation of the PRS, including co-ordination with line departments, local government units and civil society organizations (CSOs) for PRS activities, e.g. provide policy guidelines for sector level planning, and ensure consolidation of and coordination of the PRS/CDLD rollout with existing GoS programs (such as Nutrition etc.)
- Ensure alignment of PRS with MTBF, ADP and annual budget allocations, in line with funding requirements of the PRS
- Ensure effective management of the PRS programmes, including oversight of GoS/CSO contracting and monitoring of associated compliance with the legal, regulatory, institutional and financial management frameworks
- Generate monitoring/performance reports on PRS performance and achievement, triangulating financial and non-financial data to create a feedback loop for senior administrative and political levels of GoS.

For this purpose, the PRS PMU will require capacity building support both in terms of infrastructure (MIS) and human resources (for enhanced management, financial management, oversight and co-ordination and to analyse and interpret poverty data).

It is also envisaged that District programme Implementation Units would need to be set up at District level.

At community level, the PRS will be implemented based on the PPP model to execute programmes through a GoS-CSO partnership approach, with RSPs or other CSOs as contracted implementing partners.

Section 6 sets out the detailed rationale and requirements for establishment of the proposed institutional arrangements at provincial and district levels and the role of local government. This section considers the institutional requirements relevant for implementation of all three major proposed strategies of the PRS.

MAINSTREAMING OF PRS/CDLD

Mainstreaming of the PRS hinges upon the ownership by political stakeholders and senior levels of the GoS, to ensure translation of PRS and CDLD policy, priorities and approaches into the activities of line departments. A holistic whole-of-government planning approach is not currently embedded in GoS and even a culture of strategic sector planning has not yet taken effective root. Therefore, strategies to address mainstreaming will require senior level GoS leadership, operationalized through effective co-ordination by the PRS PMU, as well as significant capacity development at line department and district administration levels.

Section 6 sets out detailed rationale and requirements to support mainstreaming of the PRS and CDLD policy, relevant to implementation of the three major proposed strategies of the PRS.

THE PFM/BUDGETING FRAMEWORK FOR PRS

The PFM implementation framework for the PRS is required to include:

- Implementation of cross-government budgeting instructions, starting with clarity of directions set out in the BSP and in budget instructions (BCC) so that all departments can identify PRS policy requirements and related budget allocations in their ADP, MTBF and annual budget submissions
- Implementation of expenditure tracking in budget execution, so that expenditure allocated to PRS strategies and programmes can be appropriately managed in terms of accounting and financial management procedures and tracked in budget execution, with an associated financial and non-financial reporting framework
- Implementation of a performance reporting framework, with financial and non-financial reporting. The financial monitoring and reporting is to track expenditure - monitoring how much the government is spending on its main pro-poor categories in recurrent + ADP, and on the CDLD programme through UCBPRP, the Urban programme and the implementation of Rural Service Hub pilots (growth centres).

Non-financial reporting will be through application of an M&E framework, to track PRS programme results. The M&E framework should be founded on an outputs/outcomes approach – with output-based performance indicators set for delivery of programme outputs, and outcome indicators identified and reported on to assess achievement of specified poverty reduction outcomes, and the impact of the overall PRS strategy. The reporting framework will need to follow-through into the auditing and accountability framework, including auditing and associated reporting to the Parliament.

Section 6 sets out a detailed and comprehensive coverage of the implementation of the PFM/budgeting cycle requirements, in implementation of the PRS and CDLD policy. This section presents first the overview of the PFM/budgeting cycle. Then the PFM cycle implementation requirements and issues are presented under the three main strategies of the PRS. The section covers all aspects of budgeting, budget execution, accounting, and reporting and audit.

MONITORING AND EVALUATION

An effective monitoring and evaluation framework and process is part of the accountability framework required, in order for the GoS to be able to assess:

- whether the required performance in operational implementation and service delivery of the programmes and interventions is being achieved
- whether the funds allocated to these programmes and interventions are sufficient, and effectively and appropriately managed in terms of financial control, transparency and accountability
- whether both financial and non-financial targets are being met and
- whether the strategies, programmes and finances spent are achieving the results intended in reducing poverty.

As such, the monitoring and evaluation framework relies on a combination of identification of appropriate performance measures, systems to collect relevant information, an effective reporting system and evaluation tools and methodologies to assess overall results.

Section 6 sets out the requirements for an M&E system based on application of the outcomes/outputs framework, together with the requirements for performance measurement, setting of performance indicators and systems for assessment of performance and achievement in poverty reduction.

ROLE OF LOCAL GOVERNMENT IN PRS/CDLD POLICY IMPLEMENTATION

Section 6 presents an analysis of local government and implementation of CDLD in KPK province, and compares this to the Sindh context. The Sindh local government model is less devolutionary than in KPK, and the relationship between the provincial government, local government and community organizations needs to be structured differently for that context.

Effective implementation of CDLD in Sindh and effective involvement of local government in the process of meeting community needs and aspirations for poverty reduction, strong linkages must be created between the three-tiered social institutions' structure (derived from social mobilization) and local government, especially with the Union Councils. The local government along with district administration, line departments and representatives of community-based organizations must be actively involved in planning processes.

The role of the Joint Development Committees, chaired by the Deputy Commissioner or the elected Chairmen of District Councils, can be extended to prepare local development proposals at the taluka and district level. The district governments in Sindh are already receiving 30 percent allocations. The proposals for spending these allocations should be prepared jointly by the JDC which comprises representatives of the district government, local government, line departments and representation of the community organisations. Further to the proposed endorsement of the Joint Development Committees at the district level, it is proposed that the role of local elected representatives should be enhanced to ensure active participation in JDC meetings and planning processes.

It is however acknowledged that for local government to play an enhanced role in implementation of the CDLD Policy and some aspects of the PRS will require addressing capacity and operational issues which have been highlighted above and in detail earlier in the inception report.

The Poverty Reduction Strategy (PRS) via the CDLD approach entails two components which will have particular significance for local government in terms of responsibility for infrastructural provision: urban economic clusters and rural growth centers (RGCs). Both require some degree of physical infrastructure provision.

Urban economic clusters will require construction of serviced 'compounds' with space of varying sizes for plant, storage, etc., where non-agricultural small businesses engaged in production of complementary goods can be located. Again, given the locally specific nature of these activities, the nature of infrastructure required will be different and, as such, can best be provided by local government. Rent charged for premises will emerge as a source of revenue for local government.

The establishment of the RGCs in the first pilot phase would involve various levels of interventions, including those from local government. These interventions include some improvements to local infrastructure as well as establishing new infrastructure. It is proposed that local government will have responsibility for building and maintaining the physical infrastructure in the hubs, including buildings, local roads, minor irrigation, etc., while many of the economic services will likely draw in the private sector and social services will be managed by community organizations. Again, rent charged for these premises will emerge as a source of revenue for local government.

7. IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY: CAPACITY DEVELOPMENT AND COMMUNICATIONS

CAPACITY DEVELOPMENT

The current PMU for UCBPRP is envisaged to become the core of an expanded PMU for PRS implementation and rollout. The expanded PMU will have greater responsibility for oversight of an expanded programme that not only includes rollout to more districts and new programme dimensions for addressing urban poverty and RGCs but also focus on mainstreaming and integration of a CDLD approach with line ministries. This will necessarily involve capacity development to assume greater accountability and extended responsibilities. This will include up-skilling in procurement, contract management, co-ordination and monitoring (including monitoring and auditing for financial management purposes, performance reporting and monitoring for impact evaluation).

For PRS rollout, capacity development will need to be addressed at three levels:

- a) Capacity at both provincial and district levels of administration for PRS oversight and management. Capacity development will need to include all line departments but will initially focus primarily on requirements to support the expanded PRS PMU.
- b) Capacity of local government and local bodies for implementation of CDLD

- c) Capacity of communities for accessing allocations for CDLD and other poverty reduction programs. Capacity building of community is essential to ensure interventions are appropriately targeted to community needs, to ensure that assistance is appropriately directed, and to review and interpret the results and hold people accountable, which is at the very heart of the CDLD model.

Capacity Building at Local Government Level

Progress with devolution in Sindh is slower than expected and further fiscal devolution to districts is complicated by issues at provincial level and capacity issues at district level. It can be assumed that the transition to local government devolution may continue to be complex and in the medium term there will consequently continue to be gaps in the institutional architecture for operationalizing a transparent and accountable implementation of a PRS and CDLD policy at local government level.

This reality flows into necessary conclusions about the type of capacity development programme that can be designed for local authorities and elected representatives.

Clearly the most important factor will be to focus on awareness-raising of PRS and CDLD implementation, stakeholder partnerships between local government and community organizations working on needs assessment and local community-based poverty reduction initiatives, and basic steps towards improvement in planning and budgeting at the local level, with a focus on results in poverty reduction. The latter could include the basics of M & E approaches and consideration of incentives for local authorities and local representatives to focus on poverty-related priorities. Options to encourage between local government and community institutions will be important.

In Sindh, the most important focus for CDLD-related capacity development at local government level, and the most benefit which could be expected to be derived from capacity development efforts, is likely to be from concentrating on the Joint Development Committees (JDCs), which are being established in SUCCESS districts and which UCBPRP plans to initiate in UCBPRP districts. The JDCs are being established as a community forum for input to planning and identification or prioritization of community needs in district and local planning, with representation on these committees comprising district officials, local government members and members of the community organisations (LSOs).

The capacity development plan for local government in the Roadmap will incorporate training and other capacity building initiatives with the following priorities:

- Awareness-raising about the PRS and CDLD policy and implementation
- Defining the responsibilities of JDCs, with awareness –raising to support the role of the JDCs in planning and interaction between the district and local government administrative level and the community, CSOs, LSOs etc.
- Awareness raising and training about programme and basic M&E requirements for PRS/CDLD
- Training relating to compliance requirements, including accountability requirements for LSOs

A GOS COMMUNICATIONS STRATEGY FOR PRS/CDLD IMPLEMENTATION

Ultimately the goal of the PRS and CDLD policy is to improve people's lives and to enable the GoS to effectively and efficiently deliver programmes and services aimed to achieve that. Effective communication can make a profound contribution to policy creation and implementation, by explaining government policies or programs and supporting the effective operation of public services and programmes – for example:

- Informing citizens about the GoS' intentions and programs moving towards eradication of poverty in Sindh
- Informing potential beneficiaries of PRS interventions about assistance that may be available to them
- Influencing people to engage in community mobilization to play a more pro-active role in establishing community infrastructures, contributing to community planning to address the needs of communities, and engaging in activities aimed to increase income-generating opportunities, such as vocational and technical training programs.

Despite the fact that the Government of Sindh has substantially increased expenditure in sectors that contribute to poverty reduction such as health, education, water and sanitation, together with funding the dedicated initiative of CDLD-based interventions in poverty reduction through the UCBPRP for the last 10 years, the perception amongst the wider general public is mostly characterized by a lack of awareness of the GoS' efforts. This was evident in workshops held by the TA team during 2017, in consultation for the development of the PRS and CDLD policy. Many participants at the workshop did not know about the UCBPRP programme and GoS funding for that and other programmes aimed to have an impact on poverty.

The overall objective of the Communication Strategy is to assist the GoS in promoting and implementing the PRS and CDLD policy. Specific communications objectives include:

- Effectively utilize communication strategies and tools to support implementation of the PRS and CDLD policy.
- Support the provision of relevant information for all PRS and CDLD programme beneficiaries and other relevant stakeholders
- Support training and sensitization of relevant stakeholders on the importance of the PRS and CDLD policy and its implementation.
- Enhance and support the leadership of the Planning and Development Department in the implementation of the PRS and CDLD policy
- Sensitize the public and private sector on the aims and benefits of the PRS and CDLD programme
- Communicate direct linkage to the SDGs, to ensure a strategic approach and promote the position of Sindh province nationally and internationally.

The TA Team envisages a stakeholder-focused approach to the communications strategy, ensuring that new approaches can include not only one-way communication for the purpose of information, but incorporating the importance of consultation and dialogue. Key stakeholder groups include:

1. Cabinet Members
2. Parliamentarians
3. Planning & Development, finance and other pro poor departments
4. District officials
5. Local elected representatives
6. Joint Development Committees
7. Community organizations
8. Academics and researchers
9. Civil Society Organizations
10. Media (social and contemporary)

The detailed section 7 of the report provides some examples of key messages for different groups of stakeholders which may be used by the GoS to promote its initiatives in poverty reduction.

Over the PRS implementation period, the range of communications activities may include:

- Consultation forums and workshops
- Distribution of Copies of PRS and CDLD policy, for information and discussion
- Newsletters which highlight activities, achievements, events
- Distribution of minutes and notes of meetings, events, workshops to relevant stakeholders
- Communications input to training sessions for GoS officials and local government representatives including:
 - o Sensitization and awareness-raising on the PRS and CDLD policy
 - o Specific capacity development training – e.g. on the PFM aspects of implementation of the budget framework and the M&E framework including data collection and reporting
 - o Interaction needed with community organizations on poverty initiatives
- Media Campaigns
- Devising Key Messages and Talking Points for key program spokespersons
- Supporting media events and interactions such as press briefings
- Communicating PRS and CDLD policy messages, including translating official policy language, information and technical content into easy to understand products for a range of non-technical audiences
- Use of social media, including podcasts, webcasts, online streaming, websites, blogs etc.

The communications strategy is also important for monitoring and evaluation. Indicators of achievement of the PRS and CDLD – at both programme delivery and outcomes/impact level - will rely on feedback from stakeholders to assess the effectiveness and impact of the programme.

It is assumed that the enhanced PMU, expanded from the existing UCBPRP PMU, will have responsibility for overall implementation of the Communications Strategy. Human resources planning for the

expanded PMU will provide for recruitment and capacity development of existing staff to ensure that the PMU officials can effectively administer the communications strategy.

8 ROADMAP FOR IMPLEMENTATION

The mechanism envisaged for further detailing the implementation strategy is a Roadmap. The purpose of the Roadmap is to provide a detailed plan of action for putting the PRS and CDLD policy into effect, and rollout of the associated proposed programmes.

The associated work plan aims to ensure that the requirement for the GoS to have a PRS and CDLD policy that is implementable from 2018 onwards, is achieved.

Further consultation on the PRS and CDLD policy will be needed, on the next stage of detailed work on the PRS strategies and associated programme design and plan for rollout.

This also assumes that the appropriate level of political input and consultation with the CM, Cabinet, Provincial Assembly members and Parliament takes place as required.

WORK REQUIRED TO DEVELOP THE ROADMAP

Development of the Roadmap is a fully collaborative effort, and will incorporate three levels of activity:

- Further consultation as input to the detailed specification of PRS/CDLD requirements for rollout and implementation, and as input to the detail of programme design.
- Further detailed technical work required and
- Development of the detailed action plan and timetable for the Roadmap, for PRS implementation and programme rollout.

Further Consultation

During the meeting held with P&D on 20 November 2017 to present the 'indicative PRS', participants at that meeting included experienced officials who had prior experience of the UCBPRP programme since its inception and since. These participants voiced opinions about lessons learned from the operation of UCBPRP over the past decade and how this must be brought into the design of changes to the existing programme and proposals for expansion – and expressed a wish to be involved in the detail of design. This group would be useful as a focus or advisory group, to contribute to the Roadmap development and thus it is recommended that this focus group be set up for the Roadmap stage. It would also be appropriate to add other key stakeholders to this group – such as representatives of RSPs and other CSOs, such as experts in urban poverty programmes such as the Orangi Pilot Project or AHK Resource Centre, and experts in other key programme interventions such as vocational skills training.

Technical Work Required

1. The GoS may want further work done to further define the scope of the PRS – if the GoS would like to present a 'complete picture' of all GoS poverty reduction efforts.

In addition to the analysis carried out to identify existing 'pro-poor' activities of the selected seven departments, it would be necessary to allocate time and input to analysis of all the departments of the GoS, to include their poverty-related programmes in the scope of the PRS.

2. Further technical work is required to more closely design the detail of the proposed PRS programmes and associated interventions.

The work required relates to:

- Further specification of the proposed expansion of the UCBPRP programme including rollout to 5 further rural districts, rollout of a Phase 2 stage for all existing UCBPRP and SUCCESS districts, and rollout of a new Urban programme.
 - Further specification of the requirements for RGC and Urban Economic Cluster pilots, including location, specification of infrastructural requirements and facilitation required by CSOs
 - Specification of changes in responsibilities, processes and procedures for line departments in mainstreaming CDLD and establishing the RGC pilots
 - Further work on costing estimates, including testing costing assumptions with Finance Department, P&D, relevant line departments and other agencies (such as Bureau of Statistics) and revising estimates as appropriate.
 - Input to development of the requisite PC-1s for new programmes. Of particular priority during the Roadmap development stage will be the PC-1 to put the pilots for RGCs into effect in the 2018/19 year.
3. Further work is required in order to either put pre-requisite changes into effect for PRS implementation, OR to specify further work that needs to be put into the timetable of the Roadmap.

This includes work in the following areas:

- Development of the legal framework and institutional and administrative mandates to give effect to PRS programmes and for requirements such as establishment of the expanded PMU for PRS, establishment of PIUs at District level, legal status and registration of LSOs and formalising the Joint Development Committees.
- Work to identify and select the location for RGC pilots. This will include further demographic, economic, social and cultural assessments, plus consultation with landlords and communities in identified areas.
- The process and requirements for PFM and accounting changes, including the BSP mandate, changes to cross-government instructions for the MTEF, MTBF and annual budget instructions, MTDf preparation, the Budget Call Circular, plus changes to accounting requirements for budget

execution to ensure/improve tracking of PRS expenditure, changes to financial reporting, changes to audit and accountability requirements etc.

- Design of the expanded PMU for PRS – including definition of responsibilities, delegations structure, related functional requirements and capacity specification
- Design of PIUs at District level, as above
- Design and specification of the requisite PC-1s for establishment of all new programmes
- Further development of the PPP model and further regulatory requirements for PRS application
- Design of the monitoring and evaluation framework, with associated development of performance indicators and reporting framework.
- Further work on sources of financing.

Development of Detailed Action Plan

The Roadmap is envisaged as being a detailed, practical and workable action plan to put the PRS and CDLD policy into effect. The Roadmap should provide a step-by-step plan and timetable for PRS and CDLD implementation, including projected phasing for the rollout of proposed programmes and other initiatives.

Timing and phasing should take into account the practical realities of putting into place many of the required changes outlined.

The Roadmap should include not only a step-by-step action plan and timetable for key steps of PRS/CDLD implementation, but also relevant subsidiary plans such as the plan for associated PFM budgeting and accounting changes, capacity development plan and communications plan.

1. INTRODUCTION

The Poverty Reduction Strategy has been developed by the Government of Sindh with the support of the Technical Assistance (TA) Team of the wider Europe Aid programme: 'Sindh Union Council and Community Economic Strengthening Support' (SUCCESS). SUCCESS is a programme providing support to the Government of Sindh (GoS) which works through community-based Rural Support Programmes (RSPs) to reduce poverty through community-driven local development, focusing on micro interventions and social mobilisation. SUCCESS provides funds to the RSPs to work in 8 districts of rural Sindh over a 6-year period (2015-21). The SUCCESS programme itself replicates the methodology and approach applied for the last 10 years by the GoS's own programme of community-based poverty reduction - the Union Council-Based Poverty Reduction Programme (UCBPRP). The UCBPRP is currently working with 10 rural districts of Sindh – 4 of which are in a residual programme stage after earlier interventions during the period 2009-2014 and a further 6 districts for which a new 3-year programme commenced in 2016. Together the coverage of UCBPRP and SUCCESS provides 18 districts of Sindh with a programme of micro interventions in poverty reduction undertaken by RSPs, through social mobilisation and CDLD.

The brief for the policy component of the SUCCESS programme was originally to develop a policy and dedicated budgeting and monitoring framework for community-driven local development. However, at the first meeting of the Strategy Policy Dialogue Committee (SPDC), which was established by the GoS to oversee and provide strategic direction to the project, the SPDC requested the EU Delegation to widen the scope, to allow for development of a wider poverty reduction strategy for the whole province, to address both rural and urban poverty. This was in April 2015, a few months before the SUCCESS Financing Agreement was signed. The TA Terms of Reference (ToRs) was accordingly changed. This change brought about an expanded policy focus, together with associated expansion of the key results and main tasks, since the original concept of a dedicated policy and budget framework for CDLD now related to the wider PRS as well - as does the monitoring and evaluation framework required, which was expanded to incorporate monitoring and evaluation for the whole PRS and wider GoS policy actions, as well as the CDLD policy.

The overall objective is:

'Facilitate the task of the Government of Sindh (GoS) in developing and monitoring a poverty reduction strategy'.

The purpose is:

'To assist the Government of Sindh in developing, institutionalizing and monitoring a dedicated policy and budget framework for a poverty-reduction strategy (PRS) for urban and rural Sindh, with a specific focus on a community-driven local development (CDLD) policy'.

The PRS-related Results in the TA ToRs are:

Result 1: Develop a dedicated poverty reduction strategy for urban and rural Sindh, through the relevant institutional structures, legal and budgetary frameworks.

Result 2: Develop a dedicated provincial community-driven local development policy, as part of the above-mentioned poverty reduction strategy, through the relevant institutional structures, legal and budgetary frameworks.

1.1 DEVELOPMENT OF THE PRS AND CDLD POLICY

The PRS and CDLD Policy was developed through a process of stakeholder consultation, together with further research on selected policy areas relating to the poverty and CDLD context. The stakeholder consultation process began during the Inception Stage of the project (starting October 2016) and has continued through 2017, up to and including recent consultation sessions with GoS officials, to consider 'indicative directions' for the PRS.

A list of all persons, groups and organisations consulted, who have contributed (through meetings, workshops, symposiums and other interactions) to the ideas and proposals for the PRS, is attached at Annex 1.

The main steps in the PRS/CDLD policy development process have included:

- Consultation meetings during the inception stage and ongoing one-to-one meetings with identified stakeholders through the PRS/CDLD policy development stage, to gather input and ideas, were held over a fifteen-month period during October 2016 - December 2017
- Initial ideas on poverty reduction, CDLD and approaches for poverty reduction interventions were mooted in the TA Team's Inception Report, which was completed on 31 January 2017 and formally approved by the SPDC on 28 July 2017
- A series of specific consultation workshops on 'the way forward' for poverty reduction and CDLD were run, including:
 - o District-based workshops in Sukkur, Hyderabad, and Tharparkar during July-November 2017
 - o A workshop with RSPs in October 2017, run in partnership with RSPN
 - o A workshop with the UCBPRP Team in October 2017
 - o A workshop on urban poverty held in Karachi in November 2017, also run in partnership with RSPN
 - o A range of internal workshops, to thrash out the development of proposed strategies during the period
- A series of 'research working papers', developed largely for background research/policy input for team consideration, were carried out by TA experts during 2017 covering the following topics:
 - o The poverty context in Sindh and poverty dimensions
 - o The case for a public-private partnership approach
 - o Addressing urban poverty and the concept of 'urban clusters' (enterprise co-operatives)

- o CDLD and local government, including investigation of other provincial approaches such as KPK province
 - o The future of micro/meso interventions in poverty reduction
 - o The concept of rural growth centres (service hubs) and GIS mapping of villages and potential location of hubs
 - o Analysis of relevant PFM issues, including accounting practice relevant to UCBPRP and CDLD
 - o An initial assessment of M&E capability within GoS
 - o Analysis of existing GoS strategies and programmes/activities targeting poverty, or those that could be defined as 'pro poor' (using a working definition of poverty, focused at the household level)
 - o The linkage to SDGs.
- A series of meetings held with focal persons from selected line departments, during the period April-November 2017, which had the double purpose of gathering information on line department pro-poor activities and expenditures, as well as providing line department input for the development of the PRS
- A comprehensive fiscal analysis of GoS expenditure was undertaken, including an analysis of ADP and recurrent budget expenditure across districts and an analysis of 'pro poor' expenditure of selected line departments (relating to programmes and activities of the departments which met the definition of interventions targeted to have an impact on poverty directly at the household level).
- Presentation of 'the indicative PRS' (outlining the indicative proposals/strategies) at several key meetings:
 - o A workshop meeting with senior officials of P&D, together with some selected invitees from other GoS departments, on 20 November 2017
 - o A workshop meeting with line department focal persons on 30 November 2017 and
 - o A meeting with PFM-related senior officials from P&D and Finance Department (FD) on 19 December 2017.

The feedback and input derived from the consultation workshops is presented at Annex 2.

Key groups of stakeholders who have contributed their knowledge, experience, advice, opinions and input in development of the PRS have included:

- Senior officials of the P&D and of the GoS
- Senior officials and focal persons of selected line departments of the GoS, including focal persons from Health, Education, Agriculture, Livestock and Fisheries, Labour, Social Welfare, Women's Development and Finance Departments
- Representatives of District administration of the GoS who attended workshops, including Commissioners, Deputy Commissioners and District sector officials

- Representatives of local government who attended workshops including Mayors and members of Union Councils
- Members of the UCBPRP staff team
- Other GoS officials with past knowledge and experience of UCBPRP and RSPs
- Expert advisors on CDLD and rural poverty, notably representatives of RSPs, and particularly those RSPs implementing the SUCCESS programme – RSPN, SRSO, TRDP and NRSP
- Representatives of the community institutions created through social mobilisation and the work of RSPs – Local Support Organisations (LSOs), Village Organisations (VOs) and Community Organisations (COs)
- Expert advisors on urban poverty, including members of the Orangi Pilot Project (Karachi) and the Akhter Hameed Khan Centre (Islamabad)
- Representatives of other NGOs working in the areas of CDLD and poverty reduction, including vocational skills training etc.
- Representatives of academia, including research institutes.

A range of basic principles were reinforced by participants at the consultation workshops:

- Policies must be coherent
- Policies must be cost effective
- Policies must align with the needs of the poor
- Policies should be based on “what works” but
- There is a need for innovation in going forward
- Policies should support decisions based on equity.

Key recurring themes from stakeholders during consultations included:

- Micro interventions do not work alone – a combination of Macro and Micro level interventions is required to create a greater impact on poverty
- Government and communities should work together and encourage two-way sharing of development plans
- There needs to be a new paradigm in planning, where communities can be involved
- Poverty cannot be addressed without community engagement
- Community ownership is the key to ensuring sustainability of interventions
- Social mobilisation is at the heart of CDLD and community-based approaches in micro-level poverty reduction initiatives
- There has not been sufficient attention to evaluation of the impact of poverty reduction interventions, including the focus on micro interventions in the past. What has been the real impact on poverty? What is the result of the GoS funds spent?
- The GoS is not visible in poverty reduction and CDLD, and it is not widely known that GoS (UCBPRP) is funding programmes run by Rural Support Programmes
- Poverty reduction interventions need to be targeted
- There is a need to take advantage of the benefits of agglomeration and economies of scale

- Clustering of resources is important, due to scattered resources especially to the villages that are far flung.
- There is a need to put more emphasis on greater market accessibility
- Policy needs to consider malnutrition as a priority, with ensued support
- Low cost housing to improve living conditions for the poor needs to be prioritized
- Potential of cottage industries and enhance livelihoods needs to be tapped
- Women empowerment is a key to poverty reduction
- There is a need to ensure sustainability of community organisations created through social mobilisation (COs, VOs and LSOs) by developing a legal framework
- Addressing urban poverty needs a different approach to rural poverty, including methods of social mobilisation and working with communities in urban areas
- Communities themselves and community-based interventions cannot solve poverty – the government must step up
- The Government should proactively work under the Public Private Partnership model for poverty reduction
- There needs to be mainstreaming approaches to reduce poverty through UCBPRP and SUCCESS models
- The Project Management Unit (for UCBPRP and for PRS and CDLD implementation) needs to be strengthened and develop stronger linkages with line departments
- Participation of local government and district government is important, as their engagement is key to the development of the policy
- Policy should be developed keeping in view the basic principles of social justice and equity
- Transparency and minimal chances of corruption should be integrated in the policy – all players need to be accountable.

2. BACKGROUND – THE CONTEXT FOR POVERTY REDUCTION AND EXISTING GOVERNMENT OF SINDH ACTIVITIES TO ADDRESS POVERTY

2.1 THE POVERTY CONTEXT IN SINDH PROVINCE

This section presents a summary explanation of the poverty situation in Sindh, key issues, key data, and dimensions of rural and urban poverty. The subsequent sections which explain the rationale, working assumptions, the policy and strategic framework and PRS proposals build on the analysis presented in the sections below.

General Characteristics of Sindh

Population

Sindh is the second largest province of Pakistan. The 2017 Population Census, carried out over 38,842 Census Blocks¹ in Sindh, has revealed that the province hosts 47.88 million people or 8.59 million households. The rural population stands at 23.0 million or 4.2 million households. The latter reside in 83 rural talukas² of the province. Average rural population and household per rural taluka works out to 277,108 and 50,602, respectively. Average population density, persons per square kilometre, in the province is reported at 339/km², up from 135/km² in 1981 and 213 km² in 1998; reflecting an increase of 151% in 2017 over 1981.

Sindh Economic Outlook

Sindh is considered the economic hub of Pakistan. Cities of Sindh have remained prominent centres of trade and industry in the region throughout its history. It has a thriving industrial base with natural resources, relatively well-developed infrastructure, competitive human resource, two major ports, functioning communication network and modernized financial & services sector. Sindh's coastline of approximately 350 km with thick mangrove forests is a very productive resource. Nearly half of fish export from Pakistan is from Sindh: 71% of marine fish resources, 65% of fresh fish resources, and 100% of brackish water fish resources are located in Sindh. Around 60% of the country's oil fields and 44% gas fields are located here and contributes 56% oil and 55% of Pakistan's daily gas production. It has one of the largest coal reserves in the world (185b tones) and a huge potential for renewable energy with 60 km wide and 180 km deep wind corridor.

The country's largest port city, Karachi, is the financial capital of the country. The province comprises of 23% of Pakistan's population and 18% of its land area. It has the highest concentration of urban population at 49% as compared to an overall country average of 32.5%, making it the most urbanized province in the country. Its contribution to the national GDP is around 33%. Sindh collects 70% of Pakistan's Income Tax and 62% of Sales Tax. Sindh has 54% of the country's textile units, 45% of its sugar mills, 20% of pulp & paper mills and 35% of edible oil processed locally. Sindh accounts for 34% of total

¹ The entire country is divided into Blocks for the purpose of carrying out the Census.

² Taluka is the administrative level below the district and above the Union Council. There are 134 talukas, of which 83 are rural and 51 are urban.

industrial capacity in large scale manufacturing and 25% of small scale manufacturing. Sindh's diversified economy also comprises a well-developed agricultural base supported by an effective irrigation network on the Indus. Around 14% wheat, 30% rice, 30% sugar cane, 25% cotton and 30% vegetable crops grown in Pakistan are from Sindh. This provides immense opportunity for setting up export based agro-processing industry in the province.

Characteristics of Poverty in Sindh

Poverty Trends in Pakistan

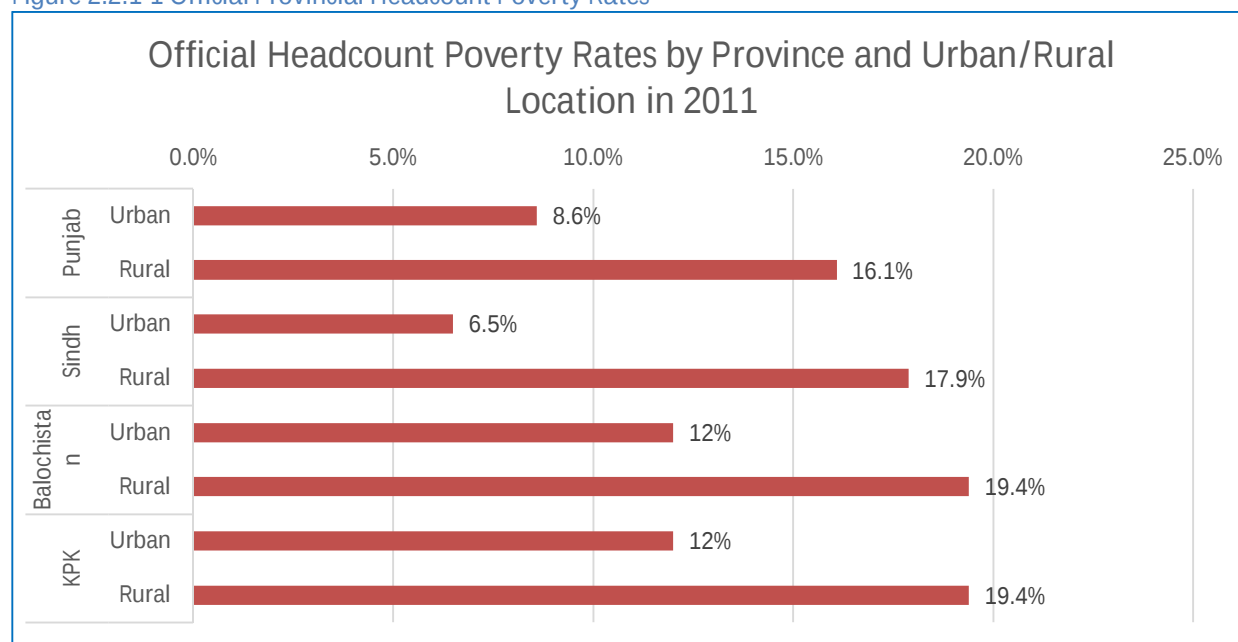
According to official poverty estimation methodology, Poverty declined from 34.4 per cent in 2000-01 to 22.3 per cent in 2005-06 and further to 12.4% in 2011. Although, the socio-economic condition of the country was badly affected by intensification of war on terror, massive and frequent natural calamities, external shocks, commodity price escalation, slower economic growth and intense power outages. The official poverty estimates since 2007-08 remained under debate and scepticism and the Planning Commission of Pakistan is currently in the process of trying to get to a truly representative poverty estimation by weeding out discrepancies in the official methodology.

Table 2.2.1-1 Official Poverty Indices by Urban / Rural Segments (%) of population living below national poverty line)

Year	2000-01	2004-05	2005-06	2007-08	2010-11
Poverty line (per capita consumption per month PKR)	723.40	878.64	944.47	1141.53	1745.00
Overall	34.40	23.90	22.30	17.20	12.40
Urban	22.60	14.90	13.10	10.00	7.10
Rural	39.20	28.10	27.00	20.60	15.10

Source: Planning commission estimates using PSLM data of the respective years

Figure 2.2.1-1 Official Provincial Headcount Poverty Rates



Source: WB staff calculations based on Pakistan Social & Living Standards Measurement Surveys

The Poverty Scenario in Sindh

Poverty in rural Sindh exceeds that in rural Pakistan in every respect. In terms of head count or incidence, 43% and 39% of the rural population in Sindh and Pakistan, respectively, are below the poverty line. Poverty is higher in Sindh in terms of depth (how far below the poverty line) and severity (how far below the poverty line squared) as well.

Table 2.2.1-2 Comparative Profile of Rural Poverty: 2010-11

Comparative Profile of Rural Poverty: 2010-11 (%)		
Indicators	Sindh	Pakistan
Head Count (Incidence)	43.18	38.66
Depth (Poverty Gap Index)	7.67	6.92
Severity (FGT2 Index)	2.01	1.84

Source: Social Policy and Development Centre, Social Development in Pakistan: 2012-13; p. 89

A comparison of poverty incidence data over a decade 2002-2012 also shows that Sindh has remained above Khyber-Pakhtunkhwa in terms of overall and rural poverty incidence. In 2002, overall poverty incidence in Sindh and Khyber-Pakhtunkhwa was 31% and 29%, respectively and rural poverty incidence was 38% and 27%, respectively. In 2012, overall poverty incidence in the two provinces was 33% and 32%, respectively and rural poverty incidence was 46% and 43%, respectively. Notably, overall poverty

incidence in Sindh increased from 31% in 2002 to 33% in 2012 and rural poverty incidence increased sharply by 8 percentage points from 38% to 46% over the decade. Urban poverty incidence was higher as well in Sindh at 20% compared to that in Khyber-Pakhtunkhwa at 18%. (See Tables below).

Table 2.2.1-3 Poverty incidence by province
Poverty incidence by province – 2002

Province	Total	Rural	Urban		
			Capital city	Large city	Small city/ Town
Punjab	26	24	18	22	43
Sindh	31	38	10	23	40
KP	29	27	28	-	41
Baluchistan	48	51	14	-	44

Source: Social Development in Pakistan, Annual Review 2001, Combating poverty: Is growth sufficient?, Ch. 3, Social Policy Development Centre, Karachi, 2001

Poverty incidence by province – 2012

Province	Total	Rural	Urban
Punjab	19	28	10
Sindh	33	46	20
KP	32	43	18
Baluchistan	52	72	29

Source: Naveed, A. and Nazim Ali, District profile of poverty in Pakistan, Sustainable Development Policy Institute, Islamabad, 2012

Analysis of the measures of determinants of poverty also indicate Sindh's precarious situation. The variables in this respect include family size, dependency ratio, age of household head, schooling of head, schooling of spouse, land tenure type, livestock ownership, and female headed households receiving remittances.

All variables show expected trends. The incidence of poverty rises with family size and dependency ratio and falls with age of household head. Poverty trends correlates positively with years of schooling of household head and spouse. Poverty incidence is lowest for landowners, followed by sharecroppers and highest for the landless. It is lower for large landowners and higher for smaller landowners. It is also lower for households owning livestock and higher for households without livestock. Female headed households receiving no remittances suffer the highest incidence, followed by households receiving remittance from domestic sources; those receiving remittances from foreign sources experience the least poverty, relatively. In all cases, however, poverty incidence is higher in rural Sindh relative to rural Pakistan.

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Table 2.2.1-4 Determinants of Consumption Poverty: 2010-11

Determinants of Consumption Poverty: 2010-11		
Indicators	Percentage below the Poverty Line	
	Sindh	Pakistan
Family size		
- <5	26.54	18.86
- 6-9	50.44	43.10
- >9	55.36	47.13
Dependency ratio		
- <50%	18.48	9.66
- 51-99%	44.57	35.94
- >100	49.93	46.99
Age of household head		
- 25-45	41.81	35.83
- 46-65	45.58	34.39
- >65	37.91	28.32
Schooling of head		
- Illiterate	51.49	41.67
- 1-5 years	44.73	34.33
- 6-10 years	34.62	25.01
- 11-12 years	17.88	13.03
- >12 years	13.01	8.16
Schooling of spouse		
- Illiterate	45.12	36.86
- 1-5 years	29.56	24.09
- 6-10 years	22.65	16.43
- >10 years	7.46	3.36
Land tenure type		
- Land owner	18.44	21.12
- Sharecropper	45.62	33.59
- Landless	50.25	41.57

Determinants of Consumption Poverty: 2010-11		
Indicators	Percentage below the Poverty Line	
	Sindh	Pakistan
Farm size		
- <13 acres	20.90	22.38
- >13 acres	9.22	8.70
Livestock ownership		
- Yes	35.46	29.61
- No	50.99	38.79
Female headed household		
- Receiving no remittance	67.99	41.62
- Receiving domestic remittance	56.15	24.01
- Receiving foreign remittance	45.56	8.46

Source: Social Policy and Development Centre, Social Development in Pakistan: 2012-13; p. 94

District Level Analysis of Poverty in Sindh

While average poverty levels in Sindh exceed that of the average in Pakistan, poverty levels vary within the province as well. Of the 23 districts in the province, 16 or two –thirds are among the poorest.

Table 2.2.1-5 District-wise population status

District	Population Growth rate (%)	Estimated Population 2017	Average Household size	Share of urban population
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Tharparker	3.15	1,649,661	301,625	132,071
Mirpurkhas	2.14	1,505,876	286,547	425,752
Badin	2.60	1,804,516	359,376	390,378
Tando M. Khan*	2.31	677,228	131,565	142,050
Thatta	2.61	979,817	184,868	176,058
Nawabshah	2.02	1,612,847	297,133	489,337
Jamshoro*	2.85	993,142	180,922	434,187
Larkana	2.23	1,524,391	261,331	701,637
Shahdadkot*	1.97	1,341,042	223,154	397,564
Jacobabad	1.72	1,006,297	177,867	297,127
Tando Allah Yar*	3.02	836,887	165,503	261,793
Matiari*	2.35	769,349	143,023	182,590
Dadu	1.79	1,550,266	286,810	383,169
Sanghar	2.36	2,057,057	374,609	588,405
Shikarpur	1.78	1,231,481	207,555	303,249
Khairpur	2.34	2,404,334	412,857	775,850
Sindh	2.41	47,886,051	8,585,610	24,910,458

Source: Population Census 2017, Population Census Organization, Government of Pakistan

The southeast part of Sindh is the poorest region in the province. On the other hand, central Sindh is relatively less poor, whereas southwest of the province appears to be the least poor region. Analysis of inter-district poverty levels in Sindh shows that the south-eastern districts of Tharparker, Mirpurkhas, Badin, Tando Mohammed Khan and Thatta are the poorest, followed by the northern districts of Nawabshah, Larkana, Shadadkot, and Jacobabad. Other districts that rank high on the poverty scale are Jamshoro, Tando Allah Yar and Matiari. Together they account for half the districts in Sindh.

Karachi and Hyderabad are major cities in the province and rank among the least poor. Ironically, Thatta is located adjacent to Karachi, the least poor, but ranks 5th on the poverty scale. Similarly, Jamshoro, Tando Mohammed Khan, Tando Allah Yar and Matiari are all located adjacent to Hyderabad, but among the least poor districts. The pattern indicates a failure of the multiplier effect, geographically; i.e., a failure of development in the large urban centres to extend benefits to surrounding small cities and towns/rural areas. The situation provides justification for targeted poverty reduction measures in peri-urban and rural areas.

Table 2.2.1-6 Incidence of poverty in districts of Sindh

Most poor districts			Least poor districts		
Rank	Districts	HCR	Rank	Districts	HCR
1	Tharparker	47	1	Karachi*	20
2	Mirpurkhas	44	2	Noshero Feroz	20
3	Badin	42	3	Hyderabad	25
4	Tando M khan	41	4	Sukkur	25
5	Thatta	40	5	Khairpur	27
6	Nawabshah	39	6	Shikarpur	28
7	Jamshoro	39	7	Sanghar	28
8	Larkana	38	8	Dadu	29
9	Shahdadkot	38	9	Matiari	29
10	Jaccobabad	36	10	Tando Allah Yar	32

*New name for Nawabshah is Benazirabad

*All districts of Karachi

Source: SDPI, 2012³

However, an analysis of the inter-district disparity on the basis of poverty intensity presents a different picture. As illustrated in the below table, the northern districts of Sindh generally experience low intensity of poverty as compared to the southern districts. District Mirpur Khas has the highest intensity of poverty where poor households are on average deprived in 59 per cent of the weighted dimensions, followed by Jamshoro and Karachi. Despite being least poor in terms of headcount ratio, districts in Karachi have very high intensity of poverty. This suggests, despite being fewer as percentage of total population, poor households in Karachi experience high levels of deprivation.

On the other hand, Noshero Feroz has the lowest intensity of poverty, as the poor households are on average deprived in 48 per cent of the weighted dimensions. Noshero Feroz is followed by several other districts in the northern region which also experience low intensity of poverty.

³ SDPI, Clustered Deprivation: District Profile of Poverty in Pakistan, 2012.

Table 2.2.1-7 Intensity of poverty in districts in Sindh

Districts with high intensity			Districts with low intensity		
Rank	Districts	Intensity	Rank	Districts	Intensity
1	Mirpurkhas	0.59	1	Noshero Feroz	0.48
2	Jamshoro	0.54	2	Shikarpur	0.49
3	Karachi	0.53	3	Kashmore	0.49
4	Nawabshah	0.53	4	Larkana	0.49
5	Hyderabad	0.53	5	Badin	0.50
6	Tharparker	0.52	6	Jacobabad	0.50
7	Thatta	0.52	7	Sukkur	0.50
8	Sanghar	0.52	8	Shahdadkot	0.51
9	Tando Allah Yar	0.51	9	Ghotki	0.51
10	Matiari	0.51	10	Dadu	0.51

*New name for Nawabshah is Benazirabad

Source: SDPI, 2012⁴

This regional and intra-provincial disparity in the intensity of poverty suggests that poverty reduction strategies must vary across the regions as varying levels of effort and resources would be needed in bringing similar number of poor out of poverty in the southern region of the province than in the northern region.

A district-wise perusal of changes in development ranking over a three-and-a-half-decade period also shows little change. Karachi and Hyderabad were ranked as developed districts in 1982 and continue to do so in 2016; no additions have been made. Sukkur, Dadu, Nawabshah and Khairpur have remained among the medium development districts, more or less. The remaining districts have remained low development throughout (see tables)

⁴ SDPI, Clustered Deprivation: District Profile of Poverty in Pakistan, 2012.

Table 2.2.1-8 Development ranking by districts – 1982

High Development	Medium Development	Low Development
Karachi Hyderabad	Sukkur Dadu Nawabshah Sanghar Tharparkar	Khairpur Larkana Thatta Jacobabad

Source: Pasha & Hasan, Development Ranking of districts of Pakistan, Pakistan Journal of Applied Economics, Volume 1, NO. 2, Winter 1982

Table 2.2.1-9 Development ranking by districts – 2001

High Development	Medium Development	Low Development
Karachi Hyderabad	Sukkur Dadu Nawabshah Naushero Feroz Khairpur Larkana	Badin Ghotki Jacobabad Mirpurkhas Sanghar Shikarpur Tharparkar Thatta

Source: Social Development in Pakistan, Annual Review 2001, Growth, Inequality and Poverty, Ch. 4, Social Policy Development Centre, Karachi, 2001

Table 2.2.1-10 Development ranking by districts – 2012

Least Under-development	Extreme Under-development
Karachi Hyderabad Sukkur Dadu Naushero Feroz Khairpur Sanghar Shikarpur Matari Tando Allahyar	Badin Jacobabad Jamshoro Larkana Mirpurkhas Nawabshah Shadadkot Tando Mohammed Khan Tharparkar Thatta

Naveed, A. and Nazim Ali, District profile of poverty in Pakistan, Sustainable Development Policy Institute, Islamabad, 2012

Table 2.2.1-11 Development ranking by districts – 2016

Under-development = > 30%	Under-development = 30-60%	Under-development = >60%
Karachi Hyderabad	Sukkur Dadu Nawabshah Naushero Feroz Khairpur Larkana Jamshoro Mirpurkhas	Badin Ghotki Jacobabad Kashmore Matari Sanghar Shadadkot Shikarpur Tando Allahyar Tando Mohammed Khan Tharparkar Thatta Umerkot

Source: Government of Pakistan, Planning Commission, Multidimensional poverty in Pakistan, 2016

Vulnerability to Poverty

Vulnerability is defined as the level of deprivation, which is slightly lower than the poverty line. However, a minor increase in the deprivation levels can push the households below the poverty line. Poverty reduction interventions must address vulnerability as failing to do so may increase the incidence of poverty.

Regions which have high incidence of poverty are expected to have low levels of vulnerability as a high proportion of population is already below the poverty line.

A study conducted by SDPI⁵ shows that Kashmore district has the highest proportion i.e., 25 percent households, vulnerable to poverty followed by Sukkur and Dadu. The least poor district of Sindh, Noshero Feroz has quite high vulnerability where 20 per cent households are vulnerable to poverty.

⁵ ibid.

Table 2.2.1-12 Levels of vulnerability in Sindh

Most vulnerable districts			Least vulnerable districts		
Rank	Districts	Vulnerability	Rank	Districts	Vulnerability
1	Kashmore	0.25	1	Karachi*	0.15
2	Sukkur	0.23	2	Tharparker	0.15
3	Dadu	0.23	3	Mirpurkhas	0.15
4	Shikarpur	0.22	4	Nawabshah	0.16
5	Shahdadkot	0.21	5	Jamshoro	0.16
6	Ghotki	0.21	6	Sanghar	0.17
7	Jacobabad	0.21	7	Tando M Khan	0.17
8	Hyderabad	0.20	8	Tando Allah Yar	0.17
9	Khairpur	0.20	9	Larkana	0.18
10	Noshero Feroz Jacobabad	0.20	10	Thatta	0.18s

Source: SDPI, 2012⁶

The confluence of factors such as nutrition and access to clean water and sanitation are key determinants of health and contributors to, as well as the result of, poverty. The Ministry of National Food Security and Research, GoP, reports on its website the sobering fact that at a national level ‘One in three Pakistanis does not have regular and assured access to food. The most vulnerable are children, particularly girls, women and the elderly, especially among the lower income groups’. The Multiple Indicator Cluster Survey (MICS) report (Bureau of Statistics, Government of Sindh, 2015) contains some equally sobering statistics. More than four out of ten children under the age of five in Sindh province are underweight (42%) and 17% are classed as severely underweight. Almost half of children under five are stunted for their age (48%) and almost one quarter (24%) are severely stunted.

Data on children's health status is shown below in terms of weight and nutritional status. The table below lists 15 districts (two-thirds of total number of districts) with high underweight children. Incidentally, Hyderabad, the second and third largest cities in Sindh, also rank among the high underweight children districts.

⁶ *ibid.*

Table 2.2.1-13 Prevalence of Underweight Children under than 5 years by District

Prevalence of Underweight Children under than 5 years by District	
District	Percentage
Thatta	49.4
Jacobabad	49.3
Ghotki	48.2
Nawabshah	48.1
Badin	47.9
Tharparker	47.7
Mirpurkhas	46.9
Shikarpur	46.6
Larkana	46.1
Khairpur	45.6
Dadu	44.7
Sanghar	44.1
Naushero Feroz	42.7
Sukkur	39.9
Hyderabad	38.7

Source: UNDP: Report on the Status of Millennium Development Goals, Sindh 2012

Health/Nutrition indicators

Data from the National Nutrition Survey 2011 reveals that Sindh has the worst situation in terms of children's nutrition, with the highest incidence of Underweight, Stunting and Wasting prevalence across the country. The underweight prevalence in Sindh is 9 percentage points higher than the national average of 32%. Similarly, the wasting and stunting prevalence in Sindh is higher by 6 and 3 percentage points higher than the national averages. With regard to women, 24% of women in Sindh are underweight compared to 18% nationally.

The state of women's health is also worse off compared to national indicators; being worse off in 6 out of 11 indicators (see Table 14):

- 3 out of 4 anemia related indicators – Hb deficient (NPW), Hb deficient (PW) and iron deficient (NPW)
- 2 out of 6 micronutrients related indicators – vitamin A deficiency (PW) and vitamin D deficiency ((NPW), and
- Energy intake (K.Cal/day).

The more recent Multiple Indicator Cluster Survey of Sindh (MICS) 2014 has indicated only meagre improvements in the nutritional status of children in Sindh. The MICS report indicates that efforts to improve access to clean water and sanitation in the province are having some effect. The report states that 90% of the population has access to improved sources of drinking water – a 10% increase in the last decade – and almost 65% of the population of Sindh is using improved sanitation facilities. However,

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39% of households in Sindh are using drinking water that indicates E. coli contamination on water quality testing. Recent media coverage in relation to Karachi suggested that the level of population affected by contaminated water in the city may be close to 90%.

Table 2.2.1-14 Nutritional status of children under five years and Mothers in Provinces/Regions
Source: National Nutrition Survey, 2011

Indicators (all expressed as percentages)	Pakistan			Punjab	Sindh	KPK	Baluchistan	AJK	Gilgit
	Average	Urban	Rural						
Children									
Underweight	32	27	33	30	41	24	40	26	26
Stunting	44	37	46	39	50	48	52	32	51
Wasting	15	13	16	14	18	17	16	18	7
Mothers									
Underweight	18	14	20	18	24	9	22	22	17
Overweight	19	24	17	19	16	25	16	18	14
Obese	10	16	7	11	8	9	7	6	2

Table 2.2.1-15 Sindh Health and Nutrition Indicators

Indicator	Incidence
Infant mortality rate	82 per 1000 births
Under-five mortality rate	104 per 1000 births
Under-weight prevalence	
a) Moderate and severe	42%
b) Severe	17%
Stunting prevalence	
a) Moderate and severe	48%
b) Severe	24.4%
Wasting prevalence	
a) Moderate and severe	15.4%
b) Severe	3.6%
Low birthweight infants	30%

Source: Sindh Multiple Indicator Cluster Survey 2014, Government of Sindh.

Disparities between the poor and non-poor in terms of access to electricity, water, and sanitation are particularly large in Sindh. As per WB Poverty Rates by Province and Urban/Rural Location in 2011 in Sindh⁷, only 3 out of every 4 poor people have access to electricity, while over 90 percent of non-poor households do. Of course, even households with access to electricity face frequent power outages. With

⁷ Pakistan Poverty Trends, 2014 WB

respect to access to water, only 25 percent of poor households have access to water, while 40 percent of non-poor households do—the disparities for toilet ownership are even greater.

Urban Poverty in Sindh

The basic dimensions of poverty are largely the same in both rural and urban areas – with the same aspects of political economy and the same basic issues of access to clean water and sanitation, poor nutrition, poor housing etc. The provision of municipal services in Sindh has not kept pace with increased population demands. Only 55% of urban population has access to piped water that too of poor quality, limited to 2-4 hours and not more than 15-20 gallons per capita per day (GPCD). Similarly, access to sewerage /drainage and disposal of solid waste is either negligible or very low.

City population grows on two counts: in-city net birth rate and net migration from other cities and towns and rural areas. Migration can be on account of push or pull effects. Push effects imply unemployment, low incomes, poor education, health, etc., facilities, insecurity, oppression, etc., that impel residents to move out to areas with relatively better conditions. Pull effects imply attractions of urban life: employment, higher incomes, education, health, entertainment, etc.

Irrespective of the cause, rural-urban migration requires cities to be able to absorb the new population and provide the needed civic services: housing, water and sanitation, education and health facilities, and above all, employment.

In Pakistan, and in Sindh in particular, migration is largely on account of push effects and cities and towns act as dumping grounds for surplus rural labour. The cities and towns can be said to be dumping grounds because there are no pull effects, as urban economies are also stagnant and unemployment and poverty is rampant. There are few jobs available for the uneducated, unskilled migrant labour.

The rural-urban migration pattern has produced predictable results. Poverty in urban centres is all about housing and living conditions and employment. In the event of the failure of the state to provide for the new migrant population, arriving families take up abode in squalid slums, with limited access to basic services and employment - the latter due to weak access to markets. Access is limited due to low education/skill level, lack of information, and inefficient intra-city transportation. The incidence of poor education facilities also implies that the next generation will also be unable to step up to better economic prospects in life. Consequently, they are trapped in exploitative social networks, forced to engage in low productivity economic activities, and remain wedged in inter-generational poverty.

The above scenario typifies Karachi, which has been impacted by massive immigration from rural areas across the country, resulting in significant homelessness and urban slums, where currently 62% of the present population live in informal settlements on 23% of the residential land, with significantly overcrowded density of persons per hectare. With the cost of land for housing assessed at 1 square meter of land costing 9.6 times the average daily wage, millions of families and individuals are forced out to the margins of the city, resulting in traffic and infrastructural impacts, together will resulting social stress as many are forced to spend significant hours per day travelling to work.

The P&D's Urban Policy and Planning Unit notes that in Karachi there are 600 'villages' and most of the population in those areas are living below the poverty line. In Karachi, some 50% of the population is living in slums – a scenario that is repeated in secondary cities throughout the province. Living in slums and informal settlements gives rise to issues of access to clean water and sanitation and the cycle perpetuates itself with more factors leading to poor health and poverty.

Generally, rural poverty is understood to be higher than urban poverty. This situation is somewhat nuanced in Pakistan. While large city poverty level is lower than that of rural areas, the reverse is true with respect to small cities and towns (see Table xx). This is because housing is virtually free in villages and the prevalent 'joint family system' allows all members to partake of family meals, even if unemployed. By contrast, cities and towns are characterized by 'nuclear family structure', where housing entails rental cost and the unemployment or insufficient income of the bread earner entails indigence.

Table 2.2.1-16 Poverty incidence by province – 2002

Province	Total	Rural	Urban		
			Capital city	Large city	Small city/Town
Punjab	26	24	18	22	43
Sindh	31	38	10	23	40
KP	29	27	28	-	41
Baluchistan	48	51	14	-	44

Source: Social Policy Development Centre, Annual Review, Combating poverty: Is growth sufficient?, Ch. 3, Table 3.3, Karachi, 2001

Given that the rural migrant labour is uneducated and unskilled, prospects for 'white collar' employment in formal sectors are minimal. Employment opportunities in the 'blue collar' domain in the formal manufacturing sector is also limited on account of stagnancy and growing capital intensity. Resultantly, prospects for growth of small/micro enterprises sub-contracting work from large enterprises, i.e., vertical linkages, are low.

Informal trades and services in urban areas are already crowded, with the result that any further increases in numbers is likely to further depress average wages and compound poverty. Prospects may, therefore, exist in developing small/micro enterprises and crafting horizontal linkages between them.

The Political Economy of Poverty and Macro-economic Variables

Macro level variables that impact upon poverty are notably economic growth, asset ownership and fiscal (tax and public expenditures) structures; in addition to monetary, trade, labour, education, health and social welfare policies.

The relationship between economic growth and poverty reduction is well-established. High growth creates the surpluses that all sections of the population can partake in. For example, a bumper crop

creates greater demand for unskilled labour to handle harvesting, packing, transportation, etc. which constitutes a source of additional work days and wages for the working class.

However, the 'high growth-low poverty' relationship cannot always be assumed to hold. Where asset ownership is skewed and the fiscal regime is regressive, increases in national income may not filter down to lower income groups. This is the case in Pakistan - where of every 100 rupees increase in national income, 43 rupees accrues to the richest 20% of the population and less than 6 rupees to the poorest¹.

This is accounted for by the fact that Pakistan's economy is moving from a production to a consumption mode. This is indicated by the fact that the share of investment in national income has declined from 19% in 1990-99 to 15% in 2010-16 and that of consumption has risen from 72% to 81% over the same period⁸. Consumption is serviced largely by tertiary sectors, where the employment potential for unskilled labour is low.

In Sindh province, the political economy of poverty is seen at work in relation to key variables such as land tenure and related inequalities that are built into the foundation of the provincial economy and governance systems and policies.

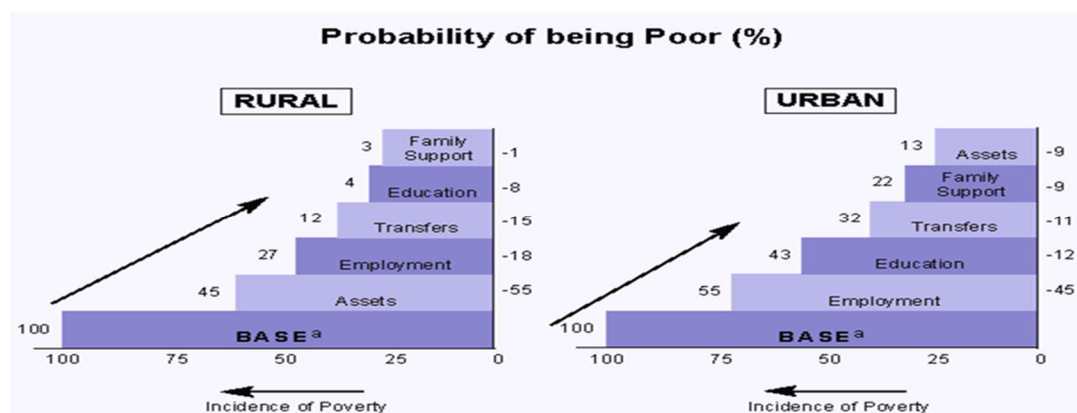
Land Tenure

In rural areas, land distribution is highly unequal. Nearly half of all rural households are landless, 7% are tenants and 45% own land of varying sizes. Herewith, 17% of land accounting for 62% of farms are of 5 acres or less and 13% of land accounting for 0.5% of farms are of 100 acres or more³.

Land tenure patterns have been shown to have a direct relationship with poverty levels. The World Bank's Pakistan Poverty Assessment, based on PIHS 1998-99 data, reports incidence of poverty among rural landless at 40.3% and for those owning land at 28.9% - an 11 percentage point difference. It further reports poverty level of 31.8% for those owning one acre of land⁴. In other words, even one acre of land can help a rural family move above the poverty line and improve their quality of life. One acre of land enables a farmer to grow wheat for self-consumption for at least half the year and allows maintaining cattle, with produce (mainly milk) being a source of income. The 'ladder of poverty reduction' also shows that asset ownership can reduce the incidence of poverty by about to 55%. The relationship between land inequality and deprivation is also very stark.

Figure 2.2.1-2 The Ladder of Poverty Reduction`

⁸ Government of Pakistan, Ministry of Finance, Pakistan Economic Survey, various issues



Source: Social Policy and Development Centre, Social Development in Pakistan: 2000, p. 38

Table 2.2.1-17 Land Inequality and Level of Rural Deprivation

Land Inequality and Level of Rural Deprivation		
Level of Inequality (Gini Coefficient)	Deprivation	Poverty Incidence
Less than 0.45	65.29	33.03
Between 0.46 and 0.6	73.33	39.85
Greater than 0.6	74.58	44.07

Source: Social Policy and Development Centre, Social Development in Pakistan: 2004; p. 104

Land Tenure and Income and Expenditure Profile in Sindh

Table 2.2.1-18 Average Household Monthly Income and Expenditure (2012 PKR)

Average Household Monthly Income and Expenditure (2012 PKR)			
Land tenure category	Average Income	Average Expenditure	Per Capita Food Expenditure
Large farmer	1,038,000	385,250	6,712
Medium farmer	68,306	59,750	1,716
Small farmer	25,864	25,827	1314
Tenant/Sharecropper	17,661	17,799	1025

Source: PILER, Profile of Land Tenure in Pakistan, 2015

- Large farmer income is 58.8 times higher than Tenant/Sharecropper income
- Large farmer expenditure is 21.6 times higher than Tenant/Sharecropper expenditure
- Large farmer food expenditure is 6.5 times higher than Tenant/Sharecropper food expenditure
- Large farmer saving is 62.9% of income; tenant saving is negative.
- Large farmer income is nearly 50% from urban high-end employment and business

Table 2.2.1-19 Sources of Income

Sources of Income					
Land tenure category	Agriculture	Livestock and Milk sales	Salary/ Wages	Business/ Profits	Others
Large farmer	36.8	7.0	23.6	24.1	8.5
Medium farmer	65.1	9.3	10.9	9.2	5.5
Small farmer	56.4	8.5	19.9	4.5	10.7
Tenant/Sharecropper	54.2	9.2	23.0	3.2	10.4

Source: PILER, Profile of Land Tenure in Pakistan, 2015

- Medium farmer income is two-thirds from agriculture
- Small farmer income is over half from agriculture and one fifth from wages
- Tenant/Sharecropper income is over half from agriculture and one-fourth from wages

Table 2.2.1-20 Distribution of Household Expenditure by Land Tenure Category (%)

Distribution of Household Expenditure by Land Tenure Category (%)					
Expenditure type	Large farmer	Medium farmer	Small farmer	Tenant/ Sharecropper	Overall
Food	15.9	29.4	43.6	49.9	47.6
Clothing	4.8	4.2	3.4	3.5	3.5
Education	15.1	9.6	2.7	2.3	2.8
Health	7.6	9.6	11.3	12.9	12.4
Electricity	3.7	2.8	2.7	2.8	2.8
Cooking fuel	1.6	2.0	2.2	2.5	2.4
Conveyance	9.4	8.0	8.6	6.3	6.8
Telephone	21.7	18.7	12.2	9.1	10.2
Cigarette, etc.	3.4	2.9	4.3	5.3	5.0
Others	16.8	12.8	9.0	5.4	6.5

Source: PILER Survey; sample size: 600 households in 3 districts, 17 Union Councils and 46 villages

In terms of share in total household expenditure:

- Larger farmer spends least on food, Tenant/Sharecropper most
- Larger farmer spends most on education, Tenant/Sharecropper least
- Larger farmer spends least on health, Tenant/Shareholder the most

Typical Village Profile in Sindh*

The typical village is located 10 to 40 kilometres from the district headquarter city and comprises of about 250-400 families, with a population of about 1,500-3,000. It is dominated by one or two families, as in Shikarpur, or half a dozen families, as in Thatta. These dominant families own about 3,000-10,000 acres of land.

There are a handful of small farmers, with a majority of them owning less than 5 acres of land. Some of them also engage in small scale businesses i.e. tea shacks, etc. Over three-fourths of the villagers are tenants/sharecroppers working on the landlord's lands and sharing the produce on 50:50 basis; with the landlord also deducting 50% of input cost and a portion of the unwritten loan and interest owed to them. All tenant families, including children, engage in off-farm wage labour

Villagers live on their landlord's land or in the village, registered on government land. However, all the villagers reside in the village by virtue of the goodwill of the big landlord. The villagers dwell in mud houses or in wooden shacks made from used crates. They are liable to be washed away in floods or in heavy rains. The state of hygiene is appalling. One-third of the men and one-tenth of the women are literate. Malaria, diarrhoea, hepatitis C, and respiratory illnesses are frequently mentioned diseases afflicting the villagers. Skin diseases and malnutrition is visible. The village has a post office and a boys' primary school, but none for girls. About half the children, and most of the girls', go to the madrassah.

Tax and Income Distribution

Tax policy and the related regime also has a regressive effect, as can be seen from the fact that the richest 10% of the population pay 12.0% of their income in (direct and indirect) taxes and the poorest 10% pay 16.1%⁹. The composition of public expenditure has also changed adversely with respect to the poor - with the combined share of 'Community, Social and Economic Services' in Aggregate Federal and Provincial Recurring Expenditure falling from an average of 19.8% over 1973-1989 to an average of 17.6% over the 1990s and to 15.1% post-2000¹⁰.

Table 2.2.1-21 (All) Tax paid as share of income

(All) Tax paid as share of income	
Richest 10% of population	12.0%
Poorest 10% of population	16.1%
Combined share of Public Expenditure on Community, Social and Economic Services	
1973-89	19.9%
1990s	17.6%

* PILER, Profile of Land Tenure in Pakistan, 2015

⁹ Social Policy and Development Centre, Social Development in Pakistan: 2004; p. 86

¹⁰ Social Policy and Development Centre, Social Development in Pakistan: 2004, p. 90

Post-2000	15.1%
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2.2 HOW THE GoS IS CURRENTLY TARGETING POVERTY – EXISTING STRATEGIES AND ACTIVITIES

2.2.1 Key Sector Strategies and Programmes That Have an Impact on Poverty

The causes and contributors to poverty are such a wide-ranging and complex set of conditions and variables that it could be said that almost every service and every aspect of infrastructural provision provided by the GoS has some beneficial effect in contributing to poverty reduction. Indeed, Poverty Reduction Strategy Papers (PRSPs) have often been equated with general economic development strategies.

However, the GoS does have a range of existing strategies and programmes underway which, either directly or indirectly, have an impact on poverty. These include both cross-cutting strategies and sector strategies.

Key important strategies which should be noted in this respect include:

- Sindh Agriculture Policy and Strategy: developed under the World Bank funded Sindh Agricultural Growth Project.

Current status – developed and disseminated in public, awaiting endorsement from the government and subsequent implementation

Link with poverty reduction – the agriculture, livestock and fisheries sector is the largest source of employment and livelihood for the people of Sindh. Amongst the various objectives of the new proposed policy/strategy, poverty reduction has been identified as a key priority. The objective is stated as “Reduce rural poverty to half current levels, along with food insecurity and malnutrition”. The strategy document has outlined some key actions for poverty reduction through agriculture sector, which are briefly summarized here: strengthening and expanding grants and micro-credit programmes in the agriculture sector to facilitate assets accumulation such as on farm water storage, small equipment etc.; improved skills training, on-farm production and agro-based enterprise; and targeted subsidies to the poor for agricultural inputs such as seeds and fertilizer.

- Sindh Sanitation Policy, 2017: After approval from the Chief Minister, the sanitation policy was notified by the Public Health Engineering and Rural Development Department, Government of Sindh on 17th May 2017.

Link with poverty reduction and CDLD: The sanitation policy recognizes inadequate and unsafe water and sanitation services as a major cause of diarrhoea and malnutrition, and therefore recommends sanitation and hygiene actions (such as clean drinking water and proper excreta disposal) to be a key component of future programmes. Further on, it identifies ‘safely managed sanitation services’ as a fundamental public right, and prioritizes enhanced access to marginalized and low resource areas. Most importantly, the sanitation policy promotes

community led approaches/social mobilization for creating demand for improved sanitation, and encourages collaboration among citizens, government, donors, NGOs, and other stakeholders for provision of affordable and cost-effective solutions to communities. The policy proposes gradual institutionalization of the component sharing model, whereby the community will be responsible for internal development i.e. building lane and neighbourhood sewers while the government will focus on external development i.e. trunks, disposal and treatment units.

- Health Sector Strategy, Sindh (2012 – 2020): The health sector strategy is an overarching umbrella guideline for the sector's programmes and implementation plans for eight years. The strategy envisions maximizing efforts to improve the health status of the province's population through cost effective and quality service delivery. The strategy has identified Maternal Neonatal and Child Health, nutrition, polio eradication and control of communicable diseases as a key priority. In addition, the strategy focusses on strengthening district health systems for improving coverage of integrated care and emergency care in the rural areas, and operational investments in primary health care for the urban areas, especially in the underdeveloped districts.
- Inter-sectoral Nutrition Strategy for Sindh (INSS), 2013: With support from UN and World Bank, the Inter-Sectoral Nutrition Strategy for Sindh (INSS) was developed in March 2013. The strategy identifies the importance of a multisectoral approach to nutrition, not limited to health services. The approach is centered on 4 priorities: (1) necessity to first save lives by medically treating severe and moderate acute malnutrition; (2) strengthen Infant and Young Child Feeding services using the Behaviour Change Communication approach; (3) address chronic malnutrition, by improving household incomes and access to food (quality, quantity and diversity); and (4) for the long-term sustainability of the approach, mainstream nutrition into all Government activities and policies. The INSS is the reference strategy for various government and donor projects including the EU WINS, EU PINS and the World Bank-supported Nutrition Support Programme and Accelerated Action Plan for reducing malnutrition and stunting (AAP).

In the backdrop of poor nutrition indicators for the province, the Government of Sindh approved the AAP with an aim to improve the situation. This programme is an intersectoral project and a continuation of GoS's various previous projects including Nutrition Support Programme, MNCH etc. It involves various Government of Sindh departments including health, agriculture, social protection, and livestock amongst there, who have a role to play in reduction of malnutrition.

This project will support the expansion of multisectoral nutrition interventions to 23 districts in Sindh with the highest stunting rates, with 20 over 50% and 3 over 40%. Project resources will finance only activities which are additional to those already financed by ongoing projects.

- Sindh Education Sector Plan, 2014 – 2018: The SESP is a comprehensive document that covers all the sub-sectors of education in Sindh, and provides policy and strategy along with programming options, implementation arrangements, monitoring and evaluation mechanisms,

and the costing and budgeting implications. The education sector plan is built on four major pillars i.e. access, quality, governance and public finance management.

The sector plan has acknowledged the enormous variation across districts in terms of socioeconomic status and educational attainment, and has therefore emphasized on equity while proposing programme and strategy options. To improve access and governance, the plan proposes clustering of small schools to facilitate governance as well as teacher deployment. In addition, the plan proposes revitalization of school management committees to enhance governance.

The sector plan acknowledges the low managerial capacity of the government as a major risk to its successful implementation. However, a key departure from past efforts is that the SESP focuses on outcomes rather than inputs. It seeks to link accountability mechanisms to resources so that those responsible for implementing the programme have the resources to carry out these responsibilities.

2.2.2 Poverty Reduction Programmes Based on Community-Driven Local Development

UCBPRP - The GoS 'Flagship' Programme

The Union Council Based Poverty Reduction Programme (UCBPRP) has been in operation since 2009. It is a pioneering initiative in rural development of the Government of Sindh – a first in provincial government support for community-based poverty reduction interventions.

The programme is a partnership initiative with the GoS as funder/provider and RSPs as contracted implementers. Key aspects of approach and methodology for the programme include:

- Use of the Poverty Scorecard to identify the 'poorest of the poor' for targeted assistance
- Utilisation of micro-finance interventions, including:
 - o Income-generating grants
 - o Small loans through the Community Investment Fund (CIF) allocations
 - o Vocational training
 - o Enterprise development support and
 - o Low cost housing.

The overall existing programme consists of:

- A residual programme with 4 (previous) districts. Residual activities vary in the four districts involved (Tharparker, Kashmore, Shikarpur, and Jacobabad) – one district includes residual support for some schools in the districts, while the others include residual monitoring of CIF funds. RSPs involved in the earlier programme included Sindh Rural Support Organisation and Thardeep Rural Development Programme.
- A new 3-year programme with 6 additional districts, which commenced in mid-2016. The new districts are Khairpur, Sanghar, Umerkot, Mirpurkhas, Badin and Thatta. The programme for these 6 districts is contracted to SRSO.

The key targets for the new 6-district programme include:

• No. of Districts	06
• No of Talukas	29
• No of Union Councils	321
• Total HH will be surveyed	1,023,605
• Total HH will be Organized	716,523
• COs to be formed	39,809
• VOs to be formed	4,975
• LSOs to be formed	321
• Capacity building of CO Members	79,617
• Capacity Building of VO Members	29,859
• Capacity Building of LSO Members	1,926
• Income Generating Grants	30,708
• Community Investment Fund	122,835
• Vocational Training Programme	32,244
• Low Cost Housing Scheme	8,599
• Enterprise Development Groups	321

The SUCCESS Programme

Although not strictly a Government of Sindh programme, the SUCCESS programme is listed here because it is a 'companion programme' to the UCBPRP and replicates its approach. The European Union has granted 77.5 million Euro in funding to the SUCCESS programme of community-based rural development support, working in 8 additional districts of Sindh – Kamber Shahdadkot, Larkana, Dadu, Jamshoro, Matiari, Tando Allahyar, Tando Muhammad Khan and Sujawal. This 6-year programme, which commenced in 2015, is based on the model for the UCBPRP, and the Financing Agreement was based on an understanding that the GoS would continue to provide funding to the UCBPRP for the additional 6 districts mentioned above, in an overall partnership between the EU and the GoS, to fund CDLD-based poverty reduction. The SUCCESS programme replicates the operational UCBPRP approach, with RSPs as contracted implementers and utilises the RSP methodology, including use of the Poverty Scorecard survey to identify the 'poorest of the poor', facilitation of RSPs to organise communities through social mobilisation and use of micro-level interventions. The funding from the EU is provided direct to the RSPs involved, who have direct contracts with the EU for performance of the programme. The RSPs involved include National Rural Support Programme (NRSP), SRSO, and TRDP, with the Rural Support Programmes network (RSPN) as a co-ordinating RSP.

The interventions are largely the same as UCBPRP, but don't include enterprise development or low-cost housing, and include instead an allocation for Community Physical Infrastructure Projects (CPI) and micro level health insurance grants (which has been removed from the new 6-district UCBPRP programme due to doubts about the effectiveness of micro health insurance as a health intervention).

The main targets for SUCCESS include:

- 770,000 households will be mobilised via women members and capacitated into community organisations comprising 32,400 COs, 3,240 VOs and 316 LSOs, of which at least 70% will continue to function effectively at the end of the programme
- An average 30% sustainable increase of poor households' incomes
- 285,402 households will benefit from CIF loans
- 60,959 households will benefit from IGG grants
- Increased economic and social services and community benefits from upgraded community infrastructure and productive assets - 2,800 community infrastructure schemes will be built and maintained by communities
- 25% of the poorest households will benefit from micro health insurance
- 108,000 people will receive vocational skills training
- Research and community advocacy – targets include one research on household poverty dynamics, 3 sector research studies and one synthesis report and
- For the TA Component – the GoS will adopt and implement a dedicated Sindh policy and budget framework for CDLD from 2018 onwards.

Together, the UCBPRP and SUCCESS programmes provide rural CDLD-based poverty reduction support in a total of 18 districts of Sindh.

During 2018, the EU Delegation also plans to fund an independent evaluation of the impact of the UCBPRP in the first four districts of the programme.

2.2.3 Existing Programmes and Activities of GoS Aimed to Have an Impact on Poverty at Community/Household Level

Working Definition of 'Poverty-Related Programmes' or 'Pro-Poor' Expenditure

During the policy development phase, further research on poverty reduction was carried out, which included an analysis and assessment of existing GoS actions aimed to reduce poverty, in order to find out the range and extent of existing GoS 'poverty-related' programmes and activities and also to identify the extent of 'pro-poor' expenditure related to these poverty-related programmes. In carrying out this research and GoS analysis, a working definition was developed to define what constitutes 'poverty-related programmes' or that could be applied to identify 'pro-poor' expenditure.

It was decided that the definition of 'poverty-related programmes', and 'pro-poor expenditure' should be confined to those programmes/activities which have a direct impact on poverty at the household and community level. This consists of:

- Those programmes/activities which are aimed to increase household income
- Those programmes/activities which reduce avoidable household expenditure or create savings.

The above is quite a restricted definition but the logic of this definition is that it is consistent with the CDLD-focused approach – focusing on poverty reduction at the community level and specifically on those interventions that have a direct impact at the actual household level. It is also consistent with recent developments in the use of poverty indicators, which traditionally have focused on income, but

where recent research suggests that consideration should also be given to the capacity of households to engage in consumption.

The following sections present a brief analysis of the existing pro-poor or poverty-related programmes funded by GoS consistent with the definition outlined above, including some details of ADP schemes and activities in recurrent budget. The programmes and functions of the GoS identified as pro-poor including both - those that are CDLD-based and non-CDLD.

Pro-poor ADP/ PSDP Allocation

An analysis on the provincial 2017/18 budget document was carried out. The results of this analysis are presented below:

Out of a total allocation of PKR 274,000 Million, approximately 22.5% i.e. PKR 61,648 Million of budgetary allocation in the 2017/18 Public Sector Development Programme have been assigned to pro-poor expenditures in various sectors including education, health, rural development and others. See table for details of the department-wise allocations.

Out of the 48 departments of the Government of Sindh, 15 departments have been identified as those which have an allocation of pro-poor schemes including provision of primary and secondary education, basic health services in rural, semi-urban and underdeveloped urban areas, and basic public infrastructures such as hubs for clean drinking water and drainage and sanitation. 763 schemes out of 1538 schemes, 49.6%, under the 15 departments have been identified as pro-poor. Overall, these account for 25.66% of the total 2,974 ADP schemes. See table below for details of these schemes and functions.

Of the 15 departments engaged in delivery of pro-poor services, only two i.e. Community Development Programme for Sustainable Development Goals and Katchi Abadi and Spatial Development Department have dedicated allocations for pro-poor interventions with an allocation of PKR 2,000 Million and PKR 100 Million respectively. This cumulatively accounts for only 0.77% of the PSDP.

Amongst the remaining government departments, Transport and Mass Transit department, Public Health Engineering & Rural Development, and Social Welfare are the three departments with highest pro-poor expenditure, with pro-poor allocation of 91.9%, 82.6% and 82.26 respectively of their sectoral allocation of PSDP. The Agriculture and Livestock sectors, which are perceived to have largescale involvement of the poor in terms of labor force, have an allocation of PKR 3,551 Million and PKR 531 Million respectively, which accounts for roughly 28% of their sectoral allocation, and only 1.5% of the total PSDP.

As far as the Health sector is concerned, the total allocation is PKR 18,819.54 Million accounting for 6.56% of the PSDP. However, the pro-poor expenditure within the Health sector accounts for 39.4% of its total allocation, which implies that only 2.6% of the total PSDP can be classified as government expenditure made on pro-poor basic healthcare facilities. Surprisingly, the Local Government has a pro-poor allocation of only PKR 1,262.9 Million, accounting for only 4.3% of their total allocation.

Table 2.2.3-1 Summary of ADP Analysis

Sindh Poverty Reduction Strategy

SECTOR/DEPARTMENT	Total no. of schemes	No. of schemes identified as pro-poor	Allocation in 2017/18 ADP (PKR In million)	ADP Allocation identified as pro-poor	%age of pro-poor schemes	%age of pro-poor allocation
AGRICULTURE, SUPPLY & PRICES	49	10	12,534.74	3,551	20.4%	28.32%
COMMUNITY DEVELOPMENT PROGRAM (CDP) FOR SUSTAINABLE DEVELOPMENT GOALS (SDGS)	1	1	20,000	20,000	100%	100%
EDUCATION SECTOR	461	325	24032.65	14209	70.5%	60.12%
ENERGY	6	4	3005	2405	66.67%	80%
ENVIRONMENT, CLIMATE CHANGE & COASTAL DEVELOPMENT DEPARTMENT	8	1	400	196	12.5%	49%
HEALTH	208	83	18819.54	7409	39.9%	39.37%
KATCHI ABADIS & SPATIAL DEVELOPMENT DEPARTMENT	3	3	100	100	100%	100%
LIVESTOCK & FISHERIES DEPARTMENT	54	25	1854	631	46.3%	34.03%
LOCAL GOVERNMENT & HTP DEPARTMENT	397	46	26129.535	1232	11.6%	4.72%
PLANNING & DEVELOPMENT	20	2	8546.96	1550	10%	18.2%
PUBLIC HEALTH ENGG & RURAL DEVELOPMENT DEPTT	287	235	9000	7433.5	81.9%	82.6%
SOCIAL WELFARE DEPARTMENT	13	8	290	239.5	61.5%	82.6%
SPECIAL INITIATIVES DEPARTMENT	14	8	2500	837	57.1%	33.5%
TRANSPORT AND MASS TRANSIT DEPARTMENT	17	13	3195	2935	76.4%	91.9%
WOMEN DEVELOPMENT	15	3	426	35	20%	8.22%

Table 2.2.3-2 Summary of Pro poor programmes / functions in ADP 2017/18

SECTOR/DEPARTMENT	PRO POOR PROGRAMMES / FUNCTIONS
AGRICULTURE	• Sindh Agricultural Growth Project (SAGP) • Nutrition Sensitive Agriculture Project Phase-I. • Construction of Mirch Mandi at Kunri • Capacity Building of Field Extension Staff by providing training and refresher courses (SDG #2,11) • Provision of Solar Water Pumps/ Tubewells on Subsidized Rates to Farmers • Subsidy Assistance on Agriculture Implements for Farms Mechanization

Sindh Poverty Reduction Strategy

SECTOR/DEPARTMENT	PRO POOR PROGRAMMES / FUNCTIONS
	Phase-II • Preservation and storage facility of fruits and vegetables through hot water treatment & controlled atmosphere store on subsidy to farmers
EDUCATION SECTOR	• Activities in various subsectors i.e. primary, secondary and vocational education. Schemes include upgradation of primary and secondary schools, establishment of new schools and vocational training institutions.
ENERGY	• Electrification of villages and goths, and gas supply to villages.
ENVIRONMENT, CLIMATE CHANGE & COASTAL DEVELOPMENT DEPARTMENT	• Improvement of fisherman settlements and rehabilitation of flood affected coastal areas.
HEALTH	• Nutrition Support Program • Preventive healthcare such as anti-malaria, polio eradication and immunization programmes • Basic and primary health services in rural areas, and some urban poor areas.
KATCHI ABADIS & SPATIAL DEVELOPMENT DEPARTMENT	• Slums improvement program, and provision of sewerage and other civic facilities in slum areas.
LIVESTOCK & FISHERIES DEPARTMENT	• Sustainable livestock development • Building and upgrading Veterinary centres, hospitals, dispensaries & diagnostic laboratories • Rehabilitation of rural poultry • Prevention and control of diseases • Housing for poor fishermen
LOCAL GOVERNMENT & HTP DEPARTMENT	• Construction of water supply and drainage facilities
PLANNING & DEVELOPMENT	• CDP • EUCBPRP
PUBLIC HEALTH ENGG & RURAL DEVELOPMENT DEPTT	• Water supply • Drainage • WASH • Housing and community amenities
SOCIAL WELFARE DEPARTMENT	• Rehabilitation centres for • Senior citizens • Disabled persons • Street children • Drug addicts • Skill development centre

Sindh Poverty Reduction Strategy

SECTOR/DEPARTMENT	PRO POOR PROGRAMMES / FUNCTIONS
SPECIAL INITIATIVES DEPARTMENT	• Clean drinking water hubs • Mobile health units
TRANSPORT AND MASS TRANSIT DEPARTMENT	• Construction of transport networks and bus terminals
WOMEN DEVELOPMENT	• Provision of vocational skills training to women • Facilitation for marketing of handicrafts prepared by women

Recurrent Budget – ‘Pro poor’ Activities

Analysis was also carried out to find whether the recurrent expenditure of 7¹¹ departments is in line with the narrow definition of government activities directly contributing to the reduction of poverty.

The assessment of the recurrent budget of 7 departments was based on the Budget FY2017/18. The initial assessment resulted in an indicative amount of PKR 127.9 Billion, which is about 46 % of the recurrent budget of these 7 departments, and 11% of total recurrent expenditure. The table below presents a breakdown of pro-poor GoS expenditure by sub-functional code.

Table 2.2.3-3 Breakdown of pro-poor GoS expenditure

Sub-functional code	Description	FY16/17 (Actual) in PKR millions	FY17/18 (budget) in PKR millions
41303	Manpower and vocational training	489.8	565.6
42106	Animal husbandry ¹²	977.0	1,109.9
73104	RHCs	3,578.2	3,875.3
73105	BHUs	788.7	5,141.7
73301	Mother and child health	28.3	27.7
74101	Anti-malaria	420.8	447.7
74102	Nutrition and other hygiene programs	354.3	563.6
74103	Anti-tuberculosis	272.4	317.0
74105	EPI - (Expanded program of immunization)	20.6	21.5
91102	Primary education	51,553.8	49,781.3
92101	Secondary education	54,450.7	65,377.2
94101	School for the handicapped	582.3	701.5
	Total	113,517.0	127,930.0

¹¹ Health, Education, Social Welfare, Women’s Development, Livestock & Fisheries, Agriculture, Labour

¹² It encompasses a wide range of activities. The following activities have been identified as pro-poor: 1) livestock development, 2) Veterinary centers, 3) prevention and control of diseases, 4) vaccine production, 5) specific veterinary diagnostic laboratories. All general administrative costs, research, general laboratories, government farms, livestock production facilities, and breeding operations, are not considered to be part of our definition.

Figure 2.2.3-1 Summary of recurrent budget analysis

	Observed levels of expenditure	Recommendations
Education Department	Department with high level of recurrent/ADP pro-poor spending.	Upward trend in pro-poor expenditure, with relative even spread of expenditure over districts
Health Department	Medium level of recurrent pro-poor expenditure, and high level of ADP pro-poor expenditure	Per capita expenditure increasing. Improvements needed to increase pro-poor recurrent expenditure and to reach the poorest districts better
Social Welfare Department	Medium level of recurrent pro-poor expenditure, and high level of ADP pro-poor expenditure.	Pro-poor expenditure (share and per capita expenditure) is decreasing. Improvements needed to increase pro-poor expenditure
Livestock & Fisheries Department	Medium level of recurrent and ADP pro-poor expenditure.	Declining pro-poor expenditure in real terms. Improvements needed to increase pro-poor expenditure
Agriculture Department	Low level of recurrent and medium level of ADP pro-poor expenditure.	Improvements needed to increase pro-poor expenditure
Women Department	No pro-poor recurrent expenditure observed, low level pro-poor expenditure	Explore the potential for increased pro-poor expenditure
Labour Department	Currently no pro-poor recurrent and ADP expenditure observed	High potential of more pro-poor policies within this department

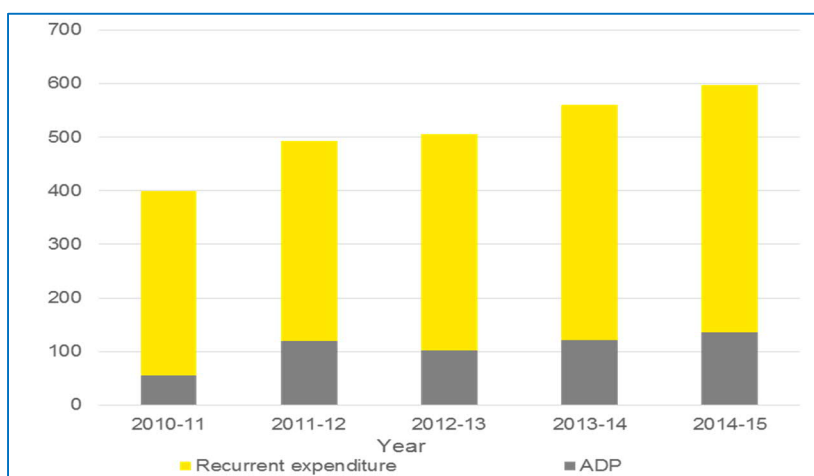
2.2.4 Background Expenditure Analysis - GoS Expenditure Trends in the Context of Poverty

When analyzing government expenditure in the context of poverty reduction, traditionally increased allocations to service delivery and investments are seen as positive. Also, a geographic allocation of resources in line with the poverty profile of regions are also seen as positive.

Figure 2.2.4-1 Nominal recurrent & ADP expenditure (in billion PKR)

Investments

Over the period 2010-2015 the GoS had a strong focus on investments. Although total expenditure increased by 50% from PKR 399 billion to PKR 597 billion, and recurrent expenditure increased by 35%, ADP expenditure growth topped the list with a growth of 149%.



Service Delivery

The current CoA does not specify service delivery expenditure. To proxy service delivery expenditure, 11 departments responsible for an important share of service delivery relevant for the poor have been selected; 1) Health, 2) Education, 3) Labour, 4) Women Development, 5) Social Welfare, 6) Agriculture, 7) Livestock & Fisheries, 8) Local Government, 9) Transport & Mass Transit, 10) Energy, 11) Katchi Abadi.

Over the period 2010-2015 expenditure of most of these departments grew, both nominal and in most cases also in real terms. The share of expenditure of these departments in total recurrent expenditure also increased, predominantly through expenditure growth for Education, Livestock & Fisheries, and Agriculture.

When zooming in on non-wage recurrent expenditure (a more targeted proxy for service delivery), expenditure

Table 2.2.4-1 Share of non-wage expenditure of the selected departments in total non-wage expenditure

Year	Total Share
2012-13	47%
2013-14	44%
2014-15	55%

increased both in nominal and real terms for the relevant service delivery departments. Non-wage expenditure per capita also increased for most relevant departments. Also, their share in total non-wage expenditure increased from 47% in 2012-13 to 55% in 2014-15 (see table below). However, non-wage expenditure did not keep up with inflation for social welfare department and the Labour department.

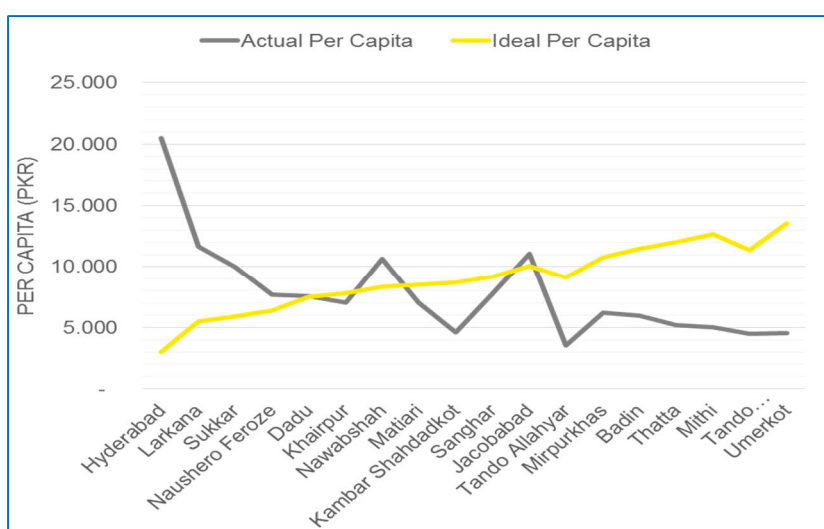
Also, not all departments kept their expenditure aligned with population growth. Over the period 2010-2015 per capita expenditure decreased for the Transport Department and Labour Department. For departments such as Social Welfare, Women Development, and Energy no clear trend could be detected. In contrast, per capita expenditure increased for health, education, Katchi Abadi, and local government.

District Allocation of Resources

This section presents a summary of the analysis performed to identify trends of GoS expenditure in relation to the status of Multidimensional Poverty Index of each district. Department-wise analysis of allocation at the district level is provided in Annex 3.

In the given graph, the districts have been ranked in accordance with their Multi-Dimensional Poverty Index score; less poor districts on the left starting with Karachi, and poorest districts on the right. District expenditure analysis¹³ indicated that total per capita expenditure is negatively related to the poverty index; per capita expenditure is lower in poorer districts, whereas the “ideal per capita expenditure” predicts a positive relation (see box text below).

Figure 2.2.4-2 Total actual per capita expenditure and “ideal per capita expenditure” in the districts over a five-year period



Analysis of departmental per capita expenditure allocation over the districts confirms the negative correlation. The analysed departments¹⁴ all confirm the negative correlation, although the departments also indicated there can be technical reasons explaining the negative correlation. Interviews confirmed for example that livestock and fisheries and agriculture work with district hubs, leading to a perceived uneven allocation of expenditure based on GFMS data. And interviews with health officials confirmed that non-basic health expenditure in urban (less poor) areas, tilting the correlation negatively. Nevertheless, none of the interviewees rejected the observation that there is a necessity to scale up government efforts in the poorest districts.

¹³ This analysis only captures expenditure executed at district level (as reported in GFMS). Substantial expenditure that takes place in Karachi but still benefits the districts is not included in this analysis. Also, some departments execute expenditure for specific districts at provincial level.

¹⁴ Livestock & Fisheries, Local Government, Health, Education, Agriculture, Social Welfare, and Labour

Box 1: What is “ideal per capita expenditure”?

To understand whether current expenditure patterns correlate with the poverty situation in the districts, we applied an “Ideal poverty related expenditure” analysis; what would per capita spending be distributed across districts (excluding Karachi) when per capita expenditure would positively (and linear) relate to the observed poverty? We excluded Karachi from this analysis, and we assumed that this ideal poverty related expenditure distribution should fit the existing resource envelope (dividing the same amount of money)

Furthermore, the 7 poorest districts had lower than average per capita recurrent expenditure. This also applies to the districts Kambar Shahdadkot, and Matiari. Per capita recurrent expenditure at department¹⁵ level also correlates negatively with the poverty index, where the 7 poorest districts again receive lower than average per capita expenditure for all analyzed departments.

For ADP per capita expenditure the negative correlation is less strong¹⁶. However, the districts Matiari, Kambar Shahdadkot, and Tando Allahyar have continuously received less than average per capita ADP.

¹⁵ Livestock & fisheries, Local government, health, education, Agriculture, Social welfare, and labor,

¹⁶ ADP expenditure district wise distribution patterns are normally irregular, as ADP includes project spending. Pro-rata correlation with a poverty index needs to be treated with caution. ADP expenditure in urban districts could be higher as some infrastructure related expenditures such as fly-overs, public transport, etc. are only taking place in urban areas.

3. THE FRAMEWORK, RATIONALE AND PARAMETERS FOR A POVERTY REDUCTION STRATEGY FOR SINDH

3.1 THE STRATEGIC FRAMEWORK FOR POVERTY REDUCTION

The 18th Constitutional Amendment is one of the major milestones in the recent political history of Pakistan. It has given greater decision-making authority to provincial governments. It has devolved a number of key functions to the provinces. In total, functions in seventeen federal ministries were devolved, including culture, education, special initiatives, environment, health, labor and manpower, local government and rural development, minorities' affairs, population welfare, social welfare and special education, sports, tourism, women development, youth affairs, zakat and usher. In light of the devolved nature of these key functions, the provinces need to take a more strategic approach to planning and budgeting for these key functions, in carrying out their provincial governance responsibilities. Poverty reduction, which is a key cross-cutting issue, consequently needs more attention and focus on a strategic approach from provincial governments. Sindh province is leading the way in being the first province to have taken the bold step of formulating a Poverty Reduction Strategy (PRS). The PRS has a specific focus on CDLD. This is a logical approach for Sindh, given the GoS' flagship initiatives over the last decade in CDLD, through the UCBPRP. The poverty reduction strategy is aimed to act as medium-term instrument to address the challenge of poverty in Sindh. The pro-poor functions which the various line departments of GoS are engaged in should be continued and in some cases strengthened. In addition, these pro-poor programmes and functions will have an enhanced impact if structured and delivered in effect of the CDLD policy principles outlined in the next section.

3.1.1 Alignment with the SDG Framework

In the first instance, the overall strategic framework for poverty reduction starts with the Sustainable Development Goals, which provide an over-arching framework for a range of key strategic priorities, including addressing poverty. Therefore, the PRS and CDLD policy aims to incorporate the long-term perspective of the SDGs in Sindh.

Background

In 2015, with the 2030 Agenda for Sustainable Development, the world's leaders set out on an ambitious path to end poverty, fight inequality and injustice, and protect the planet. The Member States of the United Nations, including Pakistan, unanimously agreed upon the 17 Sustainable Development Goals (SDGs), making them the world's agenda for sustainable development. The SDGs provide a coherent, holistic, integrated framework for addressing the world's most urgent sustainability challenges and creating a better future for all. The success of the agenda will be based on collaborative efforts by all parties in society, including all tiers of the government, development partners, civil society including NGOs, businesses and the community.

Pakistan's experience with MDGs served as a lesson well learnt. Pakistan was a slow starter to initiate implementation of MDGs and, as a result, missed most of the MDG targets. One of the core lessons learned from the MDGs was the lack of ownership of MDGs at the provincial and district levels.

Pakistan's early adoption of the SDGs as its national agenda focuses on addressing major development issues; including access to basic services (education and health, etc.), increasing income inequality (despite reduced income and multi-dimensional poverty), and growing regional/provincial, geographic (rural/urban) and gender-based disparities.

The UN (through UNDP) is partnering with MoPDR and the Provincial Planning & Development Departments under a 5 year- National Initiative on Sustainable Development Goals. The focus is to localize and mainstream SDGs by integrating them into government's plans, policies, and resource allocation frameworks; and simultaneously to provide a platform for inter-ministerial and inter-governmental coordination.

This initiative aims to bring together the Ministry of Finance, MOPDR/Planning Commission, Planning & Development Departments (Punjab, Sindh, KP, Baluchistan, AJK, GB, FATA), and Bureau of Statistics (Federal & Provincial) to work collectively and to lay foundation for SDGs implementation. SDG Support Units have been established at Federal, provincial, and regional level.

Current Scenario/Progress in Sindh

Recognizing that achieving the SDGs needs coordinated and careful planning in every province, the Government of Sindh has committed PKR 594 million to support SDG implementation in the province in collaboration with the United Nations Development Programme (UNDP). P&DD, through SDGs Unit, is the focal point for SDGs specific provincial planning and create traction within government line departments. The SDG Unit is responsible for supporting coordination, research, advocacy and communication at various levels.

A Parliamentary Task Force and Provincial Technical Committee have been established, while a Core Group is leading efforts to ensure policy coherence and structured approaches. This Core Group has representatives from key government departments, academia and civil society organizations. Its task is to develop clusters, framework and a roadmap for SDG implementation in Sindh. As the next step, UNDP will support the Government of Sindh to form clusters, engage with the private sector, and promote innovation and use of information technology to track and report progress.

Linkages Between PRS/CDLD policy and the Sustainable Development Goals

The section below presents a brief overview of the SDG goals and targets closely linked with the objectives of the PRS and CDLD policy

The PRS and CDLD policy shall contribute to the attainment of SDGs in Sindh, in particular

- Goal 1: No Poverty,
- Goal 2: Zero Hunger,
- Goal 3: Good Health and Wellbeing,
- Goal 5: Gender Equality,
- Goal 6: Clean Water and Sanitation,
- Goal 10: Reduced Inequalities,

- Goal 11: Sustainable Cities and Communities

At the same time, its successful implementation and attainment of desired outcomes will highly be dependent on achievement of other SDGs, including

- Goal 4: Quality Education,
- Goal 7: Affordable and Clean Energy,
- Goal 8: Decent Work and Economic Growth,
- Goal 9: Industry, Innovation and Infrastructure,
- Goal 16: Peace, Justice and Strong Institutions,
- Goal 17: Partnership for the Goals

For effective implementation of the PRS and the SDGs in Sindh, it is essential that the two are mainstreamed and intertwined by identifying priorities and aligning them with resource allocations. The PRS/CDLD can fit into the overall framework for the SDGs implementation, and synergies can be created. Moreover, the institutional arrangements set up for SDG implementation, such as Provincial Technical Committee and Parliamentary Taskforce, can be leveraged for further consultations, promotion and promulgation of the PRS/CDLD policy.

3.1.2 A Vision for Poverty Reduction in Sindh

The poverty reduction strategy is aimed to act as medium-term instrument to address the challenge of poverty in Sindh. As such, the long-term intentions and aspirations of the GoS in reducing poverty should be clear, with a definable 'vision' for poverty reduction and associated goals and targets to be achieved over the specified duration of the Strategy.

It is proposed that the evaluation framework for the PRS would be developed within an outcomes/outputs framework – a standard approach in public sector strategic planning and performance management/budgeting/reporting. Key aspects of the conceptual structure would contain:

- An aspirational 'vision' for poverty reduction with some specification of attainment
- Specification of outcomes sought, including:
 - o Specification of outcomes at the 'impact level' – i.e. the overall benefit or impact for the community
 - o Specification of 'Intermediate outcomes' – which can be useful in describing outcome-related results of programmes
- Specification of outputs (deliverables) and output measures, at the level of targets for programme interventions.

The actual wording of a 'vision statement' for poverty reduction in Sindh needs to be developed. A Vision Statement for a major strategy can be expressed in a variety of ways. Often it is expressed as a general statement of aspirational intention to reduce poverty in Sindh, without specific targets. The targets for poverty reduction can be stated as outcomes sought.

Alternatively, the Vision itself can contain an overall measure, which should be at the level of overall impact or benefit sought.

Examples of high-level outcome measures related to the 'Vision' for poverty might include:

- 'Poverty will be reduced by a minimum of x (percent) by x (year)
- 'Reduce overall poverty in Sindh by x (percent) by x (year)
- 'Reduce the incidence of poverty in Sindh by x for urban poverty and x for rural poverty by x'.

At the level of 'intermediate outcomes', a range of measures can be used that relate directly to outcomes sought as a result of or benefit from specific policy actions or programme interventions, for example:

- 'The Poverty Reduction programme will be allocated a minimum of 2 percent GDP for the next 3 years (this amount in addition to normal development expenditure and separately administered)'
- ADP expenditure targeted to pro-poor (or poverty reduction) programmes and activities will increase from 24% to x % over the next x years'
- At least a third of households directly assisted through GoS poverty reduction programmes in the next x years will demonstrate an increased sustainable income or reduction in expenses (costs) at the end of the x-year programme (or by x (year). (This latter is similar to the overall – and only - outcome target for the SUCCESS programme.)

Key proposed objectives for the PRS and CDLD policy are suggested as following:

- Facilitate local economic development that generates income-generating opportunities for the poor in rural and urban areas
- Facilitate improved access to physical assets, education, vocational skills training, primary health care, improved nutrition and social services, through improved consolidation and cost effectiveness of service delivery
- Increase participation of potential beneficiaries (the poor) and civil society in decision-making for their own development and in implementation of pro-poor programmes
- Effectively utilise the human capital asset created through community social mobilisation, for more effective planning to meet community requirements
- Improve efficiency of the government to deliver and monitor these (and related) programmes, through enhanced governance and accountability mechanisms
- Mainstream poverty reduction in GoS sectoral programmes and activities, and increase integration of GoS programmes for enhanced impact on poverty.

Further work is required to develop the Vision for poverty reduction and specification of outcomes sought and implementation objectives, as well as programme outputs and targets.

3.2 UNDERPINNING PRINCIPLES AND BUILDING BLOCKS FOR THE PRS

At the start of the work on the PRS in October 2016, development started with some broad understandings with which to approach the task of designing the PRS. These understandings were further defined and agreed during the Inception stage. From there, the nature and scope of the PRS started to take shape, and was then refined further as the policy development process unfolded through 2017.

The starting point was the requirement of the GoS to develop a PRS that is province-wide, that addresses both urban as well as rural poverty and which has a particular focus on community-driven local development (CDLD). As such, at the outset the fundamental parameters and defining point of scope and emphasis were established.

Further definition of the approach taken in design of the PRS, including working assumptions and the conceptual framework, are outlined below.

3.2.1 Working Assumptions Developed in the Inception Stage

Taking forward the concept of a PRS with a focus on CDLD, at the outset a number of key principles and working assumptions were defined about the parameters required to underpin and determine the approach - essentially providing the lens through which the PRS would be viewed, perceived and defined.

These included the following:

1. The importance of a 'home grown' strategy. The emphasis was on developing a PRS that is customised for Sindh. Thus, the focus was on taking into account past poverty reduction programmes in Sindh, as well as the particular dynamics and unique aspects of the Sindh political and economic context. The focus was on what would be practical, implementable and useful within the Sindh operational context, and which can be put into effect and effectively monitored through the provincial and district budget and institutional frameworks.
2. Requirement for a strategy based on existing systemic realities. The PRS development process sought to recognise existing accountability relations and intergovernmental fiscal relations and the need to work with existing systems and structures, while taking account of ongoing or impending reforms.
3. The PRS should be 'selective and targeted'. The focus was on building on successful previous and existing programmes, learning from experience of 'what works' and not attempting to produce an all-inclusive strategy. The assumption was that a 'selective and targeted' approach to the PRS development should be taken which also recognises a number of associated factors, including the fact that;
4. CDLD is the foundation. Given that the CDLD focus was already prescribed, other working assumptions also came into play, including:

- The concept of government-CSOs partnership – specifically in this case, the approach to CDLD taken by the GoS for the UCBPRP and replicated by SUCCESS. This is a partnership between the GoS as funder/provider and RSPs as implementers/contractors. The SUCCESS programme’s modus operandi is in turn based on and largely replicates the GoS’ UCBPRP programme methodology.
 - The CDLD approach is based on the ‘RSP model’ – specifically utilising the same methodology and three-tier structure for social mobilization, and community-based micro-level poverty reduction interventions.
 - The RSP approach to social mobilisation over several decades has built a significant level of community capital via the three-tier structure of community organisation, which can and should be utilised in relation to provision of further community input to planning of development and provision of services. The basic potential and rationale of CDLD work is about communities being enabled to identify and tackle some of their priority poverty problems and the RSPs provide a critical entry point to work with communities.
5. Opportunity for innovation in ‘the way forward’. The opportunity of the PRS opens up two new windows for consideration of poverty reduction:
- It introduces the macro-economic element to poverty reduction and
 - It adds the urban poverty dimension.

Notwithstanding the working assumption of a ‘selective and targeted’ approach to the PRS and an approach with a focus on CDLD, nevertheless a poverty reduction strategy should necessarily consider a combination of macro and micro initiatives. A ‘selective’ approach should not mean that the PRS should be limited only to micro-level interventions, which research and experience of stakeholders has shown cannot alone change overall poverty. Approaches need to go beyond micro-level interventions, and also aim to improve on approaches of the past and during the policy development stage. It was clear that the GoS is looking for innovation in the way forward. This should include consideration of initiatives where the confluence of macro/micro initiatives may provide a new strategic framework for poverty reduction. Thus, a PRS with a particular focus on CDLD provides for work with two complementary actions - one meso and the other micro. For detailed discussion on macro, meso and micro level interventions, see Annex 4.

6. The requirement to address urban poverty. The addition of the urban poverty dimension brings a positive opportunity to review urban/rural connections and creates the opportunity for a cohesive approach to development of the PRS and CDLD. It was concluded that this dimension cannot be entirely contained within the modalities developed for the rural support programme initiatives.

The above working assumptions led to development of the specific rationale behind the strategies of the PRS. Key aspects of this rationale are outlined in the section below.

3.2.2 Key Rationale for the PRS and CDLD Policy

The following key areas of priority in the rationale for the approach to be taken to the PRS and CDLD policy emerged from the inception and policy development stages. The following 5 key areas of rationale reflect no order or priority of importance.

Rationale Priority 1: A Customised, Selective and Targeted PRS for Sindh

The development of a Poverty Reduction Strategy in Pakistan's context is not entirely a new initiative. From 1999 and through the subsequent decade, international agencies such as the World Bank and the IMF promoted the creation of PRSPs as a conditional framework for concessional lending to developing countries. The Pakistan Poverty Reduction Strategy Paper (PRSP) was adopted by the Government of Pakistan in 2003. Lessons learnt during the implementation of the PRSPs in Pakistan provide a strong rationale for a selective and targeted Poverty Reduction Strategy for Sindh.

The impact of the previous (country level) PRSPs has been limited. The primary focus of PRSP-1 was on economic growth. However, the current asset and fiscal regime did not lead to expected results. Also, PRSP-1 did not have a clear poverty-reduction focus, and the budget allocations were not aligned with the stated objectives. PRSP-2, although providing a framework for some performance reporting at federal level, has largely not been considered successful as the poverty reduction agenda was too broad and general, without clear identification of areas of intervention that could be catalytic for poverty reduction. Its impact at province level has not been particularly evident as a strategic planning or budgeting tool. A detailed discussion on the PRSP 1 and PRSP 2 is presented in Annex 5.

Based on the findings of previous PRS implementation in Pakistan, it was concluded that the PRS for Sindh province should –focus on addressing only those macro/top-down, and micro/bottom up poverty related activities which could generate a catalytic effect.

Rationale Priority 2: The Need for a CDLD Focus for the Poverty Reduction Strategy

As discussed earlier, the government has been making considerable efforts in poverty reduction. Several programmes have been designed and delivered to improve living conditions, particularly in the rural areas. Some key points to be considered, on the basis of assessment of the past programmes in Sindh, are outlined below:

- The past development efforts, whether specific or sectoral based, have not succeeded in achieving significant improvement in the living conditions of the poor. There have been some improvements in the production sector and socio physical infrastructure but, as illustrated in Section 2, this has not translated into real qualitative change in the life of rural communities in Sindh. Lack of awareness and community participation and centralised decision-making process are the major factors attributed to improper access to and utilization of public services.
- Incomes of the people can never be raised in sustainable manner by Government or NGO's through ad hoc projects. The effective way for achieving this objective is to provide the community an opportunity to engage in productive pursuits. Even the poorest of the society

can be made to change for the better if their potentials are harnessed by providing institutional support for building skills and providing credit.

- Another key lesson from past experiences is that despite various channels and linkages to the field level, public sector agencies have never succeeded in organising the people. The social setting and rural psychology demand a more flexible and open management approach. That is why certain CSOs have been more successful in securing people's engagement and cooperation.

In an effort to address the above, a CDLD-based approach can prove to be catalytic in enhancing the impact of poverty reduction efforts, improve access to quality public services and enable communities to participate in and facilitate the development process. The CDLD – based approach can enhance the capacity of Government of Sindh and its partners to more accurately target the poor and allow for funding of sub-projects that more accurately reflect the needs and preferences of the poor.

In addition, the CDLD approach can improve the participation and inclusion of the community members including the disadvantaged groups. Participation in the development promotes community ownership, which in turn can improve accountability and governance. The CDLD approach, thus has the ability to strengthen accountability relationships between beneficiaries/communities and service providers (i.e. Government of Sindh and its implementing partners). Moreover, participation also leads to enhanced project sustainability. Working through local social structures can ensure a continued impact of project intervention after its completion, and hence create better value for money.

However, to achieve these benefits, participation of the communities needs to be institutionalized, rather than being undertaken on an ad hoc basis. It is absolutely necessary to extend participation beyond consultation and strategy formulation and to institutionalize it in the actual implementation. The CDLD policy as outlined in this document provides the opportunity to institutionalise participation in the implementation as well as monitoring of the PRS interventions.

Rationale Priority 3: Need for a Government-CSOs Partnership Approach

Poverty eradication, or at least alleviation, has been the development agenda and goal of all governments and all development agencies and organizations – official and non-official – over the last seven decades. The 18th amendment and the 7th NFC Award have now placed responsibility for development in the provincial domain. There is, thus, an abject need to introduce effective policies, strategies and programmes at the provincial level.

To date, vast sums have been invested, including amounts borrowed from domestic and foreign sources and including grants from foreign governments and agencies. And loud claims have been made over successes in reducing poverty. Over the last 7 decades, there have been many State-level policies, plans and schemes to address poverty and for over the last 4 decades, there have been many Community-level interventions to alleviate poverty. However, an analysis of the poverty scenario in Sindh as presented in section 2.1, shows that despite the efforts by government, and development partners, the problem of rampant poverty still pertains.

The State has the capacity to intervene at scale but has not been successful in reaching villages and households. On the other hand, community organizations have limited capacity to scale but can reach villages and households. Given the relative strengths and weaknesses of public and civil society organizations, it is advisable to harness the relative strengths of both. In this respect, the traditional divide between public versus private sector centred development strategies is now irrelevant. Ideology has to give way to pragmatism. The demands of socioeconomic development are too large and too urgent for any one section of society to meet in isolation from other stakeholders. The situation establishes the justification for initiating a new approach to poverty reduction through adoption of partnerships with civil society organisations.

The goal of socioeconomic development calls for a reorientation of the paradigm for executing development plans. While keeping ownership in the public domain, implementation or management can be contracted out either to a private party or to a civil society organization – wherever feasible. If not in their entirety, schemes or functions can be unbundled and specific parts can be contracted out. Of course, the implementation or management contract needs to include specified performance standards, capable of being subjected to a performance audit.

Sindh has already taken the first steps in this direction, realizing the enormity of the developmental challenges and the resource and institutional capacity constraints facing the province. Its first infrastructure venture under the PPP regime is the 60-kilometer, 4-lane international-standard Hyderabad-Mirpurkhas Highway. It has undertaken two initiatives in the social sector. One is the setting up, by notification, of the Union Council-Based Poverty Reduction Programme (UCBPRP) and the other is the Public Private Health Initiative (PPHI). Both involve civil society organizations as partners and have recorded remarkable successes in the provision of social services efficiently – in terms of quality as well as cost.

Box 2: A successful case of Government-CSO Partnership: PPHI

The Peoples Primary Healthcare Initiative (PPHI), Sindh, was set up in 2007 as a Public-Private-Partnership by the Government of Sindh and is now registered as a company under the Companies Ordinance 1984. It is headed by a Board of Directors comprising 9 private and 3 ex-officio members from the Government of Sindh. The ex-officio members are Additional Chief Secretary (P&D), Secretary Finance and Secretary Health, Government of Sindh.

The need for partnership arose due to the reason that the Government of Sindh had an infrastructure valued at approximately PKR 20 billion for delivering Primary Health Care (PHC) in rural areas. There were nearly 1,000 Basic Health Units (BHUs) in Sindh, most of which were sub-optimally operational or dysfunctional. Most BHU were in a dilapidated condition and many were in illegal occupation.

PPHI started with one district – Kashmore – and has now expanded to all districts except Karachi and the number of BHUs operated by PPHI now stands at 1,139. PPHI repaired and rehabilitated 982 BHUs and had 182 BHUs in illegal occupation vacated. It has staffed 447 BHUs with lady doctors, compared to 21 earlier; expanded the number of medicines provided free of cost from 22 to 115; installed laboratory and ultrasound facilities to about 200 BHUs, compared to zero earlier; added 157 ambulances,

compared to 7 earlier; carried out over 66,000 snake bite vaccinations, compared to zero earlier; conducted over 400 major and nearly 2000 minor eye surgeries, compared to zero earlier; provided EPI support at 589 centres, compared to zero earlier; and conducted nearly 30,000 community and school health sessions to raise awareness about preventive health issues. Resultantly, the average number of Out-Patient Department (OPD) visits per day has soared more than 6-fold from 3.5 Million in 2007 to 22 million in 2017. The success of PPHI is a testimony to the potential for Public-Private-Partnerships.

Table 3.2.2-1 PPHI Performance Card 2007-2017

Year 2007		Year 2017	
BHUs requiring repair & rehab	390	BHUs repaired & rehabilitated	982
BHUs in illegal occupation	182	BHUs vacated	182
Daily OPD attendance	3.5 m	Daily OPD attendance	22 m
No. of BHUs Plus	0	No. of BHUs plus	250
BHUs with Lady Doctors	21	BHUs with lady doctors	447
BHUs with Ultrasound service	0	BHUs with ultrasound services	218
BHUs with laboratory facilities	0	BHUs with laboratory facilities	196
No. of ambulances with BHUs	7	No. of ambulances with BHUs	157
Provided EPI support	0	Provided EPI support	589 centres
No. of eye surgeries conducted	0	No. of eye surgeries conducted	425 Major 1,933 Minor
No of medicines provided free	22	No. of medicine provided free	115
No. of anti-snake & anti-rabies vaccinations carried out	NA	No. of anti-snake & anti-rabies vaccinations carried out	66,140
No. of community health sessions	0	No. of community health sessions	14377
No. of school health sessions	0	No. of school health sessions	13,608

Source: PPHI

Rationale Priority 4: Interventions to Address Urban Poverty

The rationale for the type and nature of proposed interventions to address urban poverty is based on the following background considerations:

- Research and consultation during the policy development stage confirms the different dimensions of urban and rural poverty. The poverty reduction strategy in urban areas, unlike in rural areas, cannot and need not be predicated on the specific social mobilization mechanism developed in the latter. In rural areas, communities are to a large extent bound by location, i.e., a village. This is not the case in urban areas, where there is a degree of mobility within and around the urban area. (Support mechanisms relating to interventions in urban poverty reduction will involve a level of social mobilisation – for example, in relation to urban clusters as outlined in Section 4, but urban poverty experts advise that social mobilisation approaches needed in urban areas require different methodologies to that for rural areas, and specifically the three-tier structure of social mobilisation used by RSPs in rural areas is largely not relevant.
- It has been concluded that the urban poverty interventions must be focussed in small cities and towns. The rationale for focusing on small cities and towns and not the large urban areas such as Karachi is that investment in poverty reduction initiatives in large urban areas may not have a long-lasting impact. Creation of new opportunities may in fact have a perverse impact – attracting and encouraging immigration from other parts of the country, thus creating increased pressure of surplus labour.
- As illustrated in Section 2, the failure of the trickle-down effect on poverty from large urban centres was considered. For example, Karachi is the least poor district, but Thatta which is located adjacent to Karachi ranks among the poorest districts. Focusing on the small cities and towns and cities within largely rural districts provides opportunity for creating linkages between rural and urban poverty reduction initiatives – for example, interventions can be directed at creating opportunities in agro-based small and medium enterprises.
- As also highlighted in Section 2, research has shown that urban poverty is largely explained by unemployment and employment (including self-employment) is a function of the level of enterprise activity. All urban areas do possess some enterprise activities. Their potential is constrained by lack of supporting systems - institutional, infrastructure (physical and human) and market support systems. The level of economic activities can be expected to rise, and even improve qualitatively, if that support system is made available.
- Given that the rural migrant labour is uneducated and unskilled, prospects for ‘white collar’ employment in formal sectors are minimal. Employment opportunities in the ‘blue collar’ domain in the formal manufacturing sector is also limited on account of stagnancy and growing capital intensity. Resultantly, prospects for growth of small/micro enterprises sub-contracting work from large enterprises, i.e., vertical linkages, are low. Informal trades and services in urban areas are already crowded, with the result that any further increases in numbers is likely to further depress average wages and compound poverty. Prospects may, therefore, exist in

developing small/micro enterprises and crafting horizontal linkages between them. A detailed discussion on this concept is presented in section 4.

Rational Priority 5: The Need for a New Approach - Beyond Micro—Level Interventions

A major plank of the PRS presents a concept and strategy that provides a response to well-identified key issues that came up as common themes through the inception and policy development stage, including:

- The issue that micro-level interventions alone cannot solve the wider issues of poverty, and that despite thirty years of dedicated work in this area and numerous case studies demonstrating that micro interventions have benefited numerous households, there has not been a discernible change in overall poverty indicators for Sindh.
- There is a need to utilise interventions that build on the key principles previously outlined, including:
 - o Working at the confluence of macro-and micro level interventions – essentially focusing on a meso-level strategy
 - o Building on a CDLD-based approach but
 - o Introducing innovation and learning from experience in introducing improvements in the way forward
 - o Utilising interventions that build on the concepts of
 - Agglomeration and
 - A catalytic effect
 - o Utilising a GCP approach

As pointed out in Section 2, the sharp increase in population and density lays greater pressure on available resources and, combined with the fact that 75% of the province's rural population subsist below the poverty line¹⁷, literacy rate is below 50%, 30% of school age children are out of school, infant mortality rate is 87 per 1000 live births¹⁸, etc., adds seriousness to the issue.

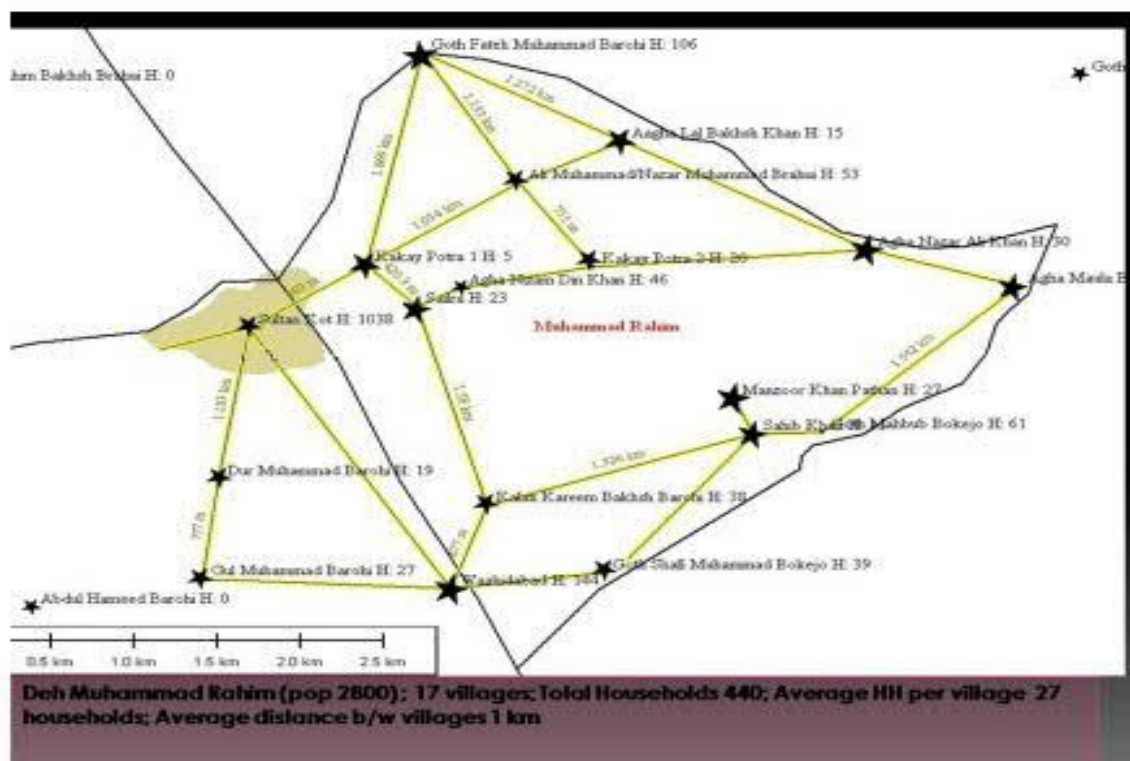
Figure 3.2.2-1 shows the map of Deh¹⁹ Muhammed Rahim, adjacent to Sultankot taluka in District Shikarpur, with total population of 2,800 distributed in 17 villages located at distances of one kilometre each. Total households number 440 and average village size stands at 27 households; but ranging from 5 to 106 households each. Clearly, provision of a school or medical facility in each of the villages is not likely to be cost efficient. The practical issues of placing qualified teaching and medical staff in each of the villages is prohibitive.

¹⁷ Multidimensional Poverty in Pakistan, GoP/UNDP, 2016

¹⁸ www.sindh.gov.pk/about_sindh.htm

¹⁹ Deh is the lowest administrative unit

Figure 3.2.2-1 The Map of Deh Muhammad Rahim



The policy implications are clear. Resources will need to be applied with greater efficiency in order to achieve any development or, specifically, poverty reduction targets, particularly in rural areas. The distribution of population in rural areas is such that there are villages with a population of 5 – one household only! – To a population of 16,000. Clearly, provision of physical or social infrastructure and services to small, isolated villages is cost inefficient and economies of scale are small.

One option is to borrow a page from Central Place Theory and identify a cluster of villages, having reasonable proximity between them, and a ‘central’ location within it to act as a hub. The objective of selecting a hub is to locate social and economic services centrally, but which can be accessed by households in villages within the cluster. And the objective of centralizing services is to concentrate scarce resources for optimal utilization and benefit from agglomeration economies. The concept can be described as ‘centralizing’ at the ‘decentralized’ level; i.e., centralizing the currently fragmented rural service delivery and spatial environment at the ‘decentralized’ sub-taluka level. Needless to say, the cluster is a notional construct and does not entail any reorganization of political or administrative boundaries. As such, no changes to the existing political and administrative institutional arrangement is envisaged.

The creation of a Rural Hub (a supply side development) is likely to have a catalytic effect on promoting economic activities and service delivery (a demand side development). Rural Hubs hold a catalytic value for poverty reduction by four means:

- (a) raising household incomes
- (b) saving on avoidable household expenditure
- (c) reducing transaction costs and
- (d) fiscal savings for the government.

3.2.3 Key Principles and Definitions Applied During the Policy Development Stage

Overarching Principles for Poverty Reduction

Two key principles emerged from background research and consultation, to drive work on the PRS. These principles emerged during the inception stage and were further confirmed through subsequent research and consultation with experts in the field of poverty reduction during the policy development phase. These principles are:

1. Agglomeration is the key to rapid growth – hence growth centres are seen to be critical in poverty reduction as well.
2. A catalytic approach is needed to prioritize sectors and interventions, so as to reap maximum benefits beyond project periods and sustainability of the interventions in poverty reduction.
3. For poverty reduction to be successful, communities must be engaged in their own development

Thus, the PRS strategies are based on the above principles.

Key Types of Strategies for Poverty Reduction Impact at Community and Household Level

Research and consultation during the policy development phase indicate two major categories of poverty reduction strategies. These are:

1. Strategies that relate to 'survival' issues. Poverty reduction strategies in a range of countries include various initiatives aimed at improving the socio-economic conditions of poor sections of the population. But people cannot engage in activities aimed to improve their circumstances if at the same time they are struggling with the most basic of survival issues. Issues relating to threats to life and the basic living conditions necessary for human survival must be addressed first. The context of poverty in Sindh - with 39% of households using contaminated water and poor indicators of nutrition (underweight prevalence 42%, stunting prevalence 48% and wasting prevalence 15.9%)²⁰ - is such that a significant proportion of the population is struggling with the most basic of survival issues. Survival strategies are aimed to save lives and are needed to address adequacy of basic living conditions in the following key areas:
 - Water – regular supply of clean drinking water
 - Sanitation – for health and hygiene
 - Nutrition – access to an affordable nutritious diet
 - Shelter – affordable and adequate housing and disaster protection
 - Health Services - access.

²⁰ MICS data, 2014, Sindh Bureau of Statistics.

2. Strategies that provide opportunity for individuals and households to get out of the poverty trap. These strategies focus on interventions aimed to either increase household assets or improve chances of employment. Such strategies usually focus in the following key areas:
 - Education – to ensure standard literacy levels
 - Vocational skills development – for employment opportunity
 - Enterprise development – to increase assets and income levels.

Experiences of other developing countries also suggest that ensuring universal access to housing, water, sanitation and basic utilities, as well as essential social services such as nutrition, health, education, skills development and well-designed social protection is extremely important for reducing poverty and promoting equality of opportunity.

The PRS for Sindh thus includes provision for survival-based and opportunity-based strategies in poverty reduction.

4. THE POVERTY REDUCTION STRATEGY

Building on the background explained in Section 2 and the working assumptions and rationale presented in Section 3, this Section presents the salient features of the policy and strategic approach for poverty reduction in Sindh.

The first section outlines the policy framework and strategic actions for implementation of the Community Driven Local Development policy which is a specific focus of the poverty reduction strategy and particularly with regard to rural poverty. This is followed by a section on addressing urban poverty, outlining the policy and the strategic approach for implementing the proposed interventions. The third main section presents details of a new strategic framework for rural development in Sindh. The last section presents some further policy recommendations which emerged after research and stakeholder consultations.

4.1 COMMUNITY DRIVEN LOCAL DEVELOPMENT – THE FOUNDATION

4.1.1 The Policy for Community Driven Local Development

Guiding Principles for a CDLD Policy

In consultation with stakeholders, the following key principles emerged as being fundamental to, and at the core of, a community-driven local development approach in poverty reduction.

- Participation in their own development is a basic right of communities, and poverty cannot be reduced without active community engagement
- Social mobilisation is at the heart of community-driven local development
- A women-centred approach not only empowers women but is the most effective way to reduce poverty at the household level
- Poverty reduction at community level can only be implemented effectively through a partnership between Government and community organisations
- A new paradigm in planning is needed, with grassroots community involvement and combination of a top-down/bottom-up approach.

Policy Actions to Implement a CDLD Policy

With the above principles as the core of a CDLD policy for Sindh, resulting policy actions by the Government of Sindh to implement the CDLD policy include:

- The Government of Sindh formally adopts and implements a poverty reduction strategy (PRS) with a specific focus on community-driven local development (CDLD). Implementation will include:
 - o Institutionalisation of CDLD into GoS strategic planning frameworks, and institutional practice and process
 - o Mainstreaming of CDLD into GoS sector strategies

- o CDLD shifts from a 'project' mode to ongoing programme mode, with associated changes in institutional oversight and management
 - o Leveraging on the work done in CDLD implementation and through CDLD approaches by others – Federal level of government, other donors, NGOs/CSOs and the private sector
- The Government recognises the social capital created at community level through social mobilisation. This recognition will include:
 - o Facilitation of services to communities, including through line departments, by leveraging the institutional structures and social capital created through social mobilisation
 - o The GoS recognises the three pillars of a CDLD approach needed – the political and administrative pillars of government and 'institutions of the people' (community-based organisations)
 - o The GoS endorses the Joint Development Committees, currently established in eight districts under the SUCCESS programme, and establish JDCs in the UCBPRP and other remain districts – with representation of district and local government, line departments and community representatives (members of LSOs). A brief on the JDCs established in eight SUCCESS districts is attached as Annex 6.
- Commitment to implementation of the PRS and CDLD policy through a Government-CSOs partnership (GCP) model and approach. Implementation will include:
 - o The government will work with community organisations, for increased responsiveness to community needs
 - o Recognition of the role of RSPs and other CSOs as implementers of a GCP approach in community-based local development, for poverty reduction
 - o The Government-CSOs partnership model for poverty reduction will feature the following accountabilities:
 - The role of Government in partnership with communities is to ensure a poverty reduction focus in the strategic framework for service provision and delivery of programmes, and to ensure effective downward accountability
 - The Government will ensure two-way transparent monitoring and accountability mechanisms, with effective tools to ensure downward accountability in fiduciary compliance, and community-based input to monitoring of GoS programmes
 - The role of communities is to ensure grassroots input to district and community-level planning and implementation of plans.

As explained earlier in section 2.2.3., the Government of Sindh through its various line departments' ADP allocation and recurrent budget, is engaged in providing pro-poor services and a range of activities which have an impact on poverty at the community and household level. This is consistent with the focus of the CDLD policy and CDLD-based interventions. Also, the various sector strategies, identified in section 2.2.1, also have either a direct or indirect

focus on poverty. Needless to say, it is assumed that the pro-poor functions which the various line departments of GoS are engaged in should be continued and in some cases, need to be strengthened. In addition, these pro-poor programs and functions will have an enhanced impact if structured and delivered in effect of the CDLD policy principles outlined here.

It is encouraging to note that some sector strategies, for instance the Sindh Sanitation Strategy 2017, have adopted a community-based approach for implementation. Other GoS programmes such as the Accelerated Action Plan for Reduction of Stunting and Malnutrition are also designed in accordance with community-based approaches and include a component of social mobilization as an implementation tool. The concept is that the social capital in the form of creation of community institutions through social mobilization in the GoS' UCBPRP and EU's SUCCESS programme should be leveraged for the implementation of the existing and upcoming GoS programmes. The adoption of this proposal will result in cost savings for the GoS and also lead to sustainability of the capital created through UCBPRP and SUCCESS.

The CDLD approach is predicated on the 'RSP model' of the three-tier social mobilization structure, which has been adopted for implementation of the UCBPRP and the SUCCESS programme. This is a woman focussed approach which organises communities in to three tiers of organisations – Community Organisation at the neighbourhood level, Village Organisations at the village level, and Local Support Organisations at the Union Council level.

4.1.2 The Strategic Approach to CDLD Implementation - Expansion of Union Council-Based Poverty Reduction Programme

In addition to the policy actions outlined above in section 4.1.1, further expansion of the UCBPRP is envisaged as a primary means for extension of CDLD implementation. The existing UCBPRP programmed was outlined in Section 2.2.2 above and as noted, UCBPRP is the 'flagship' poverty reduction programme of the GoS and the primary vehicle, at this stage, of the GoS' CDLD-based interventions. The assumption is that, with adoption of the PRS with CDLD formalized as a core strategy, UCBPRP will continue to be at the core of an expanded programme of CDLD implementation.

The proposals for expansion of the UCBPRP include the following:

- That the existing programme with 10 districts be expanded to include 5 new rural districts. Together with the SUCCESS programme working with 8 districts, this would expand the combined UCBPRP/SUCCESS CDLD-based programme to all rural districts of Sindh
- That the whole UCBPRP programme be re-designed as an overall programme with a defined phasing strategy for activities in all districts. This would thus incorporate the current residual programme for 4 (previous) districts that is currently referred to as 'maintenance', the current 'new' 3-year programme for 6 districts which commenced in mid-2017, and the proposed new expansion for 5 new rural districts. This would include provision for a more defined 'exit strategy' (re-defined as transition to a 'sustainability' phase) where the programme becomes self-managing at community level and with provision for the revolving fund accumulated from

the endowment of CIF funds to be fully transferred to the LSOs - where an appropriate level of community capital has been built through social mobilization. This would require an appropriate level of ongoing administrative/fiduciary oversight for accountability purposes.

- That the current PMU for UCBPRP becomes the core of an expanded PMU, with greater responsibility for oversight of an expanded programme, greater focus on mainstreaming and integration of a CDLD approach with line ministries, and greater accountability and associated capacity for procurement, contract management and monitoring (including monitoring and auditing for financial management purposes as well as monitoring for impact evaluation).

The above changes and expansion to new districts will require careful phasing in introduction – the detail of which will be addressed in the Roadmap for implementation. Enhanced capacity development of the PMU would be an essential part of the roadmap provisions. Detailed discussions on this are presented in Section 6.

4.1.3 Proposed Changes to the UCBPRP Programme Design

As detailed above, the expansion of the UCBPRP in the remaining 5 rural districts of Sindh is a means for extension of the CDLD implementation. However, it is also proposed that the revised programme include provision for some changes to the existing interventions, including:

- o A village improvement programme for community-based improvement of facilities and infrastructure, incorporating CIP allocation (which was removed from the new programme for 6 districts), and additional provision for low-cost housing. (This is aimed to address the need for more assistance with ‘survival strategies’ at community level, outlined in Section 3.2.2 above.)
Additional funds for enterprise development to boost rural economic activities
- o Provision for variation of the use of CIF funds (for example, allowing a number of households to pool individual household allocations together to fund agreed community projects, or allowing a variation where a percentage of the total CIF fund per district is made available for community projects, in addition to per-household allocations).

4.2 ADDRESSING URBAN POVERTY

4.2.1 GoS Policy for Addressing Urban Poverty

Based on the rationale presented above in Section 3.2.1. and the key principles presented in section 3.2.3., it is intended that:

- The same principles of CDLD applied to rural development poverty reduction may also be generally applied as a policy approach to urban poverty. However, different focus and variations to methodologies and interventions will be required for success in poverty reduction outcomes for urban areas – because the poverty characteristics and needs of urban and rural communities are different.

- Cluster-based ‘industrial’ developments in small cities and towns and cities in the largely rural districts of Sindh (and potentially in peri-urban areas), may be adopted as a policy by the Government of Sindh to accommodate the livelihood needs of targeted urban poor such as rural migrants, to address poverty. The GoS may adopt, as policy, development of clusters of similar or complementary non-agricultural activities, that can take advantage of proximity of location for enterprise development, essentially operating as SME co-operatives – thereby creating opportunities for income-generating activity and employment.
- A GoS/CSO partnership approach may be applied in implementation of policy actions for urban poverty reduction.

The implementation of the policy may be prioritized in the poorest districts of the province. In addition, the selection criteria may include the rate of urbanisation and districts ranking the lowest in terms of urbanisation may also be prioritised.

4.2.2 The Strategic Approach for Addressing Urban Poverty

The core of the poverty reduction strategy for addressing urban poverty is that poverty in urban areas is primarily a feature of disadvantages in income and employment. Therefore, interventions must target ways to achieve poverty reduction outcomes by creating or facilitating improved opportunities for increased income generation through enterprise development and employment.

Implementation of the policy is envisaged as two-fold:

- Expansion of the UCBPRP approach into urban parts within the rural districts, (and potentially peri-urban areas) and
- A particular focus on urban economic clusters.

As noted above, approaches required for poverty reduction in urban areas, and for working with urban communities, need to be different to those that may be applied in rural areas, and in rural development activities – because the needs are different. The approaches that will vary include mechanisms for deciding on recipients for targeted assistance. The focus is not on targeting ‘the poorest of the poor’ as in the rural development programme, where RSPs utilise the Poverty Scorecard mechanism for defining categories of poverty. Instead the approach in urban areas is more about targeting areas where there is pressure from rural-urban migration and targeting interventions that are aimed to create or facilitate viable opportunities for income-generating activities, enterprise development and employment.

Urban Economic Clusters

Small cities and towns in predominantly rural districts – with defined characteristics (local resource endowment, location and road/rail connectivity, etc.) – may be targeted to identify ‘Urban Economic Clusters’, where the government can facilitate enterprise development opportunities through shared utilities and connected work spaces, to facilitate small mono-industry clusters of micro-enterprises engaged in similar or complementary non-agricultural activities. Social mobilization of existing and potential producers/manufacturers and organization of support services (linking with input suppliers

and markets, micro-credit, technical and managerial training, etc.) will be the support mechanisms required, and facilitation of this would be the domain of CSOs.

As noted above, urban poverty is largely a function of unemployment and employment (including self-employment) is a function of the level of enterprise activity, for which even where potential for enterprise development exists, this potential can be constrained by a lack of supporting systems including infrastructure, institutional, technical and skills development and marketing opportunity. As noted earlier, these supports include a policy framework, dedicated utilities-connected work spaces, technical, managerial and marketing skill development, and marketing networks. The level of economic activities can be expected to rise, and even improve qualitatively, if these support systems are made available.

As such, the driver to enabling grass-roots enterprise development may be enhanced through economies of scale – utilising cooperation between individuals/enterprises where there may be mutual commercial interests. Provision of support to a cluster of enterprises, located in close proximity, is expected to generate economies of scale or what is also known as ‘agglomeration economies’. Thus, the concept of ‘urban clustering’ is proposed as a specific component of the urban poverty programme interventions.

The notion of horizontal linkages has its roots in the concept of agglomeration economies propounded by Alfred Marshal in 1890. Agglomeration economies refers to the reduction of unit costs for individual firms as common fixed assets are shared; thereby, rendering them relatively more competitive. This concept was applied by Michael Porter²¹ in 1990 to forward the concept of ‘business cluster’.

Similar businesses that use similar inputs or produce similar outputs can share common resources or markets. They can resort to joint raw material purchase, specialize in different components that are then assembled, distribute a large order among themselves. Clusters act as a large integrated plant, enjoying most of the benefits of economies of scale that large units accrue. The cooperative effort can also serve to reduce individual capital requirements and distributes risks.

Clusters can be identified in four ways:

1. Sectoral cluster: Businesses that operate within the same commercial sector
2. Horizontal cluster: Businesses that share resources
3. Vertical cluster: Businesses that are component part of a supply chain
4. Geographical cluster: Businesses that are located in close vicinity and share resources and/or markets

Again, there can be several types of clusters i.e., high-tech clusters, know how-based clusters, knowledge services clusters, factor endowment clusters, and low-cost manufacturing clusters.

Of interest in this study are geographical, low cost manufacturing clusters, given the low technical and managerial skill and low capital capacity level of the rural-urban migrant that is the focus of the current effort.

²¹ Porter, Michael, *The Competitive Advantage of Nations*, New York Free Press, 1990

Clusters of workshops of different types have long existed informally in Pakistan. A recent study gives some indication of the system of internal organization in small manufacturing enterprises and points to the existence of sectoral clustering of small firms. The study sampled 328 microenterprises across two cities, Gujranwala and Karachi, and in ten distinct manufacturing sectors. In Hazara (north-east Khyber-Pakhtunkhwa) and Potohar (northern Punjab), such clusters are known as 'Ahata', meaning compound. Clusters of automotive repair workshops are common across the country, for example.

Economics of Small and Micro Enterprises (SME)

Central to the growth of clusters is the subject of small and micro enterprises (SMEs). Growth and development of SMEs is a function of a set of supply and demand related factors. The supply related factors relate to the ability of SMEs to deliver, i.e. their financial and skill endowments. The former includes their ability to generate investment and working capital funds either through their own resources or through the financial market. The latter includes entrepreneurial, managerial and technical skills, including marketing skills and the ability to adapt and innovate. The demand related factors relate primarily to the strength of market demand for their products/services.

It has been argued that if SMEs are economically efficient, then the rationale for providing subsidized support no longer exists. Here, distinction has to be made between individual firm level efficiency and collective industry level efficiency. It is the latter case which is of interest from the point of view of support programmes. It is acknowledged that collective efficiency is below par, but capable of being raised through collective action, complemented by exogenous support.

The efficiency arguments are, however, somewhat complex and are not easily amenable to generalized conclusions. This is because of the pervasive heterogeneity of the SME sector. The economics of each SME sub-sector, such as food processing, metal works, furniture making, automotives, etc., is uniquely different. Within a sub-sector, moreover, the economics of a firm with less than 5 employees differs from that of a firm employing more than 20 workers. Understanding the heterogeneity of the SME sector is important.

SMEs have generally been viewed in terms of their sub-contractual relationship with large scale enterprises in the formal sector. Recent research, however, indicates that SMEs are capable of operating autonomously on the strength of sub-contractual relationships with other firms in the SME sector itself. This relationship has been shown to be effective horizontally and vertically.

This inter-firm cooperation and networking has been defined as the Flexible Specialization paradigm and involves the spatial clustering of SMEs within a particular industry. This phenomenon has also been described as the spatial and sectoral agglomeration of SMEs through production-based networking.

SMEs are marked by insufficient capital and skill resources, by diseconomies of scale and by market and information failures. Inter-firm clustering and networking results in concentration of skills within the area of a localized industry. The concentration provides a 'specialized' labour market for employers and lowers the job search costs; it leads to inter-firm division of labour, with individual firms specializing in specific aspects of the production of a given final product; inter-firm specialization and division of labour also permits the use of specialized and expensive machinery; it promotes a sharing of ideas relating to

new processes, technologies and markets; and so on. As such, spatially concentrated SME clusters tend to perform as a big integrated plant, availing the benefits of economies of scale and scope.

Local governments have generally played a key role in the relatively developed countries in promoting such institutional arrangements in support of the development of the process of inter-firm clustering and networking. A specific is that of central Punjab, where there was a cluster of home-based workshops producing stainless steel cutlery. However, the final 'silver-plating' process required a sophisticated plant, which was hugely expensive and unaffordable by any one enterprise. The provincial government set up a common service centre to provide the service on an hourly rental basis and there is evidence of a positive impact on the development of the SME sector in central Punjab. In Karachi, the Orangi Pilot Project (OPP) organized home-based women by providing them training and credit and facilitating marketing channels on a no-profit-no-loss basis.

4.2.3 Proposed Programming Approach for Urban Poverty Reduction Interventions

Expansion of the UCBPRP programme is to include an urban poverty programme where the focus is on 'urban within rural' i.e. focusing on small cities and towns within the rural districts, prioritising those cities and small towns where the incidence of poverty is higher than the incidence of poverty in the rural areas. (A similar approach could be taken to the peri-urban areas – i.e. 'rural within urban'. The logic of targeting is largely the same – where rural-urban migration has created a demand for increased enterprise development and opportunities for employment.)

It is proposed that this urban programme would be extended to all 23 rural districts – thus including the 10 existing and proposed new 5 districts and the 8 SUCCESS districts. Following the same rationale as for extension of UCBPRP in 5 new districts, it is proposed that a similar Govt-CSOs partnership approach be adopted for implementation of UBPRP expansion in urban areas.

The proposed urban poverty programme consists of:

- A general urban poverty programme, entitled 'Urban Income Enhancement Programme', where the key interventions would include support for enterprise development and vocational skills training, targeted at individuals and households where there is viable capacity for employment or enterprise opportunity.
- A specific focus on urban economic clusters, as having possibly the most potential for small enterprise development. Clusters can be:
 - located in the 'rural service hubs' or in taluka and district headquarters, as per feasibility
 - comprise of special 'compounds', with individual sizes flexible as per enterprise need
 - include (mobile) micro-finance unit(s) to cater to working capital needs
 - include (mobile) common technical service centres to cover a particular trade(s)
 - include (mobile) technical, financial and marketing training centres to cover a particular trade(s)
 - include (mobile) ICT support, if and where necessary and feasible.

Facilitating the above, with particular focus on the urban economic clusters, could be implemented through appointment by the GoS of a dedicated provincial coordinator, with a supporting implementation team, to work on identifying potential value chains based on local resource endowments, potentially contributing enterprises and the relevant supports that would be required.

The establishment and initial management of urban clusters may be entrusted to suitably qualified NGOs/CSOs, who can provide the initial market research to identify enterprise potential, facilitation support in working with appropriate agencies for the setting up of necessary infrastructure and other arrangements, and providing initial-stage incubation support and nurturing for a transition period. In time, however, the clusters should be expected to function and develop further under their own steam.

Each urban cluster may be dedicated (albeit not too strictly) to a defined production activity in line with the resource endowment of the hinterland of the cluster, i.e., raw material source and market destinations. Shop space in the cluster may be made available to a microfinance institution and one or more shops may be used to locate technical, managerial and marketing training facilities relevant to the economic activity.

Training is a key element in the support programme for urban economic clusters (as well as for facilitating individual opportunities for enterprise development or employment opportunities). Training is needed in different vocational and technical skills, book-keeping, marketing, etc. – but must be targeted to specific opportunities for enterprise development and/or employment, not just general offerings of vocational skills training. Credit needs is a function of market demand for output. Provision of credit without relating to the saleability of SME product is a recipe for non-recovery of loans.

Programming of interventions needs to address flexibility and variations to basic micro-level interventions as appropriate to an urban setting including:

- o Flexibility in the application of CIF funds, to improve targeting towards set-up funds for a range of small enterprise development options and
- o Provision for community-based application of 'survival strategies' appropriate to an urban setting – for example, community-based shared kitchen gardens.

4.3 INNOVATION AND A NEW STRATEGIC FRAMEWORK FOR POVERTY REDUCTION THROUGH RURAL SERVICE HUBS (GROWTH CENTRES)

4.3.1 GoS Policy for Consolidation of Public Services in Rural Hubs/Growth Centres

Based on the background of poverty and status of villages in Sindh and the rationale presented in Section 3.2.2, the Government of Sindh formally adopts the concept of Rural Hubs/Rural Growth Centers as a tool for development planning, service delivery and generation of economic activity in the rural areas.

Villages, in defined proximity to each other, may be identified as clusters and one or two villages within each cluster – with defined characteristics (population size, agricultural and livestock market, road/rail connectivity, presence of multi-classroom school, rural health centre, etc.) – may be identified as 'Rural

Growth Hubs' and which will be prioritized by the Government and partner CSOs for future allocation and investment of financial and organizational resources.

It must be noted that in the first phase, it is proposed that the Rural Growth Centers will be established as pilots with allocations under ADP. Going forward, the policy of consolidation of public services is proposed to be adopted by all line departments for planning and implementation of their developmental activities. This is discussed in detail in Section 6.

4.3.2 GoS Strategy for implementation of the RGCs

Through technological means using GIS and subjective judgement, the Government of Sindh may identify a cluster of villages, having reasonable proximity between them, and a 'central' location within it to act as a hub. The objective of selecting a hub is to locate social and economic services centrally, but which can be accessed by households in villages within the cluster. And the objective of centralizing services is to concentrate scarce resources for optimal utilization and benefit from agglomeration economies. The concept can be described as 'centralizing' at the 'decentralized' level; i.e., centralizing the currently fragmented rural service delivery and spatial environment at the 'decentralized' sub-taluka level. Needless to say, the cluster is a notional construct and does not entail any reorganization of political or administrative boundaries. As such, no changes to the existing political and administrative institutional arrangement is envisaged. The detailed methodology for identification of clusters and hubs is outlined in the section below.

The larger population base of a cluster that a hub is proposed to serve is likely to:

- enable concentration of economic services for provision of agricultural inputs and storage and marketing facilities, which will likely generate agglomeration economies and bring about balanced socioeconomic development in the entire area.
- extend higher level of services to village populations and enhance quality of life. For example, enable the establishment of
 - a) a multi-teacher high school campus, instead of a one room, one teacher primary school in each village, and also enable location of library, science and computer labs, etc.
 - b) a higher service level Rural Health Centre instead of a Basic Health Unit in each village.

A Rural Hub will need to be located on high ground to protect it and its infrastructure from flooding and relevant flood protection measures will need to be put in place. Local governments will have responsibility for building and maintaining the physical infrastructure in the hubs, including buildings, local roads, minor irrigation, etc., while many of the economic services will likely draw in the private sector.

4.3.3 Proposed Programming Approach for RGCs

Indicative Features of a Rural Hub

The Rural Hub may include, inter alia:

- Housing with amenities, including drains and walkways
- Commercial centre for:
 - storages of inputs (seed, fertilizer, etc.) and outputs
 - sheds/yards for trading/marketing of grain, livestock, and other commodities
 - milk collection point and chilling plant
 - small cold storage
 - agricultural equipment repair and maintenance facilities
- Bus stop and truck stand
- High school (multi teacher, multi classrooms, other facilities to cater to students from villages in the cluster; instead of one room/one teacher school in every village)
- Vocational training centre
- Rural Health Centre

Levels of Interventions

Three levels of interventions are visualized: government, private sector and civil society organizations.

At the government level, government line departments will be required to provide (build, rehabilitate or up-grade) physical facilities and spaces for commercial activities. Where such facilities are minimal in terms of level and quality, the allocations will need to be larger. However, these are likely to be initial, time bound ADP allocations and provisions for continuous recurrent expenditure are likely to be low – and that too at the local government level.

At the private sector level, private operators can be expected to set up/upgrade and operate their manufacturing, sales and service establishments, utilizing the infrastructure provided by the government. There is likely to be little or no expenditure requirement from the government. However, there is likely to accrue revenue income for the local government from local taxes, fees and rent charged from private sector operators.

At the civil society organization level, CSOs will operate designated public service delivery as contractors for the government, with funds made available by the government in line with approved budgets.

CSOs may be contracted by the Government to provide the following facilities and manage the following services via the network of COs, VO and LSOs:

- IGG/CIF/CPI funding for
- Housing
- Locally sourced water supply (hand pumps and/or R.O plants)
- Village improvement, i.e., drains and walkways (including maintenance)
- Other village facilities
- Kitchen gardening

- Enterprise development funding for: drinking water plants, livestock, milk chilling plants, village stores, village workshops, transport vehicles; thereby, contributing to improved services and development of local private sector.
- Minor irrigation works
- Local village to market roads
- Any other service identified as needed by village communities

The cost and budgeting implications and the details of PFM and institutional arrangements needed for the implementation of the proposed Poverty Reduction Strategy and CDLD policy are explained in detail in the subsequent sections.

Methodology for Identifying Village Clusters and Rural Hubs

The approach for identifying village clusters is based on spatial²² statistical tools of Geographic Information System (GIS). GIS is defined as “a system designed to capture, store, manipulate, analyse, manage, and present all types of geographical data. The key word of this technology is Geography – meaning that core of the data is spatial. It also helps to visualize, question, analyse and interpret data to understand relationships, patterns, and trends. GIS data can be presented in tabular and graphical form.

The benefit of using GIS is its capability of showing multiple data layers, one on another, providing a holistic picture of entire resource base and gaps. For the present exercise, by identifying village/settlement points by proximity and super-imposing different data layers on a single screen, it is rendered possible to visualize and identify a certain square kilometre buffer area, which can be called ‘settlement clusters area’.

The taluka is adopted as a base unit for this exercise and the number of Clusters comprising of settlements/villages is arrived at as follows:

$$\text{No of Village Clusters} = \frac{\text{Taluka Area}}{\text{No of Settlements}} \times \frac{1}{\text{Mean shortest distance}}$$

Where:

‘taluka area’ is area of the taluka in sq. km.

‘No. of settlements’ is number of villages in the defined boundary of a taluka

‘mean shortest distance’ is the average of shortest distance between settlement points

The shortest point-to-point distance is calculated for every settlement point through the proximity tools of ArcGIS²³ software. The mean of the Shortest Distance is universal for the entire taluka. The Shortest Distance calculation detail in ArcGIS is given in Annex 7a.

²² Spatial describes how objects fit together in space, either among the planets or down here on earth

²³ ArcGIS is a geographic information system (GIS) for working with maps and geographic information

GIS provides the flexibility to pick any number that best distinguishes feature similarities and differences. There is an option to Evaluate Optimal Number of Groups which automatically divides the data (i.e., settlement points) into multiple groups (i.e., clusters).

Data Acquisition and Verification

The type of data required for conducting cluster mapping via GIS includes:

- Village/Settlement with Lat-Long (latitude-longitude) information
- Tehsil/Taluka boundaries
- Union Council boundary
- Communication network: Highways, major roads, tertiary roads
- Water bodies: River(s)/Stream(s), canal(s), lake(s), underground potable water
- Land use/Land cover

The data is acquired from a number of sources, including:

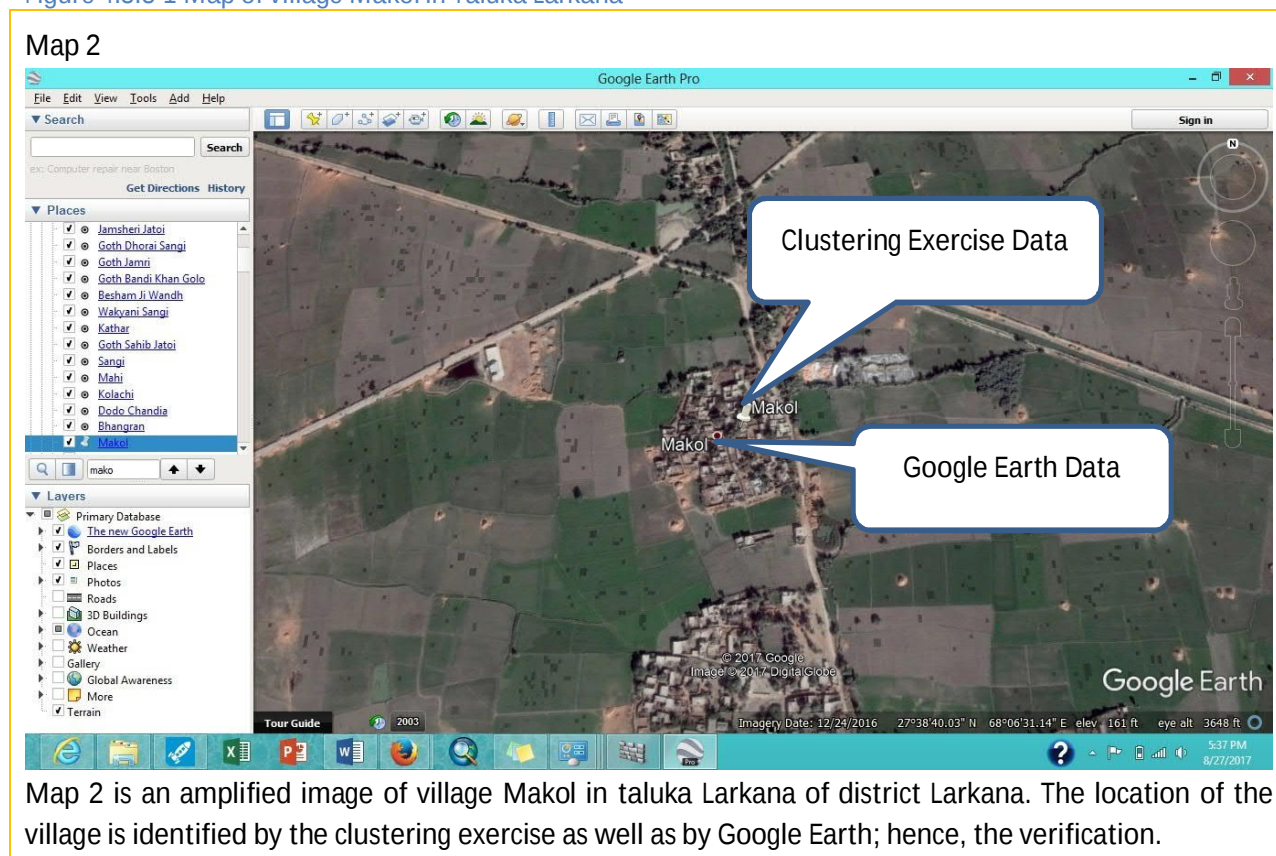
- Population Census office
- Planning & Development Department
- Election Commission
- Rural Support Organizations
- Online Resources.

The data collected from different sources was compared and cross-checked before incorporating into the software. To ascertain veracity of the settlements data provided by one or more of the above organizations, the available tool of Google Earth was employed, which amplifies village location and renders it possible to visually observe the village and its water and communications network. Once all the data points were verified, it was incorporated into the GIS software (ArcGIS) for cluster mapping.

Analytical Approach

The analysis provided numbered, categorized settlement points, each with an assigned cluster number. These clusters are super-imposed over the taluka base map and further over-laid with road communication network maps. Where necessary, caps were placed on distance between settlements and/or number of settlements in a cluster, to ensure reasonable distance and population size per cluster. For instance, it can be decided that the maximum distance between two villages shall not exceed, say, 20 kilometres or that no cluster shall be of population exceeding, say, 5,000. Where a cluster size exceeds the designated caps, it can be bifurcated or even trifurcated. Since population density and size (area) are different for every taluka, these caps will be subjectively determined on a taluka by taluka basis.

Figure 4.3.3-1 Map of village Makol in Taluka Larkana



All settlement points are grouped cluster-wise; thereby, every village is part of a cluster. The algorithm used for cluster mapping is Grouping Analysis. Cluster mapping and Grouping Analysis is detailed in Annex 7b.

Six categories of maps were developed for every taluka in project-specific districts.:

1. Settlement map
2. Road Communication map,
3. Water Bodies map, and
4. Village Cluster Map
5. Land use/Land cover map
6. Ground elevation map

These total 128 maps for 8 districts of SUCCESS project. Additionally, village detail tables – serving as a link to the displayed point data in maps – is prepared for every taluka, making a count of 32 tables in total. The Land use/Land cover map, based on satellite imagery, will be used to calculate the area covered by crops and other important features. It will be useful in estimating the change the area has undergone after development initiatives.

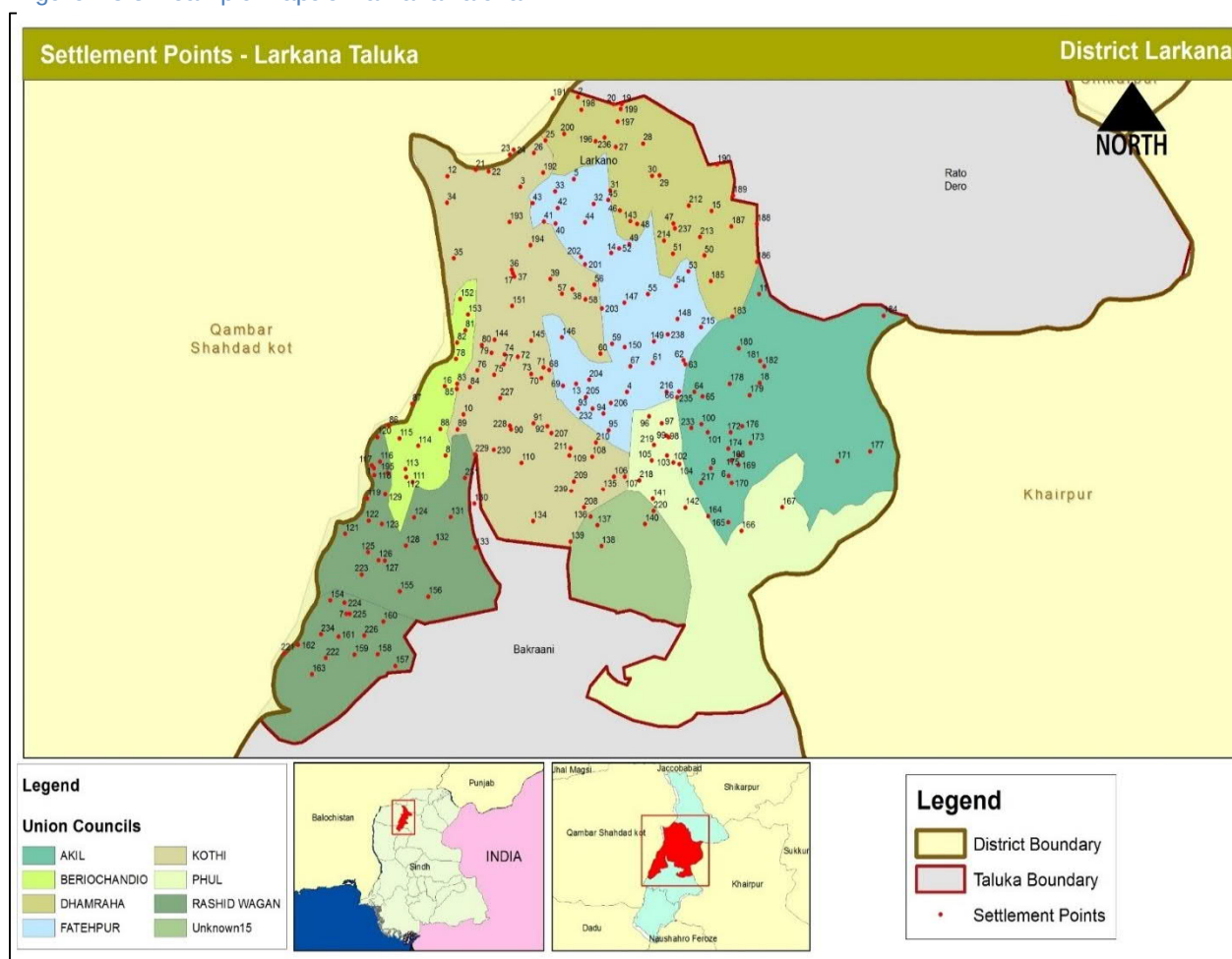
Cluster composition will take into account population size of the village and its accessibility to water sources and to road communication. However, the computer-generated clusters are technical outputs

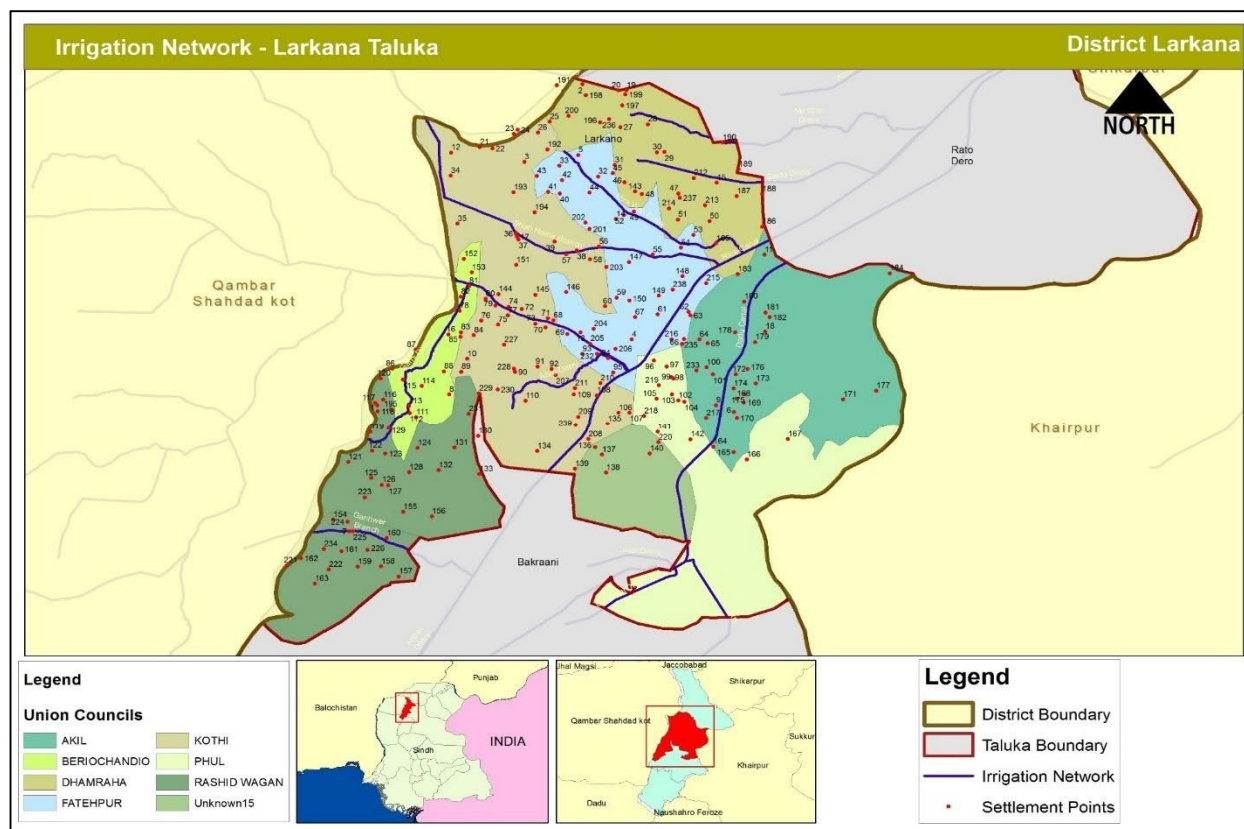
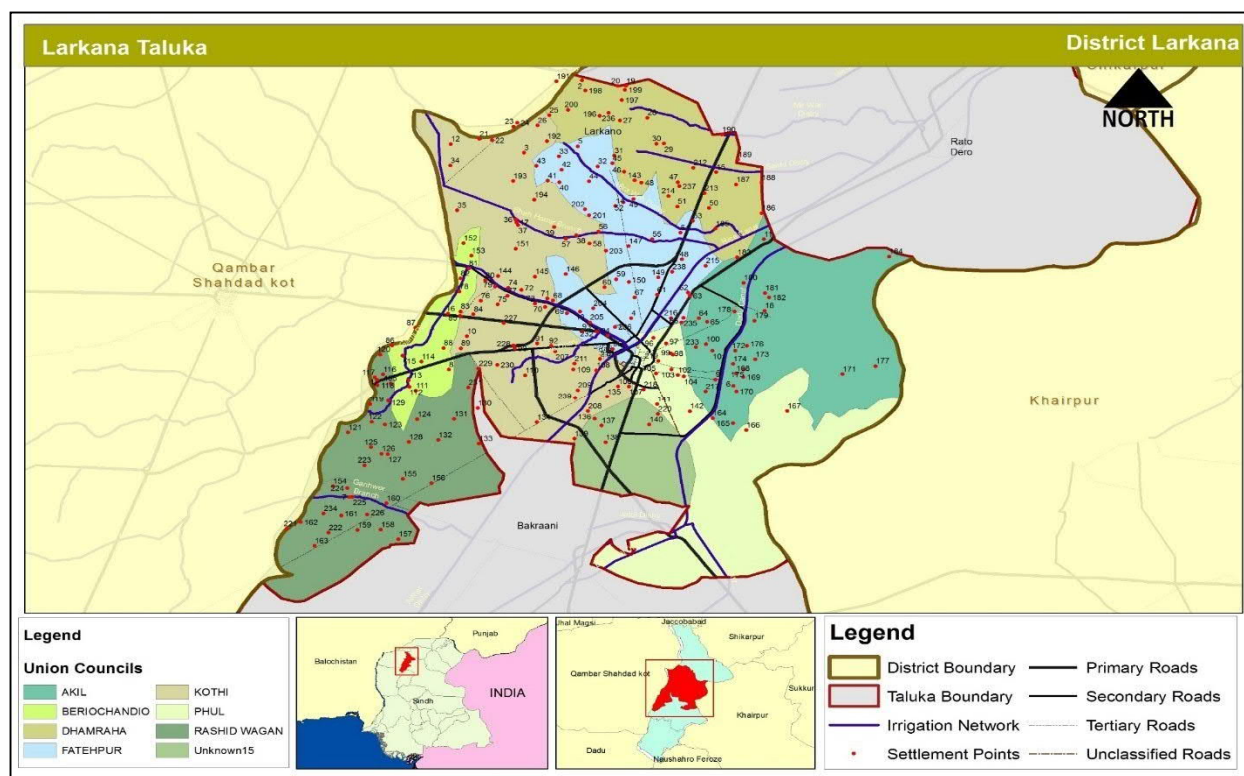
and topographical, ethnic/cultural, political, etc., factors will need to be taken into account to delineate cluster boundaries. For example, where a computer-generated cluster is traversed by a major waterway, it will need to be delineated separately; or where a computer-generated cluster includes villages with different, mutually hostile tribes/clans, it will have to be suitably re-delineated.

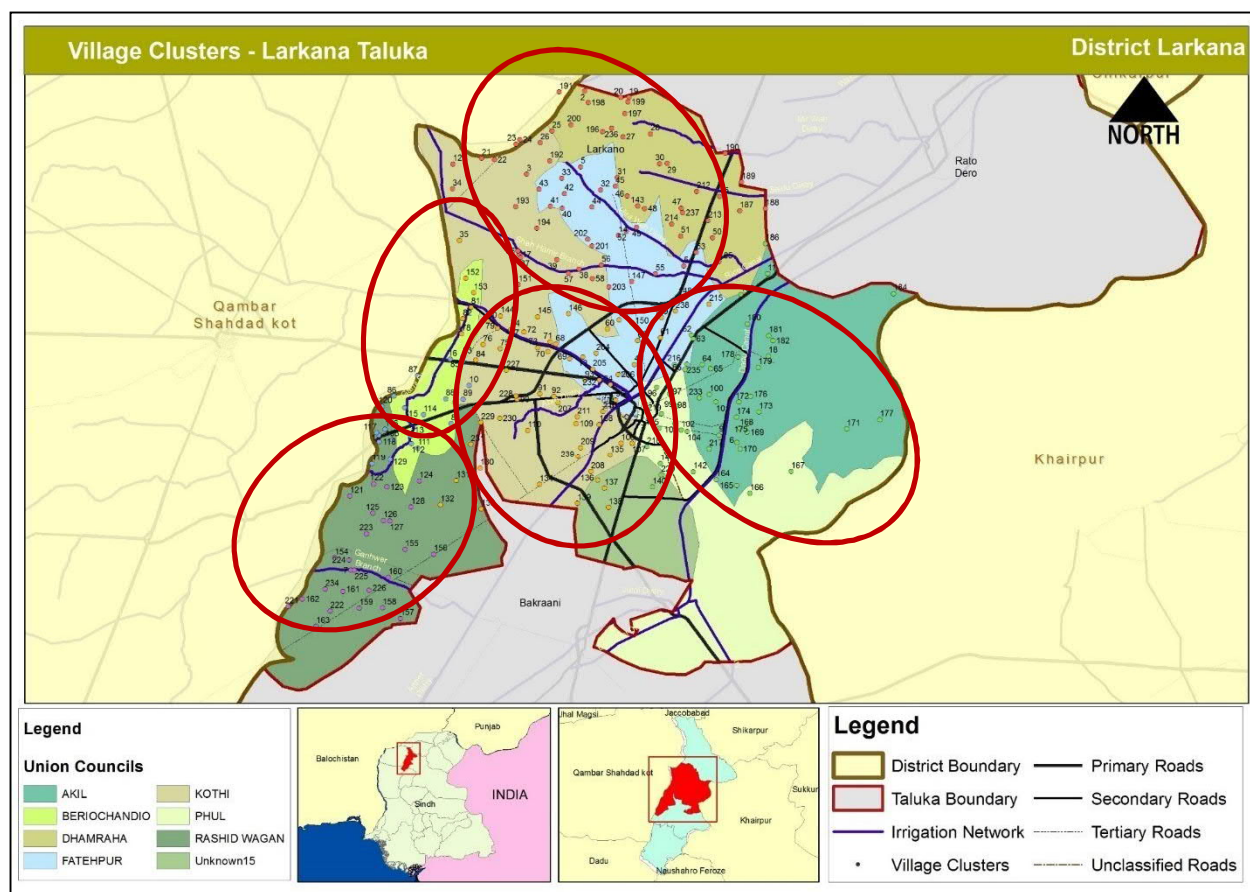
Selection of Growth Hub

Cluster boundaries, cluster population, road communication and water bodies network will be amplified to facilitate the selection of Rural Service Hub. Central location of a Hub is, generally, a necessary condition. Essentially, however, site selection is a political decision and the role of elected representatives, local civil servants and local community groups, e.g., RSPs, will be critical; however, the technical layouts will enable informed decision making.

Figure 4.3.3-2 Sample Maps of Larkana Taluka







4.4 FURTHER POLICY RECOMMENDATIONS

As discussed and emphasized in Section 3, an effective poverty reduction strategy for Sindh must address survival as well as opportunity strategies – because of the high percentage of the provincial population struggling with basic survival issues that prevent their effective participation in opportunity-based interventions. As illustrated in Sections 2.2.1 and 2.2.3, the Government of Sindh is engaged in delivery of various functions which have a direct impact on poverty at the household and community level and these functions and programmes encompass both survival and opportunity strategies. These pro-poor programmes and functions of the GoS must also be considered as a part of the overall poverty reduction approach of the GoS. This is also in line with the recommendation of pro-poor expenditure tracking discussed in detail in section 6. It must also be considered that the CDLD approach must be leveraged to enhance outreach to the communities. In addition, some further potential policy recommendations emerged during the research and consultation process with line departments and these are outlined below:

- While performing analysis of line departments' per capita expenditure against the poverty profile of the districts, it was found that in many instances, the poorest districts were not receiving a level of per capita expenditure as per the poverty index would suggest (Refer section 2.2.4). The line departments, especially those which have been identified as active and a key player for poverty reduction, should put planning effort into work to align their budget allocation per district with the poverty profile of the district. This aspect has also been considered in the phasing in of the proposed expansion of the UCBPRP to five new rural districts and the urban areas within the rural districts.
- It was found that the recurrent expenditure of line departments quickly eroded because of inflation. All programmes of the Government of Sindh should be indexed for inflation. This is especially relevant since most programmes are for a 5-year period.
- During consultations with various line departments, it was identified that coordination amongst line departments at the grass roots level is not effective. In many instances line departments are unaware of other departments' activities and programmes in the same district. For having a significant impact on poverty, developing synergies are extremely important. In addition, many line departments are involved in activities which are very similar to UCBPRP interventions. These synergies will be further explored during the Roadmap phase. Department wise recommendations are outlined below:
 - o Labour: Though the functional activities of the Labour department do not qualify as pro-poor, yet there are direct implications for poverty reduction. At present, the department is covering the formal sector for execution of labor law and regulations such as child labor, minimum wages and labor welfare. The department wants to broaden the horizon of its operations and formalize the informal sector which heavily engages the poor. Supporting and accelerating this approach needs to be considered. The results of the expenditure analysis are a reflection of this policy implication. District wise expenditure analysis reveals that the labor department is heavily spending in the least poor districts such as Karachi and Hyderabad; and less active in the poorest districts such as Thatta and Mithi. A plausible explanation is that the least poor districts have a

concentrated presence of the formal sector, whereas the poorest districts rely more on the informal economy, which the department does not fully cover.

- o Livestock & Fisheries: District Livestock & Fisheries offices often have poultry hatcheries and according to TA discussion they mostly give out poultry to the poor. In addition, the ADP also included revival of rural poultry as part of women empowerment interventions (scheme 1425 ADP17/18). Further, there is a programme (JICA & GoS financed) called Sustainable Livestock Development, which specifically targets small farmers (with an objective to eradicate poverty, scheme 1420, ADP17/18). This provides an opportunity to create linkages with the proposed Kitchen gardening intervention.

Sindh Agriculture Growth project has a livestock component, which is engaged in installing milk chillers in villages with surplus production of milk with the objective of establishing a daily value chain. Linkages could be created with the enterprise development and RGC initiatives.

- o Social Welfare: Under the Accelerated Action Plan for Nutrition, Social Welfare is preparing for implementation of a cash transfers programme. Cash transfers will target pregnant/lactating women, to be piloted in 2 districts, financed by the WB. There can be linkages with the CDLD policy, but the TA Team does not yet have a clear understanding yet of this linkage.
- o Women Development: The department has two programs that are particularly of interest for the PRS. These are:
 - 1. ADP scheme: 2472. A program for improving livelihoods of female home-based workers, by enhancing their marketing skills, currently operating in Karachi and Sukkur; and
 - 2. ADP scheme: 2475 A program for improving livelihoods of rural women, this is still in design phase and tentatively agriculture, livestock and fisheries are the potential focal sectors. In addition, the department is establishing women development complexes, which will provide vocational training, display centers counselling/women complaint cell and some basic health facilities. The department has also received a funding of PKR 131 million (off budget), which is used as a revolving fund to provides loans of up to PKR 50,000 to female individuals for setting up small businesses.
- o Health: It was identified that there is a need to expand the provision of tertiary and specialized medical facilities in the rural areas of Sindh, as the poor have to bear costs of travel to access specialized medical facilities which are concentrated in the urban areas. The second suggestion that emerged is to increase the outreach and coverage of the Lady Health Worker program. The LHW program is affected due to the operational budges for the program, including salaries and transport allowance, not being spent.

During the policy development phase, it was identified that the Community Investment Fund which is a part of UCBPRP major interventions generates interest revenues. These revenues appear to be going to the RSPs at present, in addition to the funds that are received by RSPs for implementation of the CDLD contracts, for which they are contracted as the implementing partners – for example, EU funds RSPs to cover all programme and implementation costs of the SUCCESS programme and

similarly GoS provides all funding to RSPs to cover all aspects of implementation of the UCBPRP programme. This includes programme allocations which are distributed to the community and operational costs of the RSPs in running the programme. The CIF funds are an allocation of money from either donors or the GoS, for the benefit of communities, without any expectation of return. However, returns are generated. It is recommended that the GoS give consideration to policy options such as – these revenues could be used to partially offset the cost of the ongoing programmes to the Government as well as to build the CIF as an ongoing fund for CDLD, for the LSOs to access and administer. Also, it is proposed that the LSOs should administer the CIF funds after the initial social mobilization phase of active RSP programme – with appropriate registration, capacity /capability compliance and appropriate oversight from the central administration. This aspect is discussed in further detail in Sections 5 and 6.

5. COSTING AND FINANCING THE POVERTY REDUCTION STRATEGY

5.1 COSTING OF NEW PRS PROGRAMMES

5.1.1 Total Five Year Estimate of PRS Costs

Total costs of the new programmes and activities outlined in the PRS are estimated to be about PKR 72.5 Billion for the period FY2018/19 to FY 2022/23. The table below provides a summary of the cost estimates per strategy. Detailed assumptions underlying these cost estimates can be found in Annex 8.

Furthermore, we also foresee a continuation of programming costs after FY 2022/23 up to the FY 2024/25 for another PKR 15.9 Billion.

Table 5.1.1-1 Total Cost of Proposed New Programming

Three PRS Strategies	Total cost estimate in PKR billions FY2018/19 to FY 2022/23 (prices 2017)
CDLD Rural Program	36.2
Urban Program and Urban Economic Clusters	31.8
Rural Service Hubs (Rural Growth Centers)	4.5
Total Costs of Proposed New Programming	72.5

5.1.2 Costs of CDLD-Based Rural Program

Total costs for the CDLD-based Rural programming for the period FY2018/19 to FY2022/23 is expected to be approximately PKR 36.2 Billion. The table below summarizes the main components of the Rural CDLD programming under the proposed PRS/CDLD.

Table 5.1.2-1 Total Rural Programming

	Components of CDLD Rural Programming	Total cost estimate in PKR billions FY2018/19 to FY 2022/23 (prices 2017)
1	Extension of UCBPRP to 5 new rural districts	7.1
2	Phase 2 for all ongoing UCBPRP & SUCCESS districts, and 5 new districts	9.1
3	Village improvement & maintenance	20.0
	Total rural programming	36.2

Main Costing Assumptions

The estimate for the UCBPRP extension to add 5 more rural districts (in addition to the current ten total which UCBPRP is working with) is mostly based on input cost information from the PC-1 for the 6 districts²⁴ that UCBPRP has now started working with, commencing in FY2016/2017. (The latter is subsequently referred to as the 'existing' or 'current' districts.)

It is assumed that the proposed extension to 5 more rural districts would start in 2019/2020. Therefore, cost drivers such as population and number of households from the 2017 population census have been extrapolated to 2020, using the observed ²⁵average annual population & household growth rate. In addition, the average coverage rate for the IGG, CIF, vocational training, and low cost housing interventions is based on the information from the PC-1 for Khaipur, Sanghar, Umerkot, and Mirkurpas²⁶. Cost estimates for forming the VOs, COs, and LSOs are also based on the PC-1. Again the average is based on four out of the six UCBPRP districts currently in operation. The Social Mobilization cost estimates are based on a program percentage estimate, again from the PC-1 for the existing six UCBPRP districts. And information on M&E costs (lump-sum), internal capacity building costs (lump-sum), and management costs (percentage of total programming costs) are also based on the PC-1 of the existing 6 UCBPRP districts.

Phase 2 is a three year program that follows after the initial social mobilization, as realized under UCBPRP and SUCCESS. Previously the term 'maintenance phase' was used to describe the transition from the active stage of social mobilization and micro interventions, to when the UCBPRP programme was essentially over in these districts, but there was a residual phase of monitoring and some remaining programme activity. 'Phase 2' in the PRS presented herewith consists of selected residual activities - including enterprise development, CIF monitoring and audit costs. For enterprise development we assume PKR 1 million per scheme, with the number of schemes per district equal to the number of estimated LSOs to be established. 10% operational costs is assumed, to implement the enterprise development scheme, and it is estimated that the monitoring and audit costs to be 1% of the total CIF fund annually.

The Village Improvement program focusses on those districts that have not benefited yet from such a program. Therefore, the UCBPRP-4 districts and the SUCCESS-8 districts are not targeted, as this was already part of their original programming. The Village Improvement program includes a package per village that would provide for improved village sanitation, brick pavements, drinking water supply scheme, and a general village improvement component. Cost estimates are based on the implementation report of the UCBPRP-4, adjusted to 2017 prices. Cost estimates are based on the assumption that the number of villages to be covered under village improvement program is equal to 10% of the number of established VOs. Where the district is part of the 10 poorest districts (in accordance with the UNDP poverty index), the intention is to increase the coverage to 15%. The village improvement program also includes a 3 year maintenance program after completion – for initial maintenance of community infrastructure. Maintenance costs are based on 10% annually of the total village improvement portfolio.

²⁴ Khaipur, Sanghar, Badin, Thatta, Umerkot, Mirkurpas.

²⁵ from the population census observed over the period 1998-2017

²⁶ For the average coverage rates Badin and Thatta are left out, as their coverage rates deviated substantially from the coverage rate from the other districts.

Phasing Assumptions

The table below summarizes the phasing assumptions of the main components of the CDLD Rural programming.

Table 5.1.2-2 Phasing assumptions of CDLD Rural programming

	Main Components	2018/19	2019/20	2020/21	2021/22	2022/23
1	Extension of UCBPRP to 5 new rural districts					
2	Phase 2 for all ongoing UCBPRP & SUCCESS districts and 5 new districts					
	• UCBPRP-6					
	• SUCCESS-8					
	• UCBPRP-5 (new)					
3	Village improvement					
	• UCBPRP-6					
	• UCBPRP-5 (new)					
	Village improvement maintenance					
	• SUCCEs-8					
	• UCBPRP-6					
	• UCBPRP-5 (new)					

The extension of UCBPRP to 5 new rural districts could be expected to start in 2019/20, after a one-year preparation period. Phase 2 for the 5 new rural districts is projected to start in FY 2022/23, after completion of the initial program. Phase 2 for the current UCBPRP-6 could be expected to start in 2019/20, after completion of the initial program. And for SUCCEs-8 phase 2 could be expected to start in 2021/22.

The village improvement program for both UCBPRP-6 and the new 5 UCBPRP districts could be expected to start in 2019/20. The maintenance phase would start after the 3-year completion. For the existing UCBPRP-6 village improvement programme will be part of phase 2 of their program, whereas village improvement will be part of the initial programming for the extension to the 5 new districts. The maintenance phase for the UCBPRP-6 and UCPRP-5 districts starts after village improvement program completion. For SUCCEs-8 village improvement maintenance is expected to start in 2021/22, after completion of the initial program. Phase 2 also includes Kitchen Gardening for number of households in each district, comprising set-up cost and roll out cost. The coverage rate for Kitchen Gardening has been assumed as the same of CIF. Cost estimates are based on the PC-1 of “Promotion of Kitchen Gardening” project initiated by Agriculture Department of Sindh Government, corrected for inflation on the average inflation of last three years.

5.1.3 Costs of Urban Programme, Including Enterprise Clusters

Total costs for the urban and urban economic cluster programming for the period FY2018/19 to FY2022/23 is expected to be PKR 27.1 Billion. The table below summarizes the main components of urban programming under the PRS/CDLD.

Table 5.1.3-1 Costs of Urban Programme

	Components of urban programming	Total cost estimate in PKR billions FY2018/19 to FY 2022/23 (prices 2017)
1	Urban Income Enhancement Program	8.9
2	Urban Economic Cluster Program	18.1
	Total	27.1

Main Costing Assumptions

The urban program is based on the use of CDLD-based interventions, but with a focus concentrating on opportunities for employment and income-generating activities such as small enterprise development. As such the proposed interventions consist of provision for vocational training, provision for CIF loans, and start-up capital grant for enterprise development. Vocational training and CIF are costed on the same coverage rate and input-costs assumptions as the rural program. In addition, per district a total of PKR 10 million is allocated for start-up capital grants.

The economic cluster component of the urban program consists of the infrastructure for the urban clusters (and the facilitation costs to realize the infrastructure), start-up capital grants specific, and vocational training. For planning purposes, a total of 50 clusters for the province is assumed, pro-rata allocated over the districts aligned with their share of urban population in the province (excluding Karachi and Hyderabad). Facilitation costs are set at 5% of the infrastructure costs. Vocational training costs for the cluster is set at PKR 40,000 per trainee, and the same coverage rate as in rural for vocational training. In addition, per district a total of PKR 10 million is allocated for start-up capital grants specifically targeting the cluster.

Phasing Assumptions

The urban & enterprise cluster program has a span of 3 years. A phased roll-out of the Urban and Enterprise Cluster program in the rural districts is assumed, taking into account capacity constraints both on the government side and RSP/CSO side. It is therefore assumed, after a year of preparation, roll out of the ²⁷urban & enterprise cluster program in 2019/20 to the Group 1 and Group 2 districts. Once the rural programming in Group 3 and Group 4 has finalized, the urban and enterprise cluster program could be timed to start in respectively 2021/22 and 2022/23.

²⁷ Bifurcated into 4 groups based on the poverty ranking of 2014-15 in “Multidimensional Poverty in Pakistan” issued by the Federal Ministry of Planning, Development and Reform.

Table 5.1.3-2 Phasing assumptions of Urban Economic Cluster Program

	2018/19	2019/20	2020/21	2021/22	2022/23
Urban & Urban Economic Cluster Program					
• Group 1					
• Group 2					
• Group 3					
• Group 4					

See Annexure 8b for breakdown of the districts.

5.1.4 Costs of the Rural Growth Centers & Service Hubs (Regional Growth Centers)

As explained earlier in Section 4, the concept of Rural Service Hubs (or Rural Growth Centers) is proposed to be implemented as pilots in the initial phase, and later on adopted as a policy tool for planning of development activities. It is proposed that in the first phase, three pilots for Rural Growth Centers will be established in three districts, which will be chosen in close consultation with the Government of Sindh during the Roadmap phase. Therefore, the cost estimates presented in the table in Section 5.1.1. are only pertinent for the three proposed pilots.

It must also be noted that these cost estimates are based on very 'rough order' calculations based on the proposed key features of a Rural Growth Center i.e. a high school, rural health center and a market place for generating economic activity and some basic infrastructure upgrades. The section below explains some of the assumptions which were considered in reaching these cost estimates.

Main Costing Assumptions

The estimated cost of Rural Growth Centers is based on extrapolated figures from ADP / PSDP 2017-18. Some of the figures considered are outlined below:

- Rehabilitation / Renovation / Improvement of Primary Schools = PKR 25 Million
- Upgradation of Primary School to Elementary School = PKR 10 Million
- Upgradation of Elementary School to High School = PKR 20 Million
- Upgradation of BHU to RHC = PKR 66 Million
- Upgradation RHC to THQ Hospital = PKR 225 Million
- Construction of Covered Market = PKR 100 Million
- Construction of Mirch Mandi (Chili Market Place) = PKR 200 Million

Phasing Assumptions

It is reiterated here that the costs presented above are based on the proposed piloting of the RGCs in three locations. These cost estimates will be revised during the Roadmap phase, once the locations have been selected and further assessment of the infrastructure requirements has been carried out. It must also be noted here that the purpose of piloting the RGCs in the initial implementation period is to learn lessons from the implementation of this new concept and intervention. The lessons learned during this phase will be essential for mainstreaming the RGC policy in to GoS sector strategies and service delivery.

5.2 COSTS OF EXISTING PRO-POOR GOVERNMENT PROGRAMMES

As outlined in Section 2, the Government of Sindh has a range of existing sector strategies (and some cross-cutting ones such as for Nutrition), together with a range of existing programmes and activities which target and/or impact the poor. As outlined in previous Sections 2 and 3, a working definition of 'pro-poor' as applied to programmes and activities was applied, to apply to those activities/programmes which are targeted to impact poverty at the household level. (Refer explanation of definitions in Section 2 and Section 3 of this PRS document.) These programmes and activities should be recognized as part of the overall PRS.

Rerecurrent expenditure of 7²⁸ departments, and total ADP expenditure was analysed - applying this narrow definition, to identify existing government activities, programmes and schemes that are directly contributing to the reduction of poverty at the household level.

For the budget of FY17/18 total pro-poor expenditure, as analysed according to the definition of 'pro poor', is estimated to be PKR 190.6 million, based on the assessment of the recurrent expenditure of the 7 selected departments and the list of schemes and programmes that met the 'pro-poor' definition in the ADP.

These government activities and ADP programs can and should be considered as part of the PRS (see mention in Section 4). Therefore the cost of these activities should be considered to be part of the total cost of the PRS, assuming that the GoS is planning on continuing funding of these activities.

As noted above, the current analysis carried out was limited to the 7 selected departments. For a complete estimate of the costs of existing GoS pro-poor activities over the period FY2018/19 to FY 2022/23 additional research is required. The Roadmap to be developed thus needs to include planned activity for a full assessment of the recurrent expenditure of all departments, based on the sub-functional classifications, as the Team has applied to the 7 selected departments.

5.2.1 Recurrent Budget Pro-Poor Expenditure

The assessment of the recurrent budget of 7 departments was based on the Budget FY2017/18. The initial assessment resulted in an indicative amount of PKR 127.9 Billion for those activities which meet the definition of 'pro-poor' that has been used, to identify expenditure relating to activities that are targeted to impact poverty at the household level. This is about 46 % of the recurrent budget of these 7 departments, and 11% of total recurrent expenditure. The table below presents a breakdown of pro-poor GoS expenditure by sub-functional code.

²⁸ Health, Education, Social Welfare, Women's Development, Livestock & Fisheries, Agriculture, Labour

Table 5.2.1-1 Breakdown of pro-poor GoS expenditure (Sub-Functional)

Sub-functional code	Description	FY16/17 (Actual) in PKR millions	FY17/18 (budget) in PKR millions
41303	Manpower and vocational training	489.8	565.6
42106	Animal husbandry ²⁹	977.0	1,109.9
73104	RHCs	3,578.2	3,875.3
73105	BHUs	788.7	5,141.7
73301	Mother and child health	28.3	27.7
74101	Anti-malaria	420.8	447.7
74102	Nutrition and other hygiene programs	354.3	563.6
74103	Anti-tuberculosis	272.4	317.0
74105	EPI - (Expanded program of immunization)	20.6	21.5
91102	Primary education	51,553.8	49,781.3
92101	Secondary education	54,450.7	65,377.2
94101	School for the handicapped	582.3	701.5
	Total	113,517.0	127,930.0

5.2.2 ADP Pro-Poor Expenditure

The ADP assessment was based on the Budget FY17/18. The assessment resulted in an indicative amount of PKR 62.7 billion for activities, programmes and schemes that meet the definition of pro-poor applied (as mentioned in Section 5.2.1 above). This represents 22% of the current ADP. Since projects change annually however, the ADP has to be assessed annually to identify which government programs align with this narrow poverty reduction definition. The table below presents a breakdown of the pro-poor ADP schemes for the 13 most important departments and 1 program (from a poverty reduction perspective).

Table 5.2.2-1 Breakdown of pro-poor ADP schemes for 13 departments

Department/projects	Total ADP allocation FY 2017/18	ADP allocation identified as pro-poor	% pro-poor of department/project allocation
Agriculture, supplies & prices	12,535	3,551	28.3%
CDP & SGD	20,000	20,000	100%

²⁹ It encompasses a wide range of activities. The following activities have been identified as pro-poor: 1) livestock development, 2) Veterinary centers, 3) prevention and control of diseases, 4) vaccine production, 5) specific veterinary diagnostic laboratories. All general administrative costs, research, general laboratories, government farms, livestock production facilities, and breeding operations, are not considered to be part of our definition.

Department/projects	Total ADP allocation FY 2017/18	ADP allocation identified as pro-poor	% pro-poor of department/project allocation
Education Sector	24,033	14,209	60.1%
Energy	3,005	2,405	80%
Environment, climate change & coastal development	400	196	49%
Health	18,820	7,409	39.3%
Katchi Abadis & Spatial development	100	100	100%
Livestock & Fisheries	1,854	631	34%
Local government	26,130	1,232	4.7%
Planning & development	8,547	1,550	18.2%
Public Health Eng. & Rural Dev.	9,000	7,434	82.6%
Social Welfare	290	240	82.6%
Special initiatives	2,500	837	33.5%
Transport & Mass transit	3,195	2,935	91.9%
Total	77,921	41,354	

5.3 FINANCING OF PROPOSED NEW PRS PROGRAMMES

PRS is a strategic intervention at provincial level and therefore, its financing will be dependent upon GoS fiscal management in the medium to long term. The GoS will require to draw its fiscal landscape in a manner that would ensure PRS is adequately funded for timely achievements of its objectives. Additional financing will be required but the GoS will also benefit from net savings that will accrue by consolidation of various poverty reduction programs under the PRS framework. Furthermore, by incorporating PRS into provincial public investment planning, the GoS can keep the incremental financing at manageable levels. Thus, mainstreaming of the PRS is critical not only for political ownership but also for sustainable funding over the medium to long term.

5.3.1 Sindh Fiscal Management - Overview

Over the past 10 years, the provincial GDP of Sindh has increased at an annual average of 3.7 percent. Sindh's fiscal management has been prudent, and on average the province has maintained a marginal fiscal surplus. On average, Sindh maintained a positive fiscal balance between FY2009 and FY2015. Total revenues as a percentage of provincial GDP increased to 7.1 percent in FY15, compared with only 5.6 percent in FY2009. With the federal government assigned most of the broad-based taxes, Sindh's finances are heavily dependent upon revenue transfers from the federal government. Currently, these transfers constitute about 80% of overall revenue available to the provincial government. With provincial own-source revenue (OSR) barely enough to meet 20% of provincial expenditure, any shortfall in revenue adds directly to the level of fiscal stress at the provincial level. There is added pressure from the federal government on Sindh to ensure that it posts a surplus.

The Sindh government's total expenditure averaged 6.8% of provincial GDP (PGDP) annually during the period FY2009 to FY2016, seemingly insufficient given the multiple service-delivery responsibilities at the provincial level. A significant portion of provincial expenditure goes towards the payment of salaries, allowances and pensions of government employees, leaving only a small share for improving the quality of public services and infrastructure.

While recurrent expenditures grew significantly due to increased employee-related spending and consumed a significant portion of the available fiscal space, the Sindh government was able to increase spending on development as well. Government development expenditures grew 3.3 times in nominal terms (2.5 times in real terms) in the 6 years from FY2009 to FY2015, while recurrent expenditures increased 2.3 times in nominal terms (1.7 times in real terms).

5.3.2 Sources of Finance

The GoS funded its flagship UCBPRP CDLD programme in 4 districts and from 2015 onwards EU financed the rollout of a similar programme (SUCCESS) in 8 more districts. In the 2016/17 budget, GoS has further committed funds for 6 more districts from its own sources.

The indicative cost for the new program proposed under the PRS framework would be around PKR 68 Billion during the implementation period. It is important to note that the current SUCCESS-8 districts have not been costed as they already programmed. It is assumed that PRS will be fully funded during the phase 2018/19 to 2021/22, based on the various financing options currently available to the GoS.

The principal sources of finance for the PRS includes GoS own-source funds, donor funds, savings through consolidation and re-prioritization of services over time, and contributions from the private sector as part of PPP arrangements, including CSO programme implementation partners.

In addition to the above, the GoS has an investment portfolio that is managed by Sindh Fund Management House (SFMH) mandated under Finance Department, Sindh. This investment portfolio among provident and pension funds includes social relief funds, which may be used to bridge finance the poverty reduction program. It is important to note that this fund has already been applied once towards UCBPRP when the GoS was facing acute funding gaps in 2009. Secondly, the GoS may also use the Public Finance Commission (PFC) platform for disbursing special grants in order to incentivize local governments for funding CDLD activities under the PRS framework.

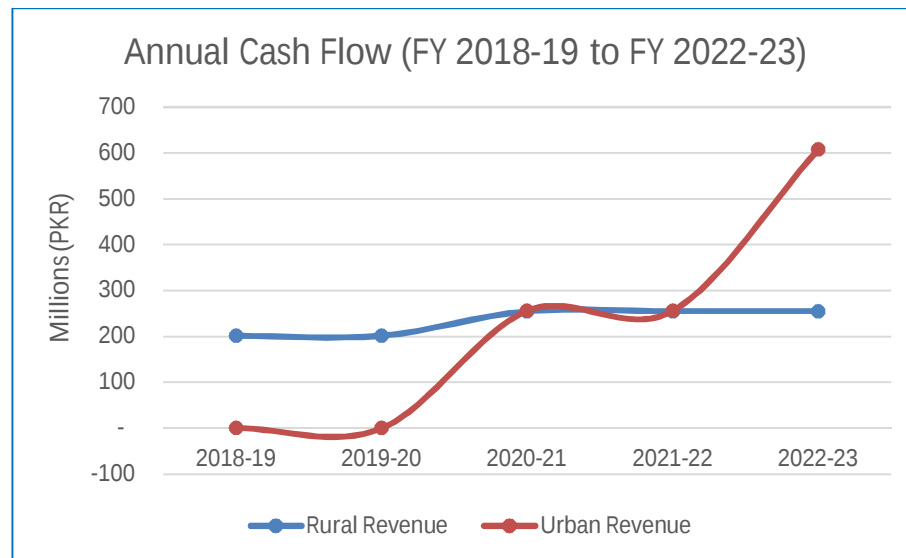
An additional potential source of funds is re-direction of some of the interest generated from the CIF to offset programme costs. By 2020 the rural CIFs (total principal amount) will have accumulated to PKR 5.3 billion. Based on an average annual historic interest of 2.3%, the rural CIFs will generate PKR 560 million of interest revenue over the planning period (from FY 2018/19 to FY2023) whereas the management fees in this period will generate PKR 608 million of revenue for each loan issued to the beneficiaries. Also after the planning period of the PRS the rural CIFs will continue to generate interest.

By 2023 the urban CIFs (total principal amount) will have accumulated to PKR 12.7 billion. Over the planning period (from FY 2019/20 when the first urban CIFs are introduced), until FY2022/23 the urban CIFs will have generated PKR 547 million in interest revenues³⁰ whereas the management fees³¹ in this period will generate PKR 572 million of revenue for each loan issued to the beneficiaries. After the planning period of the PRS, the urban CIFs will continue to generate substantial interest.

³⁰ Based on 2.3% annual interest rate

³¹ Based on PKR 500 / Loan

Figure 5.3.2-1 Annual Cash Flow (FY 2018-19 to FY 2022-23)



The annual cash flow for the urban programme is expected to increase significantly as compared to the rural programme (as shown in the figure). This cash flow is calculated based on the interest revenue earned on CIF and the management fees which will be charged to each beneficiary of loan.

As noted in Section 4.4, the GoS may look at administrative mechanisms to ensure redirection of part of this interest revenue back into the programme, to offset the programme costs, as well as ensuring that the CIF continues to build as a community asset fund. These options may include disbursement of programme allocations from the central administration and revising the manner in which funds are allocated to RSPs or other CSOs implementing the programme.

All three main strategies (components) of the PRS have different scope, execution modalities and timelines, therefore the following table illustrates the key sources of finance for each of the components of the PRS.

Table 5.3.2-1 Sources of Finance

Program	Sources of Finance	
UCBPRP Rural CDLD	GoS	GoS will provide funds under provincial ADP scheme for UCBPRP-5 districts. This will be in addition to ongoing UCBPRP-6 districts, which has already been budgeted. GoS will provide additional budget to the line departments for some of the activities relating to CDLD interventions at sectoral level (education, health etc.). The district government may also provide funding for some of the CDLD activities especially in the case of village improvement program depending upon the fiscal space available to districts governments.
	EU	EU is currently funding SUCCESS-8 districts in partnership with RSPs. This 5-year program will run till FY 2020/21. EU may decide to provide additional support to the GoS for further implementation of the PRS/CDLD based on evaluation and successful achievement of the objective.
	RSPs or CSOs	In partnership with EU under SUCCESS program, RSPs contribute around 5% of the total cost program cost (EUR 82.13). For the new UCBPRP-5 districts, GoS may enter into PPP arrangements with (a) CSO(s), which will then be required to share a portion of the program cost.
	Program internal funds – Community contribution	CIF will generate funds over time in the form of interest chargeable to the beneficiary. Although, there is no current policy in place for the mark-up rate on loans disbursed, PRS assumed that the CIF will be a self-generating fund. The interest recovered will be reinvested in the same fund and will be one of the sources of finance.
Urban and Urban Cluster Program	GoS	GoS will provide funding for the Urban and Urban Economic Cluster program that would include vocational training, enterprise development and CIF.
	CSOs	GoS may enter into PPP arrangement with the CSO, which will then be required to share part of the program cost. It is assumed that CSO share will be in the range of 5% to 8% of the total program cost.

Program	Sources of Finance	
	Program internal funds	As in the case of UCBPRP rural, CIF for urban cluster program will also generate interest income that will be reinvested in the fund. Policy has to be formulated for this purpose for uniform application of the mark-up rate.
	Other donors	PRS may act as an advocacy tool for GoS to attract international development partners (donors). A government owned program with a robust strategic framework and clear strategy document would be appealing for donors to add into their development portfolio.
Rural Growth Centers	GoS	For the pilot phase, GoS will provide incremental funding through the provincial ADP and subsequently the funds for RGC may be provided through line departments. It is important to note that as the RGC approach will be mainstreamed into the public investment planning, no additional funding will be required, as funding will come from consolidation and re-prioritization of services. Thus, the line departments will continue to allocate their budget for their development schemes but using the RGC approach.
	Private sector investors	RGC entails consolidation of public services within each union council into an appropriate geographical locus. A PPP arrangement will mutually beneficial for GoS and private sector investors to develop and manage such service delivery in multi-purpose complex.
	Budget Savings	In the long term, the consolidation of public services will not only improve service delivery but will result in cost savings due to synergy and intra sector cost sharing – thus making funds internally available for completion of the RGC program across the province.

6. IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY: THE LEGAL, INSTITUTIONAL AND PFM/BUDGETING FRAMEWORK

The following Sections 6 and 7 set out an approach and overall strategy for implementation of the PRS and CDLD policy.

Section 6 sets out the proposed implementation relating to key aspects of the legal, institutional and PFM budgeting framework required, including recommendations on:

- A co-ordinated and holistic ‘whole-of-government’ approach and strategy for implementation of the PRS and CDLD policy (Section 6.1 and subsequent sections)
- The optimal institutional framework for PRS and CDLD implementation (Sections 6.1 and 6.2)
- Mainstreaming the PRS and CDLD policy (Section 6.3)
- Key aspects of the PFM and budgeting, reporting and accountability framework for implementation (Section 6.4)
- Development of the monitoring and evaluation framework (Section 6.5) as part of the overall accountability framework and
- The role of local government (Section 6.5)
- Key points of capacity development that will be required at provincial, district and local government level (Section 7.1) and
- A proposed approach for a communications strategy to support implementation of the PRS (Section 7.2).

The mechanism for further detailing of the implementation strategy for PRS is the ‘Roadmap’. Refer Section 8 for discussion of the Roadmap stage – covering the work required and planned content of the Roadmap.

6.1 PRS OVERSIGHT AND ACCOUNTABILITY

The PRS, as herewith outlined, is an overarching ‘whole-of-government’ cross-cutting strategy. The PRS and CDLD policy affect and incorporate activities and involvement of a number of departments of the GoS – including dedicated units such as UCBPRP as well as line departments of the provincial and district administration as well as community organizations.

As such, the PRS is ‘one strategy’ that is intended to be incorporated into the overall GoS policy-linked strategic planning and budgeting framework. It needs to be effectively implemented, monitored and tracked for operationalization and achievement of the poverty reduction outcomes sought, with accountability to the senior level of GoS and to the Provincial Assembly.

The PRS will need to be managed and implemented via a central PMU, with co-ordination and control responsibilities, but because of its cross-cutting implications, implementation consequently cannot be tied on a portfolio basis to any one line department. Therefore, the P&D is the most appropriate departmental location for this enhanced PMU. For enhanced ‘whole-of-government’ co-ordination, the PMU could be set up with an overall PRS Co-ordinator at the Chief Minister’s office – a similar approach to that which the GoS is working with for implementation of the Nutrition

Accelerated Action Plan. The enhanced PMU could be developed from the core of the existing UCBPRP PMU, but will need to be expanded because of the expansion of programme scope, functions and responsibilities.

The implementation framework for the PRS is therefore be required to include:

- Implementation of cross-government budgeting instructions, so that all departments can identify PRS policy requirements and related budget allocations in their ADP, MTBF and annual budget submissions
- Implementation of expenditure tracking in budget execution, so that expenditure allocated to PRS strategies and programmes can be appropriately tracked in budget execution, with an associated financial and non-financial reporting framework
- Implementation of a performance reporting framework, with financial and non-financial reporting. The financial monitoring and reporting is to track expenditure, - monitoring how much the government is spending on its main pro-poor categories in recurrent + ADP, and on the CDLD programme through UCBPRP, the Urban programme and the implementation of Rural Service Hub pilots (growth centres). Non-financial reporting will be through application of an M&E framework, to track PRS programme results.
- The M&E framework should be founded on an outputs/outcomes approach – with output-based performance indicators set for delivery of programme outputs, and outcome indicators identified and reported on, to assess the achievement of specified poverty reduction outcomes, and the impact of the overall PRS strategy for the community, in reducing poverty. The reporting framework will need to follow-through into the auditing and accountability framework, including auditing and associated reporting to the Parliament.

The following sections present key aspects of implementation relating to the legal, institutional and PFM/Budgeting framework as per the three major strategies for the PRS identified in Section 4. The following Sections 6.2 to 6.4 cover the optimal institutional framework, mainstreaming, and PFM/Budgeting framework under the three main strategies. A section covering key aspects of a monitoring and evaluation framework consistent with all three strategies is presented in Section 6.5. A section on the role of local government role in PRS implementation follows as Section 6.6.

6.2 OPTIMAL INSTITUTIONAL FRAMEWORK FOR PRS IMPLEMENTATION

The PRS effort signalled in this report incorporates bicameral macro and micro level interventions, with a meso level in between at the confluence of macro and micro levels. The scope of the PRS has its foundation resting on poverty reduction at the household level, together with the introduction of an urban programme incorporating a model of urban economic clusters for SME-based enterprise development in small cities and towns, and a model of rural growth centres at meso level that is aimed to provide a catalytic effect to the PRS. This strategic approach to poverty reduction requires appropriate institutional structures at both provincial and district government level to support that, and ensure effective rollout and implementation.

The successful implementation of the PRS requires commitment from the top executive level of the provincial administration for effective convergence of the objective of poverty reduction in rural and urban areas and convergence of sector objectives across government. As such, strong political and

executive level ownership is necessary to ensure that the PRS remains high on the priority ladder of the political and administrative agenda.

In this respect, some of the measures that can be considered are as follows:

- Appointment of PRS Coordinator at the office of the Chief Minister
- Notification of the institution of a “Sindh Poverty Reduction Unit” as the enhanced PRS PMU/Secretariat (with UCBPRP incorporated therein) reporting to either the PRS Coordinator or to the Chairman P&D Department.

The main purpose of the proposed Unit would be to:

- Coordinate with line departments, local government units and civil society organizations (CSOs) for PRS activities, e.g. provide policy guidelines for sector level planning, and ensure consolidation of and coordination with existing GoS programs (such as Nutrition etc.)
- Ensure alignment of PRS with MTBF and annual budget allocations, in line with funding requirements of the PRS
- Generate monitoring/performance reports on PRS performance and achievement, triangulating financial and non-financial data to create a feedback loop for the top provincial executives (CM & Cabinet).

For this purpose, the PRS cell will require capacity building support both in terms of infrastructure (MIS) and human resources (for enhanced management, financial management, oversight and co-ordination and to analyse and interpret poverty data).

For legislative oversight and accountability, a Standing Committee (SC) on PRS could also be considered, for oversight of PRS achievement at the provincial assembly level. For this purpose, the PRS cell in P&D should also provide input to the executive, through the Chairman P&D, factoring in ground realities and existing PFM institutional arrangements.

For interventions at household level, it is important to mobilize communities to establish a platform in the form of community organizations. The household-level interventions require the involvement of civil society organizations (CSOs) that have outreach to support government in establishing community organizations and subsequent implementation of the PRS. This approach, together with the industrial/economic clusters of the urban poverty programme and implementation of rural service hubs requires government to be able to further develop effective mechanisms to partner with the private sector and CSOs for reaching out to households. The GoS already has a Public Private Partnership (PPP) Act and associated institutional arrangements in place. The PPP framework can also be further developed in relation to legal and contractual arrangements with CSOs for implementation of the PRS. To date, the PPP mode per se has largely been used for execution of infrastructure projects and in one case as management contract of government health facilities (PPHI), as well as GoS/CSO contracts in the social sector, including UCBPRP. A more detailed analysis is further required to explore the possibilities and contractual potential of the PPP framework, to ascertain the specific requirement for the model in the wider PRS context proposed, such as equity contributions, distribution of benefits, social and economic (rate of return), risk sharing and further clarification of roles & responsibilities between the GoS and CSOs.

In this case, the proposed PRS cell would require sufficient capacity to manage and execute PPP contracts in the context of the PRS, within the Sindh Public Procurement Regulatory Authority

(SPPRA) rules. This will entail hiring services of CSOs through competition against a cost-effective management fee.

Delivery of PRS goals requires a robust monitoring mechanism that enables objective accountability and can strengthen the policy maker's ability to assess and evaluate the results of their policy actions and make mid-course corrections where required. Given that the PRS would mostly focus at household level, the data gathering and analysis efforts are challenging. An MIS needs to be put in place with corresponding human resource capacity to be able to effectively monitor the PRS – both in terms of programme performance, and to effectively evaluate 'how much money is buying what'. This entails performance monitoring from an input perspective (budget executed), for output performance assessment (programme delivery targets), and to support the evaluation of what has been achieved at an outcome level (improvement in poverty indicators). Appropriate accountability for achievement entails further work in setting up performance indicators and targets and ascertaining the associated financing requirements to achieve policy outcomes.

The PRS cell in P&D will have the responsibility to develop a performance measurement framework (part of the M&E framework) for assessment of the PRS through a consultative and co-ordination process across line departments and ensure that the performance reporting and M&E framework cascades into the sector plans and MTBF. The PRS cell will require to develop/procure MIS, hardware and human resource on the ground to capture, correlate and analyse results from different sources.

Based on the discussion above, PRS institutional arrangements will be founded on the following six principles:

Sustainability: PRS is an action oriented political instrument. Thus, it has a strong political base.

Harmonization: With other macro - micro strategies in the province, like Sindh provincial growth strategy/sector strategies. Linkage with SDGs is important - poverty reduction is a strategic policy intervention rather than a one- off project.

Development planning: Priorities set in the PRS are linked with MTEF i.e. relevant sector strategies → MTBF → annual budget. Thus, PRS priorities should be clear and set for a medium term horizon.

Institutional Capacity: From political to executive to administrative personnel, all stakeholders understand the criticality of the poverty issue and are able to discern the poverty outcomes.

Transparency: GFMS supports transparent allocations for the PRS plus fund flow enables tracking of PRS expenditure.

Accountability: A performance monitoring, reporting and evaluation system that can connect financial numbers with outputs and outcomes achieved – How much money buys what?

The following table presents the proposed institutional arrangement for PRS implementation.

Table 5.3.2-1 Proposed institutional arrangement

Recommendations	Action
Establish dedicated PRS unit at P&DD.	Upgrade existing UCBPRP PMU or establish new PRS cell within P&DD. PRS cell could have three wings – one for each component of the PRS (UCBPRP rural, Urban poverty program and RGC pilots). The PRS cell will report to Chairman P&DD .
Appoint PRS Coordinator at CM secretariat.	Appoint a PRS Coordinator to provide policy and implementation advice to the executive.
LSOs should have legal status to be part of the government's budgetary framework	Register all properly compliance functional LSOs under Society Act 1880 or through notification by the competent authority with GoS.
PRS should have linkage with other line departments and local governments.	Update Rules of Business so that line departments' functional responsibilities should include support to PRS cell in delivering its outputs.
	Designate an existing officer as a focal person for PRS-cell in each line department, for the pilot stage.
The relationship and contractual arrangements between PRS cell and CSOs should be further formalized.	Apply PPP guidelines for hiring CSOs and partnering with LSOs. In case of CSOs, direct procurement can also be considered.
	Involve PPP Cell in Finance Department for effecting PPP contracts with CSO and LSOs, if required.
Increase legislative oversight over poverty reduction agenda.	Form Standing Committee on poverty reduction in the Provincial Assembly, comprising legislatures from opposition and government.
Involve Local government in PRS to avoid duplication and better planning	Establish and engage Joint Development Committees in developing schemes relating to PRS.

6.2.1 Strengthening the Institutional Framework for the CDLD Program

UCBPRP employs a Community Driven Local Development (CDLD) model for disbursement of CIF loans and IGG grants to the beneficiaries covering rural Sindh. Since 2009, RSPs have been providing implementation support to the UCBPRP including use of the Poverty Scorecard survey, carrying out social mobilization, fund flow & management, accounting assistance to Community Organizations (COs)³² and monitoring & reporting. The proposed PRS envisaged the continuation of the CDLD mode for CIF and IGG disbursement and village improvement program. For implementation support CSOs will be engaged either under PPP framework³³ or through competitive procurement process. Whichever mode for partnering with CSOs is selected, the complete Terms of Reference (ToRs) should be developed for engaging a CSO, delineating its roles and responsibilities and performance benchmark. The contractual agreement should not be more than three years, which, in the case of the first three years of PRS implementation, also relates to the pilot phase³⁴ for urban economic clusters and rural service hubs (growth centres).

The PRS cell³⁵ in P&D should have three wings namely: (i) UCBPRP wing; (ii) Urban Poverty Wing; (iii) RGC wing, each headed by a Director. The CDLD interventions will come under the UCBPRP wing. The overall in charge of the PRS cell will be the project director either hired from the private sector or senior government officer with requisite expertise. The main role of the UCBPRP will be to supervise, coordinate and oversee the implementation of the UCBPRP under the supervision of Secretary Development of the P&D department. The project director PRS cell will report to the P&D Chairman through the Secretary P&D.

Though major implementation support will be provided by the CSOs, the PRS foresees an enhanced role for the UCBPRP wing in terms of fund management, supervision and monitoring. This will be essential in terms of coordination with the line departments and internalizing CDLD as a preferred mode for executing poverty reduction interventions. It is proposed that the UCBPRP wing should have a district office in each rural district named District Program Implementation Unit (PIU) headed by the team leader along with the technical and financial management staff. The CIF, IGG and Village Improvement Plan (VIP) budget will be allocated under separate cost centre (DDO code in the government chart of accounts) opened for each district. The team leader in PIU will be responsible for payment of funds into CO bank accounts³⁶ before its final utilization³⁷. This arrangement will ensure improved visibility of and transparency in fund allocation and expenditure. For the purpose of opening bank accounts in the name of CO, it is innate that each CO must be a legal entity registered under a statute.³⁸

³² Here Community Organization reflects all tiers (CO, VO & LSO), though in UCBPRP, CO only refers to the lowest tier.

³³ The modalities for PPP need to be worked out in detail.

³⁴ Pilot stage relates to establishment of Rural Growth Centre (RGC). For CDLD interventions, the PRS envisage upgradation of the existing portfolio of UCBPRP, thus, does not requires pilot.

³⁵ As discussed earlier, PRS cell can be upgraded version of UCBPRP or a completely new secretariat in which UCBPRP will be merged.

³⁶ Here CO refers to the LSO – Local Support Organization, which is the top tier within a union council.

³⁷ In the existing arrangement, funds are disbursed to RSPs who are then responsible for further transfer into CO account.

³⁸ CO can attain a legal status through notification of Finance Department (FD), P&DD or being registered under Society Act 1880.

One of the key aspects of the PRS is that it recognizes CDLD as an essential instrument for improving service delivery viz-a-viz augmenting the poverty status of the communities. Integrating CDLD into government development planning will require incorporating CDLD as a preferred mode into sector plans for localized interventions. At the provincial level, the Budget Strategy Paper (BSP) should include the CDLD policy, which would then be reflected into each line department/sector plan. The UCBPRP wing of the PRS cell will have to assist/facilitate sector managers/head of line departments to update sector plans with respect to CDLD interventions and subsequently coordinate between CO and line departments at planning as well as at execution stage. By the same token, the district PIU will coordinate with Joint Development Committees at district level to provide linkage between COs' needs and local government development programs.

Although, CIF and IGG will be managed through UCBPRP but once the COs have been established, it will graduate into a durable and structured platform that will inform sector priorities in short to medium terms (bottom-up planning). Sector managers will have an effective mechanism to capture local needs through these COs and reflect them in sector budget and MTBF, thus, making the budget process more participatory and relevant to local needs. In the same vein, these COs will also play an important role in accountability and monitoring of government performance towards realization of its aspirations and policy directions, creating an effective feedback loop for sector managers and political stakeholders.

A strong and transparent association between the government and these COs underpins the sustainability of CDLD. In order to ensure a relationship that adequately incentivizes each party (government, and CO), a contract will need to be developed, which presents clear understanding of responsibilities, results framework, performance benchmarks and accountability mechanisms. The PPP cell in the Finance Department can assist the UCBPRP wing in framing a standard contract between COs and government.

The following matrix provides broad roles and responsibility for UCBPRP – Rural (CDLD based interventions) utilising the three-tier community organisation structure:

Table 6.2.1-1 Roles & Responsibilities for UCBPRP – Rural (CDLD based interventions)

Entity	Role & Responsibilities
Community Organization	→ Through social mobilization, CO general body membership will be organized at neighbourhood level. → Its member will assist in poverty score card (PSC) survey along with the social mobilizer who will be from CSO. The PSC survey is conducted before the formation of CO. → CO will be responsible for developing micro investment plan at household level, with support of CSO. Household level activities are usually income generating and involve micro-credit and skills training. → Identification of members of the community entitled/eligible for the Community Investment Fund (CIF) or Income Generating Grant (IGG) → The president and the manager of the CO will be elected by the general body of the CO to preside over the meetings.

Entity	Role & Responsibilities
	→ Maintain complete record of the minutes of the CO meetings.
Village Organization	→ The VO is formed through the voluntary representation from the COs. Thus, VO is clustering of COs at village level. → Its members take part in poverty score card (PSC) survey along with the social mobilization facilitator (CSO). The PSC survey is conducted before the formation of VO/CO. → VO will plan group level activities, which commonly include infrastructure and social sector related (health, education, water supply, sanitation and other infrastructure). → VO will be responsible for preparation and approval of small schemes at village level through assistance from social mobilizers. → Appraisal and monitoring of CIF and IGG to the CO members. → President and Manager of the VO is elected by the VO members and presides over the meetings. They are trained in basic management and accounting skills by the social mobilizers. → Process and approve cases for deferment and default for CIF on recommendation by CO.
Local Support Organizations	→ From each village, a notable or activist is selected to organize into a Local Support Organization at Union Council level. → The main role of LSO will be to create linkage between the community level organizations, and the provincial line departments ensuring that government's development plans are align with the local needs of the people. Thus, acting like a bridge between COs/VOs with the outside world. → LSO will consolidate the CIF requirement at Union Council level and present the case to District PIU for annual allocation. → Bank account will be opened and maintained at LSO level including funds for CIF and IGG relating to CO. No bank account is available to CO/VO. → Maintain proper books of accounts, including cashbook, loan disbursement, collection, asset register and minutes of the meeting. → Actively take part in meeting of Joint Development Committees for better coordination with the local government
District PIU	→ For each district there will be district PIU as an extension of the UCBPRP wing under the PRS cell. → The operational budget for District PIU will be provided under UCBPRP PC-1 → District PIU will be the key government office for execution of CDLD

Entity	Role & Responsibilities
	interventions. → In case of CIF and IGG will maintain complete and updated database of beneficiaries. → Review and consolidate CIF and IGG budget requirements in respective district. CSO representative in each district will assist corresponding District PIU in aggregating CIF and IGG requirements. → Prepare budget demand for its district and submit to the UCBPRP. → For disbursement of CIF and IGG funds, each district PIU will maintain GoS assignment account. The funds will be disbursed credited into this account from provincial account-1 on the advice of UCBPRP wing. → Make payments into CO (LSO) bank account as per the allocation. → Collect information from CSO on utilization of CIF and IGG by LSO and prepare beneficiary level fund disbursement reports at district level. → Conduct meetings with LSO, VO and CO representatives to facilitate and resolve issues pertaining to implementation of PRS interventions. → Coordinate between JDC, LSO, local government and line departments → Will be responsible for complete financial management of UCBPRP at district level. → Reconcile budget utilization with District accounts office at end of each month.
Civil Society Organization	→ CSO will have PRS project office in each district corresponding to district PIU. → They will be the key implementer of the program. Its responsibility includes social mobilization, poverty score card survey, managing and reporting on activities/interventions under the program. → Conduct poverty score card survey before the establishment of the CO/VO/LSOs. → One of the key roles will be played by the social mobilizer, who will be at the forefront of the social mobilization process and provide the first and direct technical assistance to the COs, VOs and LSOs throughout the program life. → Provide and build capacity building of CO/VO/LSO for maintaining financial and non-financial records including books of accounts, cash disbursement registers, minutes of the meetings etc. → Assist in meetings of the CO/VO/LSO. → Gather beneficiary level information for CIF and IGG and submit that to District PIU.

Entity	Role & Responsibilities
	→ Assists VO in preparing village improvement plans.

6.2.2 Institutional Set-up of the Urban Poverty Program

It is envisaged the urban poverty program will be supervised by the PRS PMU at P&DD, through the urban & economic cluster wing. The urban and economic cluster programs in the rural districts will be programmed in the ADP, contracted through the PRS PMU, executed through Civil Society Organizations (CSOs) with a track record in urban anti-poverty work, and monitored by the District PIUs. The district PIUs will also service the rural programming for the updates made for the current UCBPRP-6 and the recommended extension to an additional UCBPRP-5 districts. The CSOs facilitate the urban economic cluster program and manage the supporting start-up grants and the supporting capacity building training components of the Urban Income Enhancement Program. The Urban Income Enhancement Program also includes a Community Investment Fund (CIF), which is also directly managed by the District PIUs. Next to District PIU staff involved in management of the Urban Income Enhancement Program and the urban economic cluster program, the District PIUs are proposed to also have a dedicated CIF team of say 3 staff members, reflecting the following main tasks: CIF awareness and communication, CIF application assessments, and CIF financial management.

The urban CIF will be operational in 23 districts, covering 23 separate district bank accounts holding a revolving fund of about PKR 12.7 billion. Although the CIF is used for interest-free loans, we have assumed that the CIF accounts will be on accounts that bear interest and we have assumed a nominal management fee for handling the interest-free loans. This means that the CIFs will grow over time, requiring strict financial regulations. The CIFs are required to be audited annually.

6.2.3 Institutional Set-up for RGCs

As explained in Section 4, the concept of RGCs can be described as providing improved services and facilities in rural areas through clustering the currently fragmented rural service delivery and spatial environment at the ‘decentralized’ consolidated sub-taluka level. The RGC is a notional construct and does not lead to changes in the political, administrative, and institutional set-up. That does not mean that implementation of this concept is straightforward. Many departments, RSPs, and the private sector will be involved, all having to incrementally reprioritize in time their medium term investment portfolio, and redirect future recurrent expenditures accordingly.

To smooth the implementation of the concept, we suggest appointment of a RGC Coordinator (RGCC) at the Chief Ministers Office (suggested grade 18), or functioning as part of the PRS Secretariat. The main task of this RGCC is support FD and P&DD in drafting the ADP guidelines and budget circular at the start of the budget preparation process. The Coordinator would also support FD and P&DD reviewing the ADP and recurrent budget proposals from the line departments, verifying alignment

with the RGC clustering concept. During the budget preparation process and implementation monitoring, the RGCC supports P&DD, and FD in their dialogue with the line departments.

The RGCC is considered to be a temporary role. Once a roadmap and implementation plan has been detailed for RGC mainstreaming and sufficient mainstreaming has been accomplished through the pilot RGC projects, the RGCC position should be dissolved.

6.3 MAINSTREAMING THE PRS POLICIES, STRATEGIES AND PROGRAMMES IN SECTOR STRATEGIES

P&D has the main responsibility for public investment management in the province and acts as a centripetal force to bind the various capital projects of different sectors within the confines of the provincial development agenda. The planning process is complex and requires time and resources to develop assumptions and build project feasibility. At line department level, project preparation is given the least importance and thus, project appraisal documents are prepared cursorily to meet the formal requirement. The culture of sector planning or developing sector strategies has yet to take root. Lack of legislative accountability of sector results have resulted in little political interest in sector planning. The political leadership view public investment through a constituency lens and, therefore, focus on ensuring that its promised projects are included in the ADP.

Investment planning suffers from a lack of multiyear perspective, lack of a portfolio for pipeline projects and absence of linkages of high level policy objectives with annual budgets. There is no provincial development strategy that could serve as the nucleus for line departments to identify and develop their respective capital investment projects.

Mainstreaming of the PRS hinges upon the ownership by the political stakeholders. Each government set its political agenda through its manifesto, which subsequently translates into development agenda. The development agenda is set by the Cabinet, which sets the government priorities that give direction to future budget allocations. It is important that the PRS should be presented to Cabinet for approval so that the PRS will become a keystone for investment planning in the province. This will allow sector managers to update their sector plans as per the GoS development vision.

Table 6.2.3-1 Key Recommendations for mainstreaming PRS in sector strategies

Recommendations	Actions
GoS should adopt a 'whole-of-government' approach toward poverty reduction.	Update Sindh vision to incorporate poverty reduction as a cornerstone of the development agenda.
	Review and update relevant sector strategies to reflect poverty reduction as the key thematic/program area.
Create linkages between line ministries' output and those of PRS.	Map PRS outputs with relevant sectors' outputs.

6.3.1 Mainstreaming CDLD Policy and Programme

The PRS approaches mainstreaming of the CDLD policy from a system perspective that is aimed to drive the development planning, execution and reporting processes. A policy reflects the government's agenda, which is then implemented through public financial management arrangements. Legislative framework, institutional arrangements and operational procedures are the three key components of governance within which a PFM 'system operates. Thus, for integrating the PRS into the PFM cycle (planning, budgeting, execution and accountability) requires that an enabling environment must be created through adjustment into legislative, institutional and operational procedures.

The Legislative Framework provides the legal basis for government action. It is critical for policy implementation that a legal basis is provided for sector managers to carry out their tasks. The CDLD policy should be incorporated into the Budget Strategy Paper (BSP) 2018-2021 as a policy action. The BSP is approved by the provincial cabinet (executive). Therefore, by including CDLD as one of the policy objectives in the BSP, government would provide sector managers/department heads with the legal mandate to incorporate CDLD into medium-term development plans. It can be argued that the best case scenario would be to legislate on CDLD policy, thus translating into a law. However, at this stage it is recommended that the GoS should use the BSP as a legal basis for mandating its inclusion in the PFM cycle and after reviewing results in the medium term, a law can be enacted, making CDLD one of the governance instruments. Nonetheless, after inclusion into the BSP, P&DD will be required to prepare CDLD rules and regulations that would provide procedural guidelines for CDLD planning, execution and accountability.

Institutional Arrangements require that roles and responsibilities are delineated in a manner that would establish efficient and effective implementation mechanisms. The PRS cell established within P&DD will be at the core of the institutional arrangement for PRS implementation viz-a-viz CDLD policy. The broad contours of institutional arrangement for CDLD has been presented in Section 6.2.1 with details of roles of key players. The PRS cell in P&DD will have a UCBPRP wing, which will have the main responsibility to drive the CDLD agenda by: (i) formulating innovative CDLD based interventions, (ii) coordination between various stakeholders and (iii) monitoring and reporting. Being a cross cutting policy action, the PRS suggest that UCBPRP wing should provide implementation support to the sector managers/line departments for incorporating CDLD into their respective sector plan, MTBF and annual budget. Keeping in view the challenging task, it is imperative that the PRS cell should have the requisite capacity for effectively delivery of its mandate. A new PC-1 for 'establishment of PRS cell' can be prepared by the P&DD for funding the institutional set up for PRS implementation.

The Operational Framework entails the PFM cycle that enables the government to transact its business, namely – planning/budgeting, execution and accountability. Legislative and institutional frameworks establish the regulatory and formal edifice within which the operational activities can effectively be carried out. The key pillars for operational mainstreaming of CDLD policy are:

1. Planning/Budgeting: Budget Strategy Paper, Budget Call Circular, PC-1 preparation³⁹.
2. Execution: Fund flow, accounting, internal audit arrangements

³⁹ In case CDLD intervention is funded through ADP.

3. Monitoring and Accountability: Tracking and reporting, external audit, third party reviews.

6.3.2 Mainstreaming Urban Poverty Policy & Programme

The Urban poverty programme is aimed to initiate the development of a stronger economic development focus at district level, targeting economic activity and employment generation. This approach is to be consolidated in a government policy focusing on support for enterprise development, aimed to provide increased employment opportunities, including developing urban economic clusters as a key programme component and strategy to achieve that, necessarily incorporating such support as technical and vocational skills development, and other support mechanisms. This policy needs to be embedded in sector strategies of the following departments:

- Industries & Commerce Department
- Local Government Department
- Works & services Department
- Transport & Mass Transit Department
- Planning & Development Department

Once mainstreamed, alignment of the urban & economic cluster programs and the ongoing activities of the departments can be improved, generating synergies.

6.3.3 Mainstreaming Rural Service Hubs (RGCs) Policy and Implementation

Establishing the RGCs requires the cooperation of many departments and support from the local governments (see table below). The PRS is based on the principle that the RGC policy is ultimately going to be embedded in the sector strategies that guide the operations of these line departments. The RGCS will actively encourage mainstreaming the policy, through dialogue with the different departments, local government, RSPs and private sector.

Table 6.3.3-1 Potential RGC features and their main counterparts

S.No	Potential features	Leading counterparts
1	Housing and village up-gradation (internal roads, drains, parks, Masjid)	Implementation by the RSPs (see Rural Poverty Program)
2	Drinking water facility	Coordination with Public health engineering & Rural development department. Partly implemented by RSPs (see Rural Poverty Program)
3	Secondary school for boys and girls	Education department
4	Rural Health Centre	Health department
5	Veterinary clinic	Livestock & Fisheries department
6	Market centre (input stores, sales outlets)	Local government department, local governments, private sector
7	Agricultural equipment repair facilities	Private sector

S.No	Potential features	Leading counterparts
8	Milk collection point chilling plant	Private sector
9	Roads connecting villages to the Hub	Local government department, works & services department
10	Farm to market roads	Local government department, works & services department
11	Extension service & RSP Service Centre	Agriculture department

6.4 THE PFM FRAMEWORK FOR PRS IMPLEMENTATION

This section presents the PFM framework under the three key strategies for PRS, and within each strategy presents the key aspects or components of the PFM cycle, namely:

- 1) Budgeting (with the focus on integrated planning and budgeting)
- 2) Budget execution
- 3) Accounting, reporting and audit and
- 4) Monitoring and evaluation.

Overview aspects of the PFM cycle are presented first in Section 6.4.1 below. In addressing the PFM-related implementation requirements for the PRS and CDLD implementation, the proposed requirements assume a 'whole-of-government' approach.

Then the PFM cycle implementation requirements and issues are presented under the three main strategies of the PRS, according to the key components of the PFM/budgeting cycle, in Sections 6.4.2 to 6.4.4. The monitoring and evaluation framework follows in a separate section at 6.5.

6.4.1 Overview of the PFM and Budgeting Cycle for PRS Implementation

Budgeting

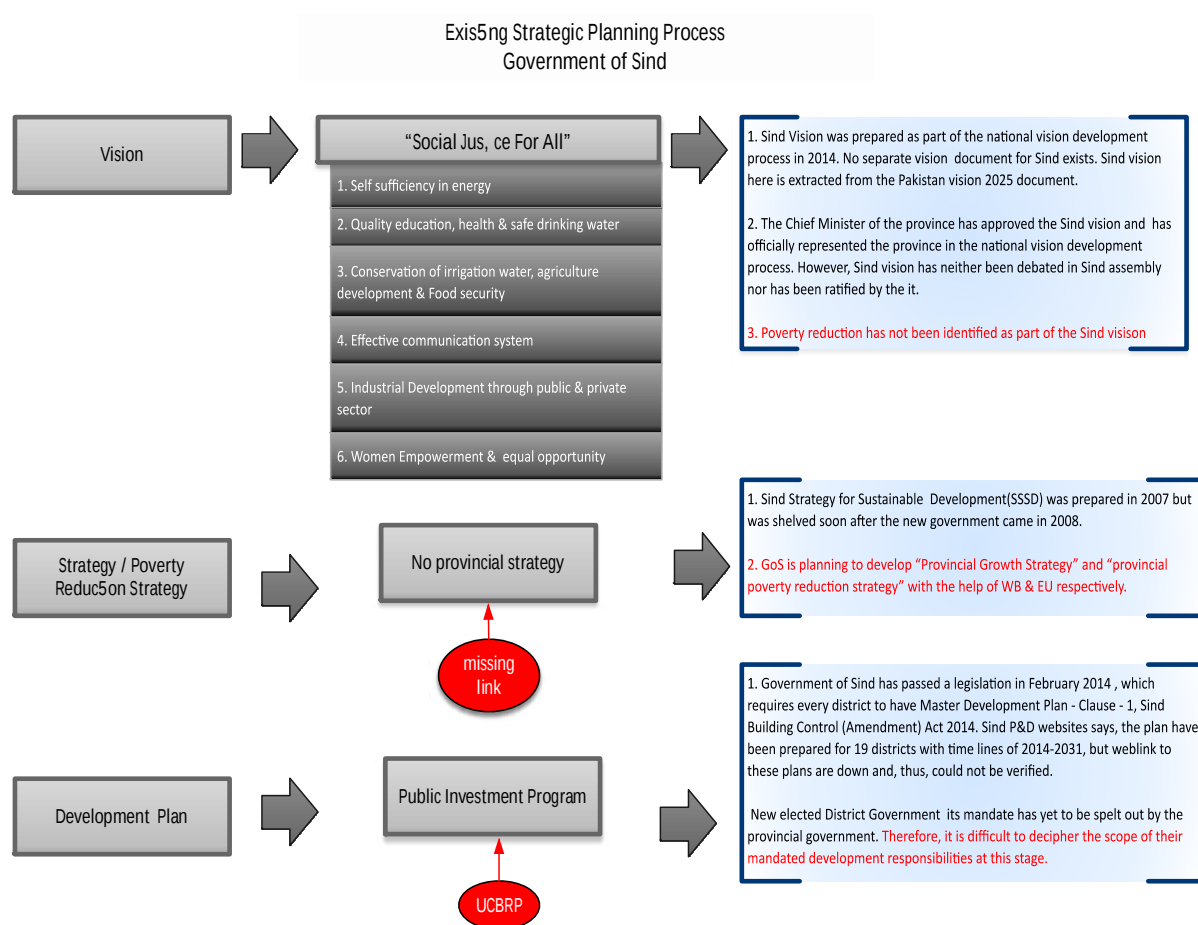
Poverty reduction requires a 'whole-of-government' approach to ensure that it is horizontally linked with the other line departments. Currently, the GoS has poverty interventions at sectoral level (in silos) but without any strategic framework that could provide a point of convergence for all sector managers. Line departments like Education, Health, Women Development etc. all have programs that are focused on poverty reduction but are being implemented in isolation as independent projects and not as part of a strategic and well-organised program. The PRS recognizes that poverty reduction is a cross cutting phenomena, which requires policy/strategic intervention at provincial level rather than as a sectoral scheme. It is important that a hierarchical planning process should be followed where the government's overall vision for poverty reduction should cascade into the provincial strategy, passing through sector plans and culminating into the medium term budgetary framework. Thus, the PRS envisages that all poverty focused sectoral schemes should be planned within the PRS framework for coherent and concentrated efforts towards achievement of a common goal.

Currently, UCBRP is the only discernible specific poverty reduction programme – which functions as a standalone project in P&DD. The project is not part of the Medium Term Budgetary framework (MTBF), thus cannot be linked with sector wide government policies. The provincial government has

a vision document approved by the CM but there is no provincial strategy⁴⁰ to translate the vision into development action plan. UCBPRP's PC-1 is the only document that provides the government resolve to reduce poverty in the province. Thus, 'poverty reduction' per se is reduced to a project and is not specifically part of the overall development agenda of the government. Similarly, the TA

Figure 6.4.1-1 Existing Strategic Planning Process at GoS

team suggests that an institutionalized response is required to address the poverty issue. For this purpose, the poverty dimension needs to be incorporated at every stage of planning process including MTBF. The figure below presents the existing strategic planning process at GoS:



The GoS is in the process of implementing PFM reforms including those relating to financial planning. A medium-term expenditure framework (MTEF) has been prepared as part of the Budget Strategy Paper 2017-2020, which is yet to be approved by the provincial cabinet, for the third time in a row. The first BSP 2015-18 was prepared in FY 2015-16. The format has been improving annually with basic fiscal forecasting provided based on macroeconomic and social indicators. The current BSP has 3 major components on a medium term horizon (i.e. 3 years): (i) government policies & priorities (ii) fiscal performance of the last two years & current year and (iii) Medium Term Fiscal Framework (MTFF). It is important to note that currently the sector MTBF only covers recurrent costs and for the

⁴⁰ Provincial Growth strategy is being prepared

development budget, P&DD prepares the Medium Term Development Framework (MTDF) – a three year financial projections table - for the whole province. This separation is a larger systemic PFM issue, which tends to undermine the linkage between the development and recurrent budgets, and will reduce the cohesiveness of employing the whole of government approach for the poverty reduction strategy.

The existing arrangement for multi-year budgeting is being reformed to generate comprehensive medium-term projections of capital spending. The latest Budget Call Circular (BCC)⁴¹ for FY 2017-18 as issued by FD requires that each department submits its output targets, indicators and three-year forward estimates for both recurring and development expenditure. The most significant shortcoming is the absence of an integrated public sector investment strategy. It is important that the MTEF would include capital cost and associated future maintenance expenditure, thus providing the executive with a comprehensive overview of planned recurrent and development spending.

Budget Execution

Budget execution entails funds flow, contract management, internal audit and in- year monitoring. The budget execution process and administration employs different modalities for the recurrent and development budgets. The recurrent budget reflects internalization of the program and is considered as part of the routine government function thus implicitly has more certainty in its releases. However, it suffers from low allocation and delays in final payments, due to tedious pre-audit procedures at district account offices. On the other hand the development budget is exposed to budget cuts and more vulnerable to change in development priorities, thus consequential uncertainty in releases. But at the same time, it generally has more independence in payments (use of assignment account). Each component of the PRS can use development and recurrent budgets, depending upon the nature of activity and its intrinsic importance for mainstreaming. CDLD intervention relating to UCBPRP and the Urban Poverty program will be funded through ADP and transacted through assignment account while RGC pilots will be funded through ADP for the first three years of the trial stage, then once internalized will be part of normal recurrent or development budgets of the line departments, as the case may be. Similarly CDLD interventions integrated into sector plans will be financed from the recurrent side of the budget.

For implementation of the PRS, the PRS cell will have to engage specialized individuals and firms for delivery of services and goods including infrastructure. Therefore, contract management expertise would be required to manage services, goods and infrastructure contracts. In case the GoS opts for decentralized procurement, where each District PIU will be allowed to procure services (e.g. through CSOs) and goods itself, then procurement experts will be required to be placed within each district PIU. On the contrary, for centralized procurement and contract management, the PRS cell will need adequate capacity to centrally manage all contracts. The contracting will also include performance contracts that the PRS cell (or the district PIU on its behalf), will enter into with village organizations in the respective districts. These performance contracts in fact will be the financing instrument for funding village improvement plans (VIP).

It is suggested that for monitoring and reporting a MIS sub cell within the PRS cell should be established. The PRS will require continuous feedback on all three components from input as well as

⁴¹ Budget Call Circular is annually issued by FD to communicate budget ceiling and collect budget demand of each department.

from output side. It is therefore essential that a robust MIS should underpin the monitoring and reporting regime. In addition, for monitoring purposes an effective framework for performance measurement should be prepared for both service provider (CSO) and community organizations (CO/VO/LSO). The PRS cell will have the main responsibility for managing monitoring and reporting including analysis, assessments and recommendations.

Accounting, Reporting and Audit

The existing budget classification system (CoA) has the capacity to record and report on poverty reduction expenditure. For all ADP schemes which have a specific focus on poverty reduction, the reporting will easily be generated through GFMS. This will be the case with CDLD under UCBPRP and Urban Poverty Program (both will be funded from ADP). RGC expenditure will also be funded through ADP for the pilot stage. However, for poverty expenditure finance from the recurrent budget and those ADP schemes that do not have a specific focus on poverty, but yet contribute toward poverty reduction efforts, the financial reporting from GFMS will be challenging.

Thus, at present there is no comprehensive mechanism to track poverty-related cost-centres other than to individually identify them and gather their budgets and expenditures. Therefore, a coding structure is recommended in order to gather the relevant information and provide reports on a periodic basis from the computerised information (SAP R/3) system.

The cost-centre structure is part of the elements of a 'Charts of Accounts' – the budget and expenditure classification system – that has been adopted across the different tiers of the country. The 'Charts of Accounts' structure is approved by the Auditor General of Pakistan as part of the New Accounting Model – a regulatory framework adopted in the year 1999/2000.

The recommendation is to map each cost-centre with poverty related activities as defined by the PRS cell with P&DD. PRS proposes all public expenditure that results in generating income or reducing costs for households should be classified as poverty related expenditure. As part of the PRS preparation, such a mapping has already been carried out for the cost-centres appearing in the budgets and expenditures of 2014-15 for the GoS. However, these criteria need to be reviewed in more detail and agreed upon by all relevant stakeholders.

The following table represent the classification system for tracking PRS expenditure:

Table 6.4.1-1 Classification System for Tracking PRS Expenditure

Cost Centre	Year	Main Element	Funding Source	% Contribution (Relevance)
Tagged for PRS budget/expenditure		CDLD	- Local Funding - Foreign Funding	
		Urban Poverty Program	- Local Funding - Foreign Funding	
		RGC	- Local Funding - Foreign	

Cost Centre	Year	Main Element	Funding Source	% Contribution (Relevance)
			Funding	

The PRS cell will be responsible for the preparation of annual financial statements of the PRS program as per the cash basis IPSAS. For this purpose, the financial management team within the PRS cell will collect data from GFMIS as per the PRS classification system. The Office of the Auditor General of Pakistan (OAGP) will conduct the regulatory as well as financial audit of the PRS expenditure as part of its annual audit program. The purpose of the financial audit is to form an opinion on the PRS annual financial statements. The audited annual financial statement along with regulatory audit (compliance audit) will be submitted to the legislature for review and accountability. A provision in PC-1 can also be made for conducting financial audit through a reputable chartered accountancy firm. In addition, a third part validation of performance of PRS should also be carried out after three years.

6.4.2 PFM Implementation for the CDLD Programme

Budgeting – CDLD Programme

CDLD interventions relating to CIF, IGG and VIP will be implemented through the UCBPRP wing under PRS cell. The existing budget framework does not provide transparent allocation with respect to districts and activities. The existing PRS PFM framework suggest that separate DDO codes will be opened for each district under which allocations are made for CIF, IGG and Village Improvement Plan (VIP). For CDLD activities (CIF, IGG and VIP) object classification available in the NAM chart of account could be used for appropriation. The CDLD activities under the UCBPRP wing of PRS cell will continue to be funded through the development budget of the province.

For the purpose of mainstreaming CDLD, the planning process will require adjustment to incorporate the CDLD dimension. Firstly, sector plans of all relevant line department need to be reviewed and updated to recognize CDLD as one of the key instruments of service delivery, especially for capturing and delivery of services targeted to localized need. Secondly, the Budget Call Circular will be updated with respect to the PRS dimension. The BCC should have a PRS results framework⁴² relevant to each line department and would require line departments to separately identify CDLD related activities and corresponding budget requirements. It is important to note that the BCC covers demand for budget for both development and recurrent spending.

⁴² PRS result framework refers to output identified in Sector plans with respect to CDLD. Sector plan includes years-wise expected result (output) – that a line department intends to achieve in medium term. Once CDLD is incorporated into sector plan, the related result framework should be made part of the BCC thus, demanding line departments to provide budget request in line with that result framework. PRS included UNCBPRP rural program, Urban poverty program and Rural Growth center, therefore, PRS result framework will include all three components and will be part of the BCC as a whole. However, under this section “CDLD Budgeting”, the focus is on the CDLD result framework.

Table 6.4.2-1 Key Recommendations for Budgeting – CDLD Programme

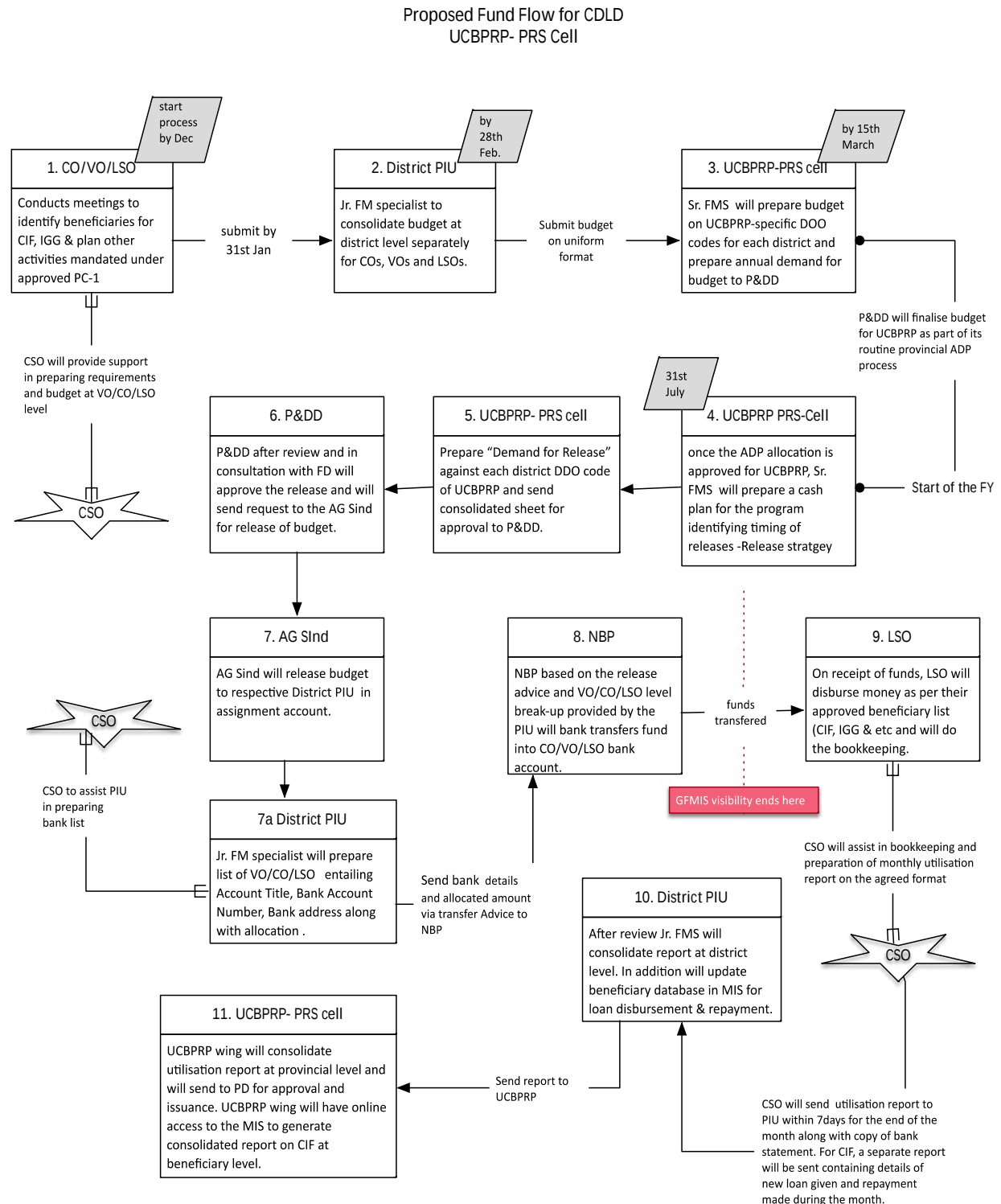
Recommendations	Action
Enhance transparency in budget allocation for CDLD- accounting framework	Open separate DDO code for each CDLD program district for the purpose of allocation. Province wide the total number of DDO code will be 23 i.e. one for each district.
	Appropriate funds for CDLD separately for each program activity using economic classification.
Improve credibility of budget estimates based on evidence from PSC survey (for PC-1) and bottom-up approach for determining annual allocation.	Develop separate PC-1 for carrying out Poverty Score Card Survey so that it precedes program PC-1.
	Firm or CSO for PSC survey should be hired as per SPPRA rules. The firm should be different from the one responsible for program implementation. As an alternative engage the Sindh Bureau of Statistic to assist in PSC survey.
	Use PSC survey results to develop program targets for PC-1 preparation.
	VO/CO/LSO planning meeting should be convened before budget making process starts at provincial level i.e. around December each year. The practise will ensure that UCBRP would demand its budget allocation to be in line with the needs of the VO/CO/LSO.

Budget Execution – CDLD Programme

Funds for CDLD interventions will be released against separate DDO codes opened for budget allocations. Funds disbursement will be through Government Financial Management Information System (GFMIS). The proposed PRS envisages that the implementation role of RSPs will remain largely the same. The proposed fund flow will provide visibility and track in GFMIS up to amount of funds received by each LSO. For funds spent at LSO level, a separate reporting framework will be required.

The following Figure presents the proposed fund flow for CDLD Intervention under UCBPRP.

Figure 6.4.2-1 Proposed fund flow for CDLD Intervention under UCBPRP



The proposed fund flow arrangement for CDLD interventions will be:

Table 6.4.2-2 Key recommendations for Budget Execution – CDLD Programme

Recommendations	Action
Funds disbursement	Budget for program will be released directly into the DDO code of the respective district PIU assignment account, without passing through UCBPRP assignment account.
	District PIU will send break up of releases for each LSO to NBP along with name of the LSO, address, name of bank and bank account number.
	The NBP on receipt of release order will bank transfer funds into each LSO bank account.
	For the non-program costs, funds will be released in UCBPRP assignment account for onward transmission to CSO. An alternative can be that non-program funds can directly be transferred into the PIU bank account.
Dedicated reporting mechanism to be developed for LSO budget and expenditure.	Reporting for VO/CO/LSO will remain outside the GFMIS as currently GFMIS can only account for funds till district level. For the purpose of VO/CO/LSO following arrangements are, thus proposed:
	Develop uniform financial reporting framework for VO/CO/LSO budget and expenditure.
	Each district PIU will consolidate budget execution reports at district level and submit one copy to DAO for reconciliation and second copy to the UCBPRP at Karachi office.
	On receiving report from PIU the DAO will enter district level expenditure against UCBPRP DDO Code into GFMIS.
	The finance officer at UCBPRP will consolidate report at provincial level.
	Develop FM guidelines for VO/CO/LSO
Build financial management capacity at PIU and UCBPRP	Hire one senior financial management expert for UCBPRP and junior FM expert at District PIU for managing, accounting and reporting of UCBPRP program funding.
	Install simple off-the shelf accounting software which can link district PIU with UCBPRP. The arrangement will assist PIU to consolidate and submit expenditure report through technology platform.

Recommendations	Action
	Revise PC-1 to provide funding for hiring of senior FM expert and Junior FM experts of program districts
Internal Audit	The PRS cell will set up an internal audit wing for internal and in- year accountability of the program. The internal audit will conduct periodic review of the program against its intermediate and final output. As an alternative, internal audit can be outsourced to a chartered accountancy firm.

Accounting, Reporting and Audit – CDLD Program

For CDLD under the UCBPRP wing, accounting will be carried out at three levels. At the lowest level, bookkeeping will be carried out at LSO level. The CSO will provide capacity building support to the LSO for record keeping and reporting. The District PIU will maintain complete accounting records of all financial transactions transacted through the assignment account. The District PIU will also be responsible for consolidating LSO budget executing reports and submitting to the UCBPRP wing of the PRS cell. Finally, the District Account office in each district will book CDLD expenditure against each DDO code. For this purpose the District PIU will submit the activity wise report to the respective DAO.

In addition to internal audit, CIF and IGG will be subject to special audit due to its high fiduciary risk. For that purpose specific provision will be made in the UCBPRP expansion PC-1 for hiring of an audit firm.

The CSO will prepare and submit monthly disbursement reports to the relevant District PIU pertaining to CIF and IGG from LSO bank account to beneficiaries. The District PIU will consolidate LSO reports at district level and submit to the UCBPRP wing. Each district PIU will maintain the comprehensive database of beneficiaries to monitor the CIF and IGG disbursement and repayment schedules.

Funds for the VIP may be transferred to CSOs for execution purpose. The CSO will be responsible for complete accounting, reporting and auditing of the VIP. The VIP once approved by the CO, will be submitted to the District PIU for budget allocation. On receipt of funds in the assignment account, VIP allocations will be paid to the CSO for execution of VIP.

Table 6.4.2-3 Key recommendations for Accounting, Reporting and Audit – CDLD Programme

Recommendations	Actions
PRS cell to extend its role in monitoring.	PRS cell to post District Monitoring Officer (DMO) at each district.
	Terms of Reference for DMO to be developed.

Recommendations	Actions
	Develop monitoring framework for DMOs.
Introduce effective protocols for JDC to coordinate and participate in monitoring and also at planning stage.	Terms of reference of Joint Development Committee (JDC).
	Notification of formation of JDCs in all districts.
Engage civil society organization and other NGOs in monitoring.	Establish a forum at P&DD comprising CSO/NGO for regular interaction and discussion on policy outcomes and results.
Public dissemination of program intended targets and results achieved.	Develop web portal for PRS and upload all financial and non-financial progress report on the web portal.
OAGP to conduct audit of the PRS annual financial statements.	Auditor General's office to carry out compliance audit of the PRS program.
	Audit Report to be placed in front of PAC.

6.4.3 PFM Implementation for the Urban Poverty Programme

Budgeting – Urban Poverty Programme

The budget process for the urban poverty program reflects some of the operational improvements suggested for the CDLD implementation program. First, the Urban & economic cluster program will be budgeted for in the ADP. Each district has a separate DDO - which services both the rural and urban poverty programs. Under the DDO code funds are appropriated for each program (rural and urban) and each activity, differentiating the different components under the programs (CIF, low cost housing, social mobilization, economic cluster infrastructure, capacity building, management costs etc.). These activities are based on adjustments of the detailed object expense codes. This approach needs to be discussed and agreed upon with the PIFRA team at the Accountant General Office of the Government of Sindh.

Budget Execution – Urban Poverty Programme

The urban poverty program is managed by the District PIU. The District PIU is responsible for funds release and monitoring the CSOs implementing the program, with central support of the PRS PMU.

The District PIU will have a revolving fund account, aligned with the current GoS PFM framework. Once the procedures have been set up, the CSOs submit quarterly expenditure reports to the PIU. Based on these quarterly expenditure reports the District PIU reimburses the CSOs from the liability account, and consequently the PRS PMU credits the account. The District PIU is responsible for managing the expenditure administration in simple accounting module.

The CSOs are required to budget and account in the same BC/CoA as the GoS is using. The PIUs will use the same off-the-shelf accounting software, as used for the rural programming, to link the District PIU with the PRS PMU for the rural poverty program. This arrangement enables easy consolidation and reporting to the PRS PMU, and enables reporting on actual expenditure rather

than 'transferred' funds. The District PIU would require a junior FM expert in the team to support the fund release, financing monitoring, and reporting activities.

The urban poverty program also includes a CIF, which is also managed by the District PIU. Separate regulation has to be drafted to allow for a district CIF account and fund management operations at District level. Once the regulatory framework is drafted and approved, CIF funds will be transferred to the accounts. Once operational, the same objectives and policies apply for CIF in the urban areas as for the rural areas.

Accounting, Reporting and Audit - Urban Poverty Program

It is proposed that the implementers be required to use the same activity based classification, both for budgeting as for in-year, and year-end reporting. It is envisaged that the CSO is required to submit an expenditure report quarterly, and a year-end financial & performance report. The in-year quarterly expenditure reports can be administered by a junior FM expert to update the separate accounting module to monitor expenditure accordingly.

The year-end and 4th quarter expenditure report needs to be submitted before the GoS close their books. This will enable the final payments to the revolving accounts, so that the year-end expenditure report through GFMS reflects actual payments.

The CIF funds at district level are audited annually. These costs need to be covered by the CIF revenues (management fee & interest revenues). Furthermore, the PRS PMU has direct oversight over the CIF bank accounts and can monitor the total amount and in-and-outflow activity. In case of observed non-functioning or non-compliance with the regulatory framework, the PRS PMU has the power to overrule the district PMU and temporarily execute the CIF in the district, until the observed irregularities are neutralized.

6.4.4 PFM Implementation for the RGCs

Budgeting – RGCs

The main budget procedures for all relevant line departments and P&DD will not change to accommodate the RGC program - no additional procedures or progresses will be introduced for the line departments in the budget process. However, the proposed RGCC provides RGC inputs for the ADP guideline and Budget Circular and the dialogue FD and P&DD will have with the relevant line departments.

The proposed RGCC receives copies of the submitted line departments' budgets from the Finance Department and the Planning & Development Department. Based on an ex-ante priority selection of RGCs for that particular fiscal year, the RGCC reviews whether ADP & recurrent budget proposals from all relevant line departments are in line with this annual priority list. It maps (geographically) investment proposals in accordance with the selected list, and verifies adequate operational budget in the recurrent budget. It also analyses the MTBF of the relevant departments to check future availability of resources for the selected investments in the RGCs. Based on the analysis, the Coordinator provides its recommendations to FD and P&DD regarding reprioritization investments and recurrent budget items.

It is proposed that 3 RGC pilots are added to the ADP FY 2018/19 as separate projects under P&DD. The pilots are to be identified by P&D. P&DD will coordinate with the relevant line departments in

developing the PC-1, to safeguard that the line ministries are capable of implementing their share of the required investments, and to cover recurrent expenditure consequences of the pilots.

Budget Execution – RGCs

The budget execution procedures for all relevant line departments and P&DD will also not change. Every line department follows its regular capital budget and recurrent budget implementation processes. However, the RGCC monitors in-year the implementation of the RGCs, in parallel with the line department monitoring activities. The RGCC receives half-year expenditure reports from the FD, and verifies non-financial progress for a selection of RGCs which have concentrated activities from different line departments.

It is proposed that the RGC pilots are executed through the budgets of the relevant line departments. This implies that the ADP one line item for the pilots will be disaggregated to the different line departments for execution. Execution also requires close consultation with the local government and private sector.

Accounting, Reporting and Audit - RGCs

It is envisaged that the RGC implementation does not affect the current arrangements the line departments have regarding accounting, reporting, and internal audit. The normal ADP procedures would be followed.

Regarding the RGC pilots, the PRS Cell can report on progress made establishing the pilots for the coming 2 years. (Initially this may have to be supported by the TA Team.) The objective of the pilots is to learn from the implementation process. Therefore the Cell (or team) can report half-yearly to the GoS not only on the progress made establishing the RGC pilots, but also reports on lessons learned, and points of attention for the future roll-out of the RGCs after the pilot stage, and the tasks the RGCC should have.

6.5 MONITORING AND EVALUATION FOR PRS IMPLEMENTATION

An effective monitoring and evaluation framework and process is part of the accountability framework required, in order for the GoS to be able to assess:

- whether the required performance in operational implementation and service delivery of the programmes and interventions is being achieved
- whether the funds allocated to these programmes and interventions are sufficient, and effectively and appropriately managed in terms of financial control, transparency and accountability
- Whether both financial and non-financial targets are being met and
- Whether the strategies, programmes and finances spent are achieving the results intended in reducing poverty.

As such, the monitoring and evaluation framework relies on a combination of identification of appropriate performance measures, systems to collect relevant information, an effective reporting system and evaluation tools and methodologies to assess overall results. The framework requires that both financial and non-financial reporting is vital and assumes an integrated approach is essential for the assessment of results.

These concepts and approaches, and the systems upon which they rely are far from new, and some departments within the GoS have made significant inroads into introducing key aspects of an M & E framework. For example, Health and Education are well down the track with development of performance indicator and dashboard applications for reporting. The UCBPRP PMU is working with the SUCCESS implementing partners (RSPs) to further develop and implement an improved reporting and M&E framework, and develop/improved associated capacity.

However, efforts during 2016-2017 to gather information on and assess the level of M&E capacity at provincial and district levels of the GoS have largely indicated that capacity in M&E and related systems needs significant further development. In many areas, the systems are there, but are not being effectively utilized, or resources are not being applied to their application. Across the GoS, concepts of performance management, application of performance indicators, reporting frameworks and tools for evaluation of results are largely rudimentary. The M&E Cell at P&D is working to develop its processes and expand its repertoire of M&E systems and processes, but active 'monitoring and reporting' is largely still confined to physical site monitoring of the ADP schemes.

As outlined in Section 6.4 above, an increased monitoring and evaluation focus will be essential to the implementation of the PRS and CDLD policy, in order to answer the key questions relating to what is being done, how much money is being spent, what results are being achieved and whether all this is having the desired impact on poverty. Sections 6.2 and 6.4 above have outlined the requirement for an expanded PMU within P&D for PRS implementation, with the necessary human resources and associated up-skilling required.

6.5.1 Application of the Outputs-Outcomes Framework for Performance Measurement and M&E

As outlined earlier in Section 3, the M&D framework for PRS/CDLD implementation and evaluation will be based on a typical output/outcomes framework for public sector application. The latter conceptual framework structure has evolved variations in approach over some thirty plus years of application in a variety of countries. This framework has been variously referred to as a performance management framework, 'results-based management', programme or performance-based budgeting, and 'M&E' and definitions of the main components (outputs and outcomes) vary somewhat with different country applications. But the overall concepts and general application remain relatively consistent. Basically, the intention is to map reporting and evaluation of public sector activities and results achieved in a progression from the inputs consumed to the outputs delivered and the outcomes achieved. Typically this consists of a definitional approach consisting of:

- The allocation of inputs (finances and other resources) to public sector activities and programmes, resulting in;
- The outputs delivered (the services or other deliverables provided as a result of the activities);
- The outcomes achieved (the results of delivering the services); and
- The overall impact for the community (i.e. either targeted beneficiaries or the general public).

Defining Performance Indicators and Setting Targets and Measures

The task of developing performance measures can be a challenging task, since it involves identifying performance indicators and targets at various levels and for types of performance and results. But performance indicators also need to be developed with regard to the data and information required to demonstrate performance, achievement or to assess the outcomes and impact. Often in the initial learning curve in developing and applying performance management and M&E systems, indicators are selected without regard to the availability of empirical evidence or supporting information, the cost or administrative burden of collecting the evidence/information, the administrative burden of reporting in detail and the difficulty, cost or cost-benefit ratio of researching the impacts. Often the failure of public sector policy actions and strategies is due to a failure of political will, or undermining implementation difficulties, including under-estimation of capacity or technical systems. However, the challenges of performance management and evaluation of policies, and the failure to consider these challenges in either committing to targets for policy actions, or in how to report them or demonstrate achievement, are often a contributing factor to the failures of public sector policy and strategies, particularly in developing countries. The failure of PRSPs and MDGs is an example.

The evaluation framework for PRS can be developed to incorporate four levels of performance indicators:

- Input measures (how much resources are used or go into a specific activity, which can be assessed in simple quantitative measures, for example budget figures, number of teachers required for an educational programme, etc., but also used in value-for-money (VFM) measures, to assess the consumption of inputs compared to output or outcome-related results)
- Output measures (targets for services or other programme deliverables, such as distribution of loans and grants etc.) Output indicators are often simple quantitative measures, particular in the early years of application of the performance management system or evaluation framework. But quality measures and measures of timeliness and cost are also necessary e.g. measures demonstrating the application of programme standards to ensure quality of service, deadlines for delivery etc. The result is a set of measures relating to all aspects of the services or deliverables – what is being delivered, what is the quantity delivered, what is the standard of quality to which it is being delivered, when is it required and what is the cost.
- Outcome measures, to demonstrate the results of the outputs/deliverables. This can incorporate two levels of indicators. The first is outcome measures that demonstrate overall results (such as the number of households that have a sustainable increase in their income as a result of the strategy or programme interventions). The second category of outcome indicators are intermediate outcomes, which generally allow for demonstration of the result of programmes, such as the number of people who gained employment following a vocational skills training programme, or in situations where a proxy measure is an indication of outcome success. For example the existing SUCCESS indicators relating to the number of community organisations which are still active and operating effectively at the end of the programme may be said to be an outcome of social mobilisation, where for example the number of households organised into

community organisations would be an output of the social mobilisation activities/programme.

- Impact indicators/measures – which aim to demonstrate the overall impact out there in the community resulting from the strategies or interventions utilised. For example, a discernible reduction in the level of poverty in a given district over a given time period, based on empirical statistics or indices.

Impact and Outcome Indicators

As noted earlier in Section 3, the GoS should develop a ‘Vision’ for the PRS, with accompanying specification of the overall impact(s) the GoS wants to achieve as a result of the strategy and associated interventions. The associated M&E framework will need to be developed to include a ‘cascade’ of performance indicators, including providing the basis for application of an appropriate performance management system for monitoring and evaluation of programme performance, as well as assessing the outcomes and interventions and overall achievement of poverty outcomes, with overall impact on poverty reduction.

Input and output indicators are relatively easy to develop and mostly start with a set of simple quantitative measures that can be relatively easily reported. Proxy measures such as ‘perception measures’ can be used in respect of quality indicators – for example, where there are no set programme standards setting out compliance requirements for quality of delivery, perception surveys where customers rate quality of services and deliverables can be used. But until levels of increased sophistication can be developed, it is suggested that initially output measures identified for the M&D framework should stick to simple quantitative (volume) indicators and targets.

The most significant challenge is in developing results indicators at the outcome and impact level. These challenges mostly involve the difficulties of specification, availability of empirical data as evidence of achievement, the cost and administrative burden to extract, research, report on and evaluate the necessary information, and the evaluation of proxy or espoused information to extrapolate results and impacts.

Given the definition of ‘poverty’ we are using, where the focus of the PRS strategies and CDLD interventions is on achieving results and impacts in poverty reduction at the household level, this will create particular challenges. Tracking results and information at the household level is difficult and time-consuming – which is why the reports and information on results of CDLD initiatives and micro level interventions over thirty years of application tend to be mostly at the ‘case study’ level (whether empirical or anecdotal), rather than availability of hard empirical data on collective results.

However, consideration of the types of indicators that may be used to assess PRS results and impacts will need to consider some of the following examples:

- Number of households assisted (or percentage of households assisted) which have a sustainable increase in income (This is the only outcome/impact measure being used by the SUCCESS programme. In the case of SUCCESS, this indicator relates to one-third of the households assisted during the programme – presumably this relates to all households which have received some benefit across the course of the programme. They have a target of over 700,000 households organised through social mobilisation, and targeted for assistance through their micro interventions – CIF, IGG, micro health insurance.)

- Number (or percentage) of households assisted that have a sustainable savings in expenditure/costs (or in other words a sustainable increase in discretionary income)

Empirical Evaluation of Income-Related Impact Indicators for PRS

Rural CDLD Programme

The only way to verify these targets is to track the income of specific families helped from the outset of the programme. SUCCESS is using the PSC to do this.

UCBPRP does not have any impact/outcome indicators – only output indicators, with quantitative targets for the specified deliverables.

Income-related impact targets can be applied to the rural programme as per existing SUCCESS approach, but are not so easy to apply to the urban programme or RGCs.

Urban Poverty Programme

For the urban programme, it is not envisaged to work with ‘the poorest of the poor’ and using the PSC to define those in the poorest categories. However, some tracking of the income level of households involved in enterprise development or employment opportunities in the urban programme should be possible, even if not using the PSC specifically – for example, households involved in enterprise development assistance (e.g. receiving start-up grants) and households involved in urban economic clusters may be able to be tracked in terms of income improvement.

Some outcome indicators are obvious in terms of results, such as:

- Number of individuals gaining employment following vocational skills training
- Number of new employment positions created (as a result of enterprise development initiatives)

These outcomes can be assumed to contribute directly to poverty reduction, as it is assumed they will lead directly to sustainable increase in income levels.

Other outcome indicators will have to include some proxy measures in order to identify other benefits that are held to directly or indirectly result in poverty reduction. For example:

- Number of households having improved access to XXXXX.

RGCs

For the pilot RGCs, it is not realistic to expect impacts/outcomes to be very visible in the first three years of the pilots, which would really be an ‘establishment’ stage. During the pilot start-up stages, the focus would be mostly on outputs such as infrastructure established, initial enterprises established etc. and on intermediate outcomes.

At an outcome/impact level, benefits would be longer-term. For longer-term outcomes/impact, we would expect benefits to accrue from agglomeration, in the form of:

- a. Increased enterprise development, new businesses established at the hubs, such as aggro-based SMEs etc., milk chiller plants, warehousing, better access to markets etc. and as a consequence of increased business activity

- b. Increased opportunities for employment, via establishment of the above enterprises (Indicators could include number of new enterprises established, number of new employment positions created, etc.)
- c. Increased/improved access to services through consolidation and re-prioritisation of services and programmes – e.g. better schools, health services. Indicators could include number of households in the area with improved access to education, number of households with access to a medical centre or other health services, etc.

To assess longer-term impacts, the evaluation framework could also reflect the definitional framework for PRS which includes two main categories of poverty reduction strategies –those which relate to improved survival chances, and those which relate to improved opportunities for households/individuals to improve their circumstances and get out of the poverty trap for example:

- 'Survival' strategies – possible impact evaluation might include indicators such as
 - o access to improved water quality through water purification plants
 - o number of households with improved access to a medical centre or other health services
 - o improvement in nutrition indicators – e.g. through potential for improved diet because of refrigerated storage facilities for perishable foods and improved distribution points
 - o Number of households with access to kitchen gardens
 - o Number of households with improved sanitation facilities (through village improvement programme)
 - o Number of households with improved housing
- 'Opportunity' strategies – impact evaluation might include indicators such as e.g.
 - o As above – increased employment opportunities through more enterprise development etc.
 - o Number of children with improved access to primary/tertiary education (through better schools available, rather than one-room village schools etc.
 - o Number of households/individuals with increased access to opportunities for vocational, technical skills training.

6.5.2 Development of the M&E Framework

As can be clearly discerned from the above commentary, the M&E framework to be developed for the PRS implementation will need to be developed not only with supporting M&E expertise, but with an eye to what is going to be practical and implementable, given existing systems and capabilities and the realities of putting the reporting framework into effect, as well as including in the Roadmap necessary provisions for improvement of those systems, capacities and associated institutional arrangements. Thus development of the M&E framework is not only a matter of developing performance indicators (where a lot of effort usually goes), but also in designing the reporting framework and other aspects of the 'ex post' accountability system – including provision for external audit, reporting to Parliament and the cost of evaluation research and empirical data collection.

The effort to design the M&E framework as part of the Roadmap, as for other aspects of the implementation framework and Roadmap, needs to be undertaken as a strong collaborative effort and partnership of GoS staff, with input from relevant key stakeholders and technical assistance.

6.6 ROLE OF LOCAL GOVERNMENT IN PRS/CDLD POLICY IMPLEMENTATION

Local government is the first contact point of people with their elected representatives, which provides opportunity for communities and representatives to work together and prioritize the right policies to ensure sustainable development for communities. Analysis of all legislative Acts for provincial governments exhibits that every provincial government emphasizes that local government is best suited to solve the problems of people and cater for the needs of its people.

A local government system needs an appropriate reporting system/process and accountability mechanisms to ensure consistency and transparency of administration, management, and oversight. Equally important are provisions for accountability mechanisms, not only electoral but also non-electoral, that create spaces for citizens to place demand on elected local officials and local bureaucracies.

6.6.1 Comparative Perspectives for CDLD and Local Government in KPK Province and Sindh

Analysis of Local Government and CDLD in KPK Province

Analysis of the local government system in KPK province reveals that it has devolved power at the local level, with the creation of Village and Neighbourhood Councils, with linkages with district government. The KPK government has given some degree of financial autonomy to districts and local governments through its Local Government Act. Now the district governments formulate financial proposals themselves and submit it to the provincial government for approval. The financial proposals of the district are prepared in close consultation with local government representatives. Local representatives consult their constituencies for catering to their needs. However, while consultation is being carried out in all districts, some districts are still lagging behind.

In addition to the Local Government Act, the KPK government also announced a CDLD policy in 2013 with the aim to involve communities for decision-making and implementation of projects. Community organizations were encouraged to implement the projects at local level.

The Policy is supported by a three-tier institutional support and funding lines. The institutional framework of the policy consists of the following tiers:

1. Policy Coordination and Review Committee (PCRC)
2. CDLD Coordination Unit (Assigned to the Local Government and Rural Development Department's CDLD Policy Implementation Unit)
3. District Development Committee

Implementation of the CDLD Policy in KPK is carried out at the community level by the Sarhad Rural Support Programme, which is assisting in social mobilization and setting up the three-tiered social capital structure at the community and village level.

Brief Overview of Local Government Context in Sindh

The 2013 Local Government Act was approved by the provincial assembly, which defined the respective powers of provincial and local government with respect to local civic functions. Essentially, there are two separate governance streams - Local Administration and Local Government.

1. Local Administration comprises the Divisional Commissioner and the District Deputy Commissioner, and PCS officers, appointed by the provincial government and accountable to the provincial government. Their powers and functions include management of land revenue, law and order and other administrative powers related to local matters.
2. Local Government structures are different for rural and urban areas. The rural structure comprises the District Council and Union Council. The urban structure comprises Metropolitan Corporations, Municipal Corporations, Municipal Committees and Town Committees, depending on the size of the urban unit. Urban entities are elected and answerable to the elected Councils. Their powers and functions include maintenance of local services.

Local government functioning is hybrid with development functions and rests largely with the provincial government line departments. However, local government units also undertake local development activities. Most civic services are also delivered by provincial government line departments. For example, building control, water supply and sewerage disposal, solid waste disposal, etc., are the domain of provincial entities like SBCA, KWSB/WASA/PHED, etc. Electricity and gas are supplied by federal line agencies.

6.6.2 Implementing CDLD in Sindh

Given that the Sindh local government model is less devolutionary than in KPK, the relationship between the provincial government, local government and community organizations needs to be structured in the local context.

CDLD Policy Implementation

It is proposed that strong linkages must be created between CDLD i.e. the three-tiered social institutions' structure (derived from social mobilization) and local government, especially with the Union Councils. The local government along with district administration, line departments and representatives of community-based organizations must be actively involved in planning processes.

The role of the Joint Development Committees, chaired by the Deputy Commissioner of the elected Chairmen of District Councils, can be extended to prepare local development proposals at the taluka and district level. The district governments in Sindh are already receiving 30 percent allocations. The proposals for spending these allocations should be prepared jointly by the JDC which comprises of the district government, local government officials, line departments and representation of the community organisations. Further to the proposed endorsement of the Joint Development Committees at the district level, the TA Team proposes that the role of local elected representatives should be enhanced to ensure active participation in JDC meetings and planning processes.

The annual plans should be shared with district and provincial government and CDLD investment in selected district may be prioritized according to the development plan of respective Union Councils. It is envisaged that Government institutions will also follow suit and invest according to the plan and needs of the local communities. International and national development partners, and NGOs will also be encouraged to follow the plan of each JDC achieving the desired objectives.

It is however acknowledged that for local government to play an enhanced role in implementation of the CDLD Policy and some aspects of the PRS will require addressing capacity and operational issues which have been highlighted above and in detail earlier in the inception report. The following Section 6.6 indicates priorities for capacity development with local government.

Local Government Infrastructure Role in PRS and CDLD

The Poverty Reduction Strategy (PRS) via the CDLD approach entails two components which will have particular significance for local government in terms of responsibility for infrastructural provision: rural growth centers (RGCs) and urban employment clusters. Both require some degree of physical infrastructure provision.

As illustrated in Section 4, the establishment of the RGCs in the first pilot phase would involve various levels of interventions, including those from local government. These interventions include some improvements to local infrastructure as well as establishing new infrastructure. It is proposed that local government will have responsibility for building and maintaining the physical infrastructure in the hubs, including buildings, local roads, minor irrigation, etc., while many of the economic services will likely draw in the private sector and social services will be managed by community organizations.

RGCs will require construction of fully serviced market premises to accommodate public services relating to agricultural extension e.g. livestock veterinary clinics, private businesses relating inputs, storage for agricultural produce, repair facilities for agricultural implements, microfinance, etc. Space will need to be created and maintained for marketing of agricultural produce and livestock, truck parking, etc. Given the locally specific nature of these activities, the nature of infrastructure required will be different and, as such, can best be provided by local government.

Local government will also need to build and maintain roads connecting surrounding villages with the RGC.

Rent charged for premises noted above will emerge as a source of revenue for local government.

Urban employment clusters will require construction of fully serviced 'compounds' with space of varying sizes for plant, storage, truck parking, microfinance, etc., where non-agricultural small businesses engaged in production of complementary goods can be located. Again, given the locally specific nature of these activities, the nature of infrastructure required will be different and, as such, can best be provided by local government.

Again, rent charged for these premises will emerge as a source of revenue for local government.

7. IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY: CAPACITY DEVELOPMENT AND COMMUNICATIONS

This section sets out the proposed approach for implementation relating to capacity development and communications and includes recommendations on:

- Key points of capacity development that will be required at provincial, district and local government level (Section 6.6) and
- A proposed approach for a communications strategy to support implementation of the PRS (Section 6.7).

7.1 CAPACITY DEVELOPMENT FOR PRS IMPLEMENTATION

One major lesson learnt through the implementation of the PRSPs in Pakistan and elsewhere across the world is that the lack of a well laid out implementation plan was a key reason for the failure or ineffective implementation of the PRSP. Several studies, including those by international development partners, have found that beyond the development of detailed implementation plan, the capacity building of the government at the central level and its various functionaries and other stakeholders is a critical success factor for meaningful implementation of the PRS.

The World Bank itself admitted failure of its global PRSP initiative, in its own assessment. Its conclusion is summed up as follows: “The Initiative has added the most value in countries where government leadership and aid management processes were already strong. It has had less effect in countries with weak public-sector capacity or with donor-dominated aid relationships. Most PRSPs deal primarily with the composition of public expenditure and give inadequate treatment to growth and other poverty-reducing actions ... It has not yet fulfilled its full potential to enhance the poverty reduction efforts in low-income countries.”⁴³

The above constraints are a risk to its successful implementation of the PRS and CDLD policy. It must be noted that as proposed in Section 4, the current PMU for UCBPRP is envisaged to become the core of an expanded PMU, with greater responsibility for oversight of an expanded programme, greater focus on mainstreaming and integration of a CDLD approach with line ministries, and greater accountability and associated capacity for procurement, contract management and monitoring (including monitoring and auditing for financial management purposes as well as monitoring for impact evaluation).

The above changes and expansion to new districts will require careful phasing in introduction – the detail of which will be addressed in the Roadmap for implementation (refer Section 8). Enhanced capacity development of the PMU would be an essential part of the Roadmap provisions.

In addition to the expansion of the UCBPRP PMU, it is envisaged that the District administration and local government will have an enhanced role in implementation of the CDLD policy. In this perspective, it is essential to

- a) Build capacity of government at both provincial and district levels of administration
- b) Build capacity of local government and local bodies for implementation of CDLD

⁴³ The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank's Support Through 2003, The World Bank, Washington DC, 2004

- c) Build capacity of communities for accessing government allocations for CDLD and other poverty reduction programs. Capacity building of community is essential to review and interpret the results and hold people accountable, which is at the very heart of the CDLD model.

During development of the Roadmap, a detailed capacity building plan will be developed as part of the Roadmap provisions. The specifics of this can only be determined once the PRS/CDLD proposals are approved and the details of the associated programme design and rollout further specified.

7.1.1 Capacity Building at Local Government Level

There was a requirement to involve local government in development and implementation of the PRS and CDLD. However, as per the latest version of local government laws in Sindh local government powers and functions do not appear to be clearly delineated and the picture that has emerged from the inception analysis on local government devolution is somewhat complex.

In the case of KPK, CDLD was incorporated as part of a specific reform effort in provincial development, following the period of instability caused by insurgencies and fragile security situation. Rebuilding and strengthening the capacity of local government, and incorporation of CDLD, was a key part of that. However, the local government context in Sindh is different.

Progress with devolution in Sindh is slower than expected and further fiscal devolution to districts is fraught with issues at provincial level and capacity issues at district level. In addition, entities tasked with progressing devolution to local government are either not yet established, or at a very early stage.

The transition to local government devolution is fraught with many issues. The structure of a revised local government has been partially operationalized, and the intended framework is spelled out in the relevant Act, however the transition to the new functional arrangements is still a 'work in progress'.

It can be assumed that the transition to local government devolution may continue to be complex at least for the short-medium term, and there will consequently continue to be gaps in the institutional architecture for operationalizing a transparent and accountable implementation of a PRS and CDLD policy at local government level.

This reality flows into necessary conclusions about the type of capacity development programme that can be designed for local authorities and elected representatives.

Clearly the most important factor will be to focus on awareness-raising of PRS and CDLD implementation, stakeholder partnerships between local government and community organizations working on needs assessment and local community-based poverty reduction initiatives, and basic steps towards improvement in planning and budgeting at the local level, with a focus on results in poverty reduction. The latter could include the basics of monitoring and evaluation approaches and consideration of incentives for local authorities and local representatives to focus on poverty-related priorities.

Options to encourage liaison and partnerships between local government and community institutions will be important. Options to incentivize local government to lead and participate in poverty reduction prioritization and implementation may be identified and further explored.

In Sindh, the most important focus for CDLD-related capacity development at local government level, and the most benefit which could be expected to be derived from capacity development efforts, is likely to be from concentrating on the Joint Development Committees (JDCs), which are being established in the SUCCESS districts and which UCBPRP plans to initiate in UCBPRP districts. As noted earlier in this report, the JDCs are being established as a community forum for input to planning and identification/prioritization of community needs in district and local planning, with representation on these committees comprising district officials, local government members and members of the community organisations (LSOs).

The capacity development plan for local government that can be developed for the Roadmap, can incorporate training and other capacity building initiatives with the following priorities:

- Awareness-raising about the PRS and CDLD policy and implementation
- Defining the responsibilities of JDCs, with awareness –raising to support the role of the JDCs in planning and interaction between the district and local government administrative level and the community, CSOs, LSOs etc.
- Awareness raising and training about programmes and basic M&E requirements in PRS/CDLD rollout
- Training about compliance requirements relating to accountabilities of CDLD, including accountability requirements for LSOs etc.

During the Roadmap and implementation phase the TA team will work with the GoS to assist in assessing the capacity gaps and develop strategies to overcome capacity issues.

7.2 COMMUNICATIONS STRATEGY FOR PRS IMPLEMENTATION

7.2.1 Introduction to the Concept and Rationale for a Communications Strategy for PRS/CDLD Implementation

The GoS needs an effective communication Strategy for PRS/CDLD implementation - not just to fight the menace of poverty but also to be seen to be doing so.

The Communications Strategy to support PRS and CDLD implementation is a tool of the GoS, and therefore must be designed and worked through closely with the P&D. Therefore the section below does not attempt to present a proposed Communications Strategy per se, as that would be presumptive. Instead, the section below outlines the proposed approach. The detailed development of the Communications Strategy naturally follows during the Roadmap development.

Rationale for a Communications Strategy

Ultimately the goal of the PRS and CDLD policy is to improve people's lives and to enable the GoS to effectively and efficiently deliver programmes and services aimed to achieve that.

To achieve the outcomes it seeks, a government can use three main levers:

- policy definition and implementation
- monitoring the implementation of policy and
- communication of policy to the relevant stakeholders, target groups and beneficiaries.

When done well, communication can make a profound contribution to policy creation and implementation, by explaining government policies or programs and supporting the effective operation of public services and programmes – for example:

- Informing citizens about the GoS' intentions and programs moving towards eradication of poverty in Sindh
- Helping achieve behaviour change, for example, influencing people to engage in community mobilization to play a more pro-active role in establishing community physical infrastructures, contributing to community planning to address the needs of communities, and engaging in activities aimed to increase income-generating opportunities, such as vocational and technical training programs.

Despite the fact that the Government of Sindh has substantially increased expenditure in sectors that contribute to poverty reduction such as health, education, water and sanitation, together with funding the dedicated initiative of CDLD-based interventions in poverty reduction through the UCBPRP for the last 10 years, the perception amongst the wider general public is mostly characterized by a lack of awareness of the GoS' efforts. This was evident in workshops held during 2017, in consultation for the development of the PRS and CDLD policy. Many participants at the workshop did not know about the UCBPRP programme and GoS funding for that and other programmes aimed to have an impact on poverty. There are three main reasons for this:

- Although there is a wider awareness of the work of the RSPs, this awareness and recognition is attributed directly to RSPs, and not to the GoS or to UCBPRP in funding the RSPs' activities.

- The GoS does not have an overarching poverty reduction strategy, so its efforts and initiatives in poverty reduction or other areas of key strategic priority are perceived as piecemeal and ad hoc
- There is a lack of reliable data and evaluation information on the impact of poverty reduction initiatives. During the consultation workshops, this was a key point raised and the question was asked ‘If the GoS is spending all this money (on CDLD-based poverty reduction interventions through UCBPRP), what is the impact? Where are the results? Where is the information?’ This is a key weakness of the CDLD-based interventions and social mobilization efforts of RSPs and the activities of other CSOs over the last many decades. Most of the information available on the success of the social mobilization approach and micro interventions exists in the form of individual case studies and reports produced by the implementing agencies themselves, and there is little empirical data.
- The GoS does not have a dedicated communications strategy to get priority messages out to relevant beneficiaries, other stakeholders and the general public.

The PRS needs to be communicated effectively across the fragmented administration to encourage broad ownership by the government through dialogue and direct interaction to achieve results set out in the inception report. Sindh government enjoys policy and budgetary autonomy and needs a process to align poverty reduction strategy through integrated communication approach within districts and relevant institutional structure. Development of the PRS at P&D level and line departments in Karachi must also be communicated to the lower tiers of the government in the province, so that they are informed about the policy and implementation phase in Sindh.

The main purpose of the communications strategy to support the PRS implementation is to invite all stakeholders to contribute and participate, to achieve the aims of the PRS and CDLD policy. The result will be a forward-looking agenda for better communication, in pursuit of enhancing the involvement of communities and stakeholders in reducing poverty in Sindh.

The Communications Strategy for province-wide PRS implementation should be based on a multilateral approach that complements the GoS agenda of political integrity and responsibility of governance in providing services to the public on Union Council level. The strategy must appeal to diverse groups who represent the multifarious nature of the populace at large.

Having a communications plan would play an integral part in monitoring the PRS and keeping implementation on track, managing stakeholder engagement and expectations, and enhancing the image of the government. Moreover, it can contribute to the effectiveness of the PRS implementation and CDLD programmes, but ensuring effective information aimed at potential beneficiaries of the programme and other relevant stakeholders.

Such a Communications Strategy should operate as a living document that can be revised according to needs and requirements and as implementation of the PRS/CDLD progresses. It can be enhanced by the opinions of all segments of society through consultations/dialogues in different forums from relevant stakeholder and target groups. It should thus be implemented through a participatory approach. In order to achieve the objectives of the Communication Strategy, to deliver the messages to the target audience consistently, clearly and promptly and to extend the range of

influence, there will need to be a concerted effort with participation of international/national/local institutions, civil society, universities, businesses, media and political actors, which are stakeholders representing all segments of society.

Developing effective communication partnerships will be the key focus for the communications work, based on the knowledge that trust in campaign messages increases when they are delivered in a local context – whether that is through regional media, with the use of local case studies or endorsements from community voices, or delivered and amplified through local partner channels.

The proposed approach to the Communications Strategy suggests the work in the years ahead for partners and stakeholders - in providing economic security and extending opportunity.

To convert this Strategy into insight-based, digitally cognizant, robustly evaluated communication and engagement with the relevant audiences, it must strive for even closer collaboration across government and with relevant partners, in pursuit of the greatest possible cost-efficiency and impact.

7.2.2 Institutional Players in Design and Implementation of the Communications Strategy

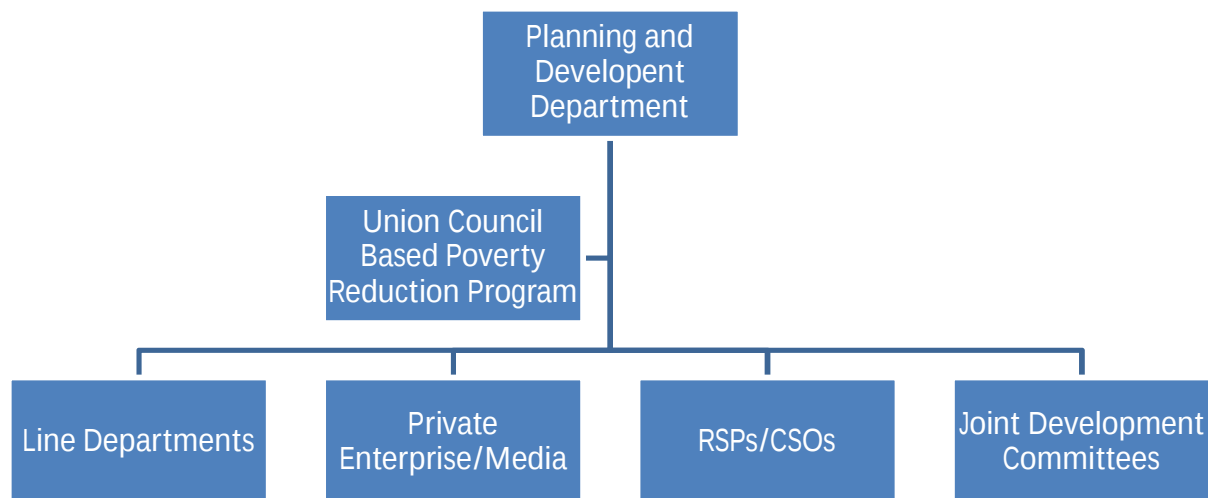
Planning and Development Department

P&D is highlighted as the leading institution in implementation of the PRS and CDLD policy.

Elsewhere in this document, the future role of an enhanced PMU within P&D has been highlighted, with the responsibility to oversee the PRS implementation, and with greater capacity in its leadership role and in other relevant capacities such as contractual management, procurement, reporting, monitoring and evaluation and financial management and accountability.

The Communications Strategy will need to highlight and convey the role and responsibilities of the P&D, aimed to translate into greater awareness, trust and confidence of audiences such as donor agencies, contracting partners and programme beneficiaries. It must be portrayed that the institutional setting of the P&D, and the enhanced PMU within that, is the PRS torch bearer of the Government of Sindh.

Figure 7.2.2-1 Structure



Information and Archives Department

According to the Information Department website, the department has a catalytic role in disseminating information to the people through print and electronic media. The department strives to ensure healthy relationships, and to support this mission with timely dissemination of information between audiences to encourage discussion, participation and change. Currently however, the department does not have or implement a communications strategy as such, and has many limitations to its potential effectiveness. This includes:

- The main method of communication is monologic information dissemination (i.e. telling/informing), to disseminate information to the public through electronic and print media advertisements
- Campaigns to advertise through the Information Department are generally devised by officials of the line departments
- A method to monitor the impact of the advertisements through surveys is not in place
- Tools to monitor the impact for advertisement of a campaign are not available
- A dialogic approach/method of communication (involving consultation and dialogue) is given no importance.

Thus part of the Communications Strategy will need to include working with the Information and Archives Department for implementation, through P&D and UCBPRP

7.2.3 Goals, Objectives and General Approach of the Communications Strategy

The long term goal of the Communications Strategy is to contribute to the reduction of poverty and economic vulnerability in rural and urban communities in Sindh.

The medium-term goals are:

- To strengthen the capacity of the GoS to integrate the poverty reduction strategy into the policy framework aiming at overall sustainable development
- To strengthen the capacity of the target groups to participate in PRS and CDLD initiatives, for their own development and that of the wider community.

Overall Objective of the Communication Strategy

The overall objective of the Communication Strategy is to assist the GoS in promoting and implementing the PRS and CDLD policy.

Specific Objectives of the Communications Strategy

PRS Communications objectives include:

- Effectively utilize communication strategy and tools to support implementation of the PRS and CDLD policy.
- Support the provision of relevant information for all PRS and CDLD programme beneficiaries and other relevant stakeholders
- Awareness raising and sensitization of relevant stakeholders on the importance of the PRS and CDLD policy and its implementation.
- Assist the leadership of Planning and Development Department in the implementation of the PRS and CDLD policy
- Sensitize the public and private sector on the aims and benefits of the PRS and CDLD programme
- Communicate direct linkages to the SDGs, to ensure a strategic approach and promote the position of Sindh province nationally and internationally.

Approach for the Communications Strategy

In recent years, there has been new emphasis on communications as a discipline and a key part of management, including in the public sector. There is a general perception that more has to be done. But communication has remained too 'withdrawn' and institutional communication through provincial government has clearly not been sufficient to close the gap in information and interaction with stakeholders and the public.

It is proposed that new approaches should include a move away from one-way communication to reinforce the importance of consultation and dialogue. Communication methodologies and approaches in modern public sector include consideration that communication should become a government policy in its own right, at the service of the communities. It should be based on genuine dialogue between communities and the policymakers and discussion among communities, JDCs, LSO, district officials etc. People from all walks of life should have the right to fair and full information about GoS programmes and planning, and be confident that they can engage with and be heard by those in authority.

There are several broad audience groups that the strategy tends to address - private enterprise, politicians, bureaucrats, policy makers, donors, media, CSOs etc.

Its key principles are that players in PRS implementation can be seamlessly integrated, communications are based around audience understanding, insightful and impact-driven, and

digitally integrated by default. It is recommended that communication functions of any size, in departments or arms-length bodies, should be built around a central core of strategic communication planning, including media campaigns, strategic engagement and internal communications.

7.2.4 Key Stakeholders for PRS and CDLD Implementation

The Communication Strategy has different types of stakeholders according to the level and type of involvement in PRS/CDLD implementation. Key stakeholder groups include:

1. Cabinet Members
2. Parliamentarians
3. Planning & Development, finance department and relevant departments
4. District officials
5. Local elected representatives
6. Joint Development Committees
7. Community organizations
8. Academics and researchers
9. Civil Society Organizations
10. Media (social and contemporary)

Different methods and approaches are required for the different stakeholders and target groups. Different messages need to be developed, to address the requirements of these different groups – consequently the wording needs to be carefully designed.

Example: Key Messages for All Stakeholders

- The Government of Sindh is committed to promote sustainable development and is actively incorporating poverty reduction in its provincial development agenda.
- The Government of Sindh is striving to ensure sustainable transformation in the lives of the poor people of Sindh by implementing its poverty reduction strategy and pro-poor program.
- The poverty reduction programme is targeted to improving the quality of people's lives at the household level.

Example: Key Messages for the UCBPRP and SUCCESS Beneficiaries

- Communities and households are encouraged to participate in their own development and planning for community needs
- Assistance and interventions are available to households to help them participate in income-generating activities.

Example Key Messages for Relevant Stakeholders Relating to Rural Service Hubs Initiative

The GoS will have to promote the concept of rural service hubs to key stakeholders in areas selected for pilot implementation. Depending on the interests of different stakeholders, the key messages may include the following:

The GoS is working to create opportunities for people in rural areas, including:

- Promote non-farm income opportunities
- Creating jobs in small cities and towns
- Strengthening the bargaining power of rural poor by promoting growth centers and services hubs in rural areas
- Concentration of facilities in one place, for better service provision
- Targeting clusters of settlements can enhance income opportunities and provide quality at lower costs.
- Concentration of Micro-enterprises in small cities and towns can create the critical mass for enhanced productivity and incomes.
- Low cost housing, paved walkways, drains, clean drinking water, and basic infrastructure are a basis for economic activities.
- A new approach with the combination of government and civil society under a Public-Private Partnership (PPP) framework will help address various socio-economic challenges faced by the poor communities.

At the provincial level, the communication campaign will also diffuse messages about the pilot Rural Service Hubs and about methods and tools for involving the community organizations in the development and implementation of the PRS.

7.2.5 Communication Activities and Tools

Communication Activities

Over the PRS implementation period, the range of communication activities may include:

- Consultation forums and workshops for the implementation of the PRS and CDLD policy.
- Distribution of Copies of PRS and CDLD policy, for information, awareness raising, discussions, training and feedback
- Dissemination of information, activities, and news related to PRS, through quarterly newsletters.
- Distribution of minutes for meetings, events, workshops to the relevant stakeholders
- Distribution of capacity gap questionnaire for assessment of training and capacity development needs of provincial and district officials, local government representatives, community organizations
- Training sessions for GoS officials including:
 - o Training on sensitization and awareness-raising on the PRS and CDLD policy
 - o Specific capacity development training – e.g. on the PFM aspects of implementation of the budget framework including formats for costing and PRS and CDLD integration into budgeting and resource allocations, formats for PRS and CDLD in MTBF application in pilot

line departments and training on requirements and instructions for data collection and reporting on implementation of the M&E framework

- Sensitization and training sessions for local authorities and elected representatives, including:
 - o PRS and CDLD policy and interaction needed with community organizations on poverty reduction prioritization and needs
 - o Specific capacity development requirements including training on basic M&E requirements.
- Media Campaigns
- Devising Key Messages and Talking Points for key program spokesperson ahead of interviews or events
- Supporting media events and interactions such as press briefings, journalist interviews and journalist/donor field visits
- Communicating PRS and CDLD policy messages, information and technical content into easy to understand products for a range of audiences i.e. producing media/donor snapshots, infographics for social media
- Use of social media, including podcasts, webcasts, online streaming, websites, blogs etc.

Communication Tools and Methods

Consultation Workshops and the Importance of Dialogue

Dialogue and direct interaction with identified stakeholders is key to achieving results set out for the development and implementation of the PRS and CDLD policy. Direct and dialogic mode of communication within the existing legal and budgetary framework requires knowledge sharing, information exchange and discussions on “The Way Forward” at all stages of PRS and CDLD implementation. Decisions on implementation of the PRS within P&D must also be communicated to the lower tiers of the government in the province.

It is also about seeking change at different levels, including listening, building trust, sharing knowledge and skills, building policies, debating, and learning for sustained and meaningful change. Dialog is the necessary ingredient in building trust, sharing knowledge and ensuring mutual understanding. Even a project that apparently enjoys a wide consensus, such as the construction of a bridge, can have hidden obstacles and opposition that effective communication can help uncover, address, and mitigate.

Poverty is also about deprivation of capabilities and social exclusion. By involving the poor in the assessment of problems and solutions by engaging them, and not just the experts, in the decision-making process, and by making the voices of the poor heard, the dialogic mode can address and reduce, at least one key dimension of poverty: social exclusion.

Working with Media and New Technologies

Media is a key player. In recent months, the GoS has made considerable efforts to improve its interaction with media. With over a thousand accredited journalists in Karachi, Sindh, new energy should be devoted to ensuring that the press is informed of key decisions in real time.

The Communication Strategy should facilitate the ability of public bodies at Provincial and Local Government level to supply the media with high-quality news and current affairs material, work more closely with broadcasters and media operators and establish new links with regional and local

communication systems; pro-actively use new technologies. The Information Department of the GoS currently lacks capacity in communication tools and application of more diverse methods. A Sindh programme for training in public communications, under which officials from Provincial and Local Government could receive training in communication and media technologies could prove to be useful.

Means, Levels and Channels of Communication

Means of Communication

Many past project and program failures can be attributed directly or indirectly to the lack of horizontal, “two-way” model communication. This method - which opens up dialogue, assesses risks, identifies solutions, and seeks consensus for action, came to be seen as a key to the success and sustainability of development programs.

Government of Sindh insignia needs to be apparent on all material and used at all PRS and CDLD-related events, including:

- On presentation slides for use at meetings and training seminars/workshops, and on banners and signs for training sessions, workshop events and other gatherings
- On material produced which goes out into the public realm – for example, leaflets, fliers, drafts of documents sent out for comment, training handouts, press releases, material used to support consultation forums.

Web-based survey tools such as Survey Monkey may be an option for certain project activities, such as Training Needs Assessment surveys and the gap assessment questionnaire.

Levels of Communication

It is useful to distinguish different levels at which communication needs to take place - in the political sphere, across government and in the public domain. This distinction will help policy makers to develop communication objectives and strategies appropriate for the different target audiences.

It is widely recognized that political will is essential to sustaining commitment to any development strategy, particularly through the course of complex implementation processes. Poverty reduction is a highly political process potentially and essentially involving redistribution of resources. It is most likely to be successful if it attracts support from a cross-section of the political leadership, yet poverty reduction programs often fail to command political attention. Political will is not an exogenous variable. It can be consciously created and sustained by engaging political actors in the development and implementation process. Communication involving cabinet members and MPAs, political parties, and the media can increase the buy-in of those with influence, for the PRS implementation. The interests of political parties can be positively reflected in the PRS implementation and this will create momentum. Accordingly, the government officials responsible for managing the PRS process need to engage with political actors to build a consensus supportive of sustainable development goals.

Information on implementation requirements and proposed activities needs to be collected throughout the administration from district authorities/JDC's and fed into the strategy implementation process. The PRS needs to be communicated effectively across government to

ensure broad ownership - PRS goals and priorities need to be integrated into the budget process, line ministries need to work together on cross-sectoral objectives, and the P&D needs to establish effective accountability over local service delivery agencies. These processes contain various communication challenges. Overcoming this may require changes to institutional cultures, which takes time. But it can be encouraged through processes that mandate, incentivize, or facilitate the exchange of information across government, and encourage line departments to work together in support of provincial PRS goals.

Channels of Communication

Channels include:

- Mass media campaigns on television and radio
- Social Media campaign on facebook, twitter, linkedin
- Website updates, Live events coverage and real time information dissemination
- Consultation workshops
- Focus group sessions
- Individual meetings
- Information transmission material such as brochures, leaflets, press releases etc.
- Visibility through folders, stationary, give aways, standees, penneflexes, key chains etc.

Press contacts which includes Radio, Television, and Internet can be categorized into broad categories. In Pakistan press is considered as the 4th pillar of the State, right behind the Legislature, The Supreme Court and the Executive. Media in Pakistan is diverse and represents a highly effective tool of communication with great outreach.

Common and trending tools in social media can play an important role. Tools such as WhatsApp may be used more with small groups, district officials, focal persons, program directors and partners for immediate communication. Internet 3G and 4G with a customized mobile application accessible to government officials across the board can be useful tools for “digitally driven” communications. Blogs, Newsletters, Articles and editorials can potentially play a role in channelizing information. A popular #hashtag could be created and used for trending newsfeed such as #Sindh #povertyeradication, #khidmatmaysabsayagay etc.

However, one needs to be careful about the content that is being transmitted to the audience via social media – as indeed with all communications methodologies and channels. Mistakes or misleading, incorrect, or faulty representation of policy messages and associated material can be counterproductive and will damage the program with negative perception. These risks are more prevalent with the use of social media than with standard methods of communication.

7.2.6 Evaluation – Communications Aspects

Monitoring and Evaluation is a critical function of the communication strategy. This has two main aspects. First, indicators of achievement of the PRS and CDLD – at both programme delivery and outcomes/impact level - will rely on feedback from stakeholders to assess the effectiveness and impact of the programme. Secondly, evaluation of the Communications Strategy itself is important, to assess the reach and effectiveness of communications activities.

Information transmitted needs to be carefully evaluated before and after it reaches its audience.

Evaluation of all communication activities is critical to ensuring that there is understanding of what works well and what doesn't in achieving the objectives. From this evidence base, sound judgements can be made about design of communications and allocation of resources efficiently. A consistent approach across government and programmes enables sharing of evidence and take-up of lessons learned.

Provisions for Feedback

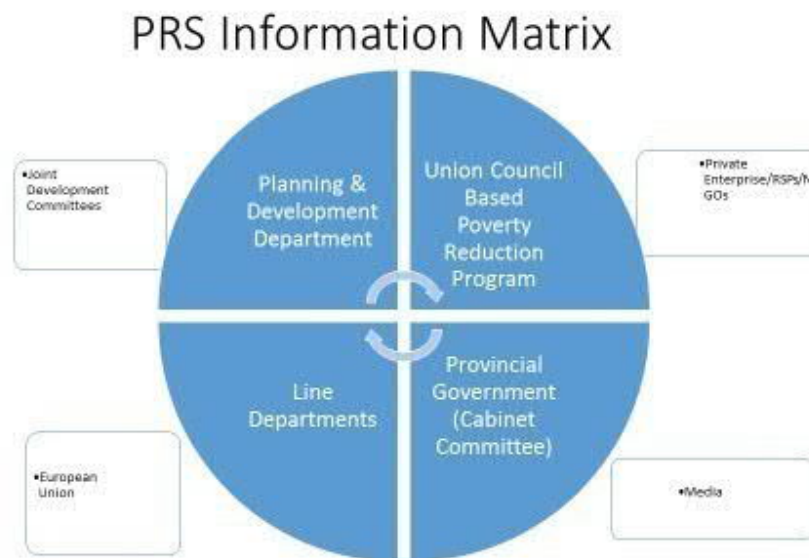
Options include feedback questionnaires at all training events and consultation forums, which will contain questions aimed to elicit feedback on how useful participants rated the communications associated with the event. This will include questions about forward notification, effectiveness of communication as part of the events/training, and methods of inclusion.

7.2.7 Implementation of the Communications Strategy

It is assumed that the enhanced PMU, will have responsibility for overall implementation of the Communications Strategy. This includes responsibility of the PMU to co-ordinate PRS/CDLD-related communications activities involving other parts of the GoS and the interactions with other agencies. To effectively implement the Communications Strategy, an effective co-ordinating mechanism is needed. Coordination is the key.

It spreads from Planning & Development department and the PMU and establishes links between identified line departments, JDCs, donor agencies, CSOs and Media as the following organization chart indicates.

Figure 7.2.7-1 PRS Information Matrix



The rapid development of technology can facilitate effective co-ordination. An integrated model perceives an approach for sharing information, closed integrated contacts and devolution of responsibility and authority.

Human Resources Requirements

Human resources planning for the expanded PMU will need to provide for recruitment and capacity development of existing staff to ensure that the PMU officials can effectively carry out the following:-

- Use and manage communications effectively and appropriately in a political and public sector context.
- Act as facilitators for consultation forums or workshops for the policy dialogue (implementation of the PRS and CDLD policy)
- Design, prepare, organize and implement the communications activities, including designing and organizing project events, and producing materials to support project events and training sessions. This will include - Invitations for workshops, focus group session, one-on-one meetings, Retreats, list of participants, preparing agenda for the event, guest lists, food, venue, timings, press releases etc.
- Ensure compliance with regulatory requirements, such as the Pakistan Electronic Media Regulatory Authority (PEMRA), which is the regulator of print and electronic media.
- Ensure effective budgeting and expenditure control for communications activities and events. It has been observed that vendors keep a margin of 20-30% for negotiation in prices. To avoid paying more the PMU must be cognizant in how to maintain costs and ensure prudence in expenditure.
- Records management relating to archiving communications materials including records on meetings, conferences, training and workshops, utilizing DVDs, CDs, USBs, and uploaded websites, YouTube, Daily Motion, Google and Facebook, LinkedIn etc., to ensure visibility among online users.

In addition to building the communications-related capacity of officials of the PMU itself, a communication working group (CWG) within the P&D could be established to create joint connections between GoS, media, RSPs, CSOs and donors, for co-ordination of activities, development and production of promotional materials, and provide input to plan, implement and execute the Communication Strategy. A CWG could prove to be a useful tool for PRS and CDLD implementation. Further training in communications will be necessary to enhance the skills of all the workforce involved in communications.

8. ROADMAP FOR IMPLEMENTATION

8.1 PURPOSE AND TIMING OF THE ROADMAP DEVELOPMENT STAGE

As noted in the introduction to Section 6 above, the mechanism envisaged for further detailing the implementation strategy is a Roadmap. The purpose of the Roadmap is to provide a detailed plan of action for putting the PRS and CDLD policy into effect, and rollout of the proposed programmes.

Roadmap development is timed to ensure that the GoS has a PRS and CDLD policy that is implementable from 2018.

Further consultation on and development of the PRS and CDLD policy will need to take place, including further work on many of the proposals and programme design. It is assumed that further consultation with GoS and other important stakeholders required to further refine the implementation phases of the PRS

This also assumes that the appropriate level of political input and consultation, with the CM, Cabinet, Provincial Assembly members and Parliament takes place as required.

8.2 WORK REQUIRED FOR DEVELOPMENT OF THE ROADMAP

Development of the Roadmap is fully collaborative effort.

In order to develop the Roadmap as a detailed and practical implementation plan for the PRS, the Roadmap development stage will need to encompass a combination of the following activities:

- Further consultation as input to the further detail of the PRS and CDLD policy application and for input to programme design.
- Further detailed technical work required and
- Development of the Roadmap as an action plan and timetable for the PRS implementation and programme rollout.

8.2.1 Further Consultation

The intention of further consultation input at the Roadmap stage is for the purpose of ‘design input’ to the detail of the programmes and interventions included in the PRS and CDLD policy and to put these into effect.

During the meeting held with P&D on 20 November 2017, to present the ‘indicative PRS’, officials present at that meeting included several experienced officials who had prior experience of the UCBPRP programme since its inception. These participants voiced opinions about lessons learned from the operation of UCBPRP over the past decade and how this must be brought into the design of changes to the existing programme, and proposals for expansion – and expressed a wish to be involved in the detail of design. In the follow-up to this meeting, it was discussed with P&D that this group would be very useful as a focus or advisory group, to contribute to further programme design. for the Roadmap development stage.

It would also be appropriate to add other key stakeholders to this group – such as representatives of CSOs, and experts in urban poverty programmes, such as members of the Orangi Pilot Project or AHK Resource Centre, as well as experts in other key programme interventions such as vocational skills

training – which received a lot of comment during the consultation workshops about what works and what ‘not to do’.

8.2.2 Technical Work Required in the Roadmap Stage

Further technical work required in the Roadmap stage is detailed below.

1. The GoS may want further work done to clarify and further define the scope of the PRS – if the GoS would like to present a ‘complete picture’ of all GoS poverty reduction efforts.

Sections 2 and 6 above outlined the existing programmes and activities of the GoS which also meet the definition of ‘poverty related programmes’ or ‘pro-poor’ activities – which should also be included in the scope of definition of the PRS. Sections 2, 5 and 6 above also mentioned that the cost of these programmes should also be included in the total estimate of costs of the PRS/CDLD policy. To do this, it will be necessary to allocate time and input to analysis of all the departments of the GoS. Other departments not included in this analysis also have relevant activities that meet the ‘pro poor’ definition. The analysis to identify ‘pro-poor activities and the related expenditure is extremely time-consuming, particularly analysis of the recurrent budget activities, which are arranged as input categories in the GoS Budget. The lack of programme classifications means that analysis is a painstaking exercise of going through sub-functional categories of expenditure, sometimes working down to the DDO level, and sitting with a focal person familiar with the departmental programmes, to clarify the activities and expenditure. To complete the analysis of all GoS departments during the Roadmap stage would require considerable further input from PFM experts.

2. Further detailed technical work is required to more closely design the detail of the proposed PRS programmes and associated interventions. This is a pre-requisite for preparation of the Roadmap.

The work required relates to:

- Further detailing, design and specification of recommended changes to the existing UCBPRP programme for 6 districts (for recommended modifications and improvements to the existing interventions)
- Further detailing, design and specification of the proposed expansion of the UCBPRP programme including rollout to 5 further rural districts, rollout of a Phase 2 stage for all existing UCBPRP and SUCCESS districts, and rollout of a new urban programme.
- Further detailing, design and specification of the requirements for RGC pilots, including location, specification of infrastructural requirements and facilitation required by CSOs
- Working through and specifying the changes in responsibilities, processes and procedures that will be required for line departments relating to mainstreaming of the CDLD policy and establishing the RGC pilots
- Further work on costing estimates, including testing costing assumptions with Finance Department, P&D, relevant line departments and other relevant agencies (such as Bureau of Statistics for demographic and population data) and revising estimates as appropriate.
- Input to development of the requisite PC-1s for new programmes. Of particular priority during the Roadmap development stage will be the PC-1 to put the pilots for RGCs into effect in the 2018/19 year.

3. Thirdly, further detailed technical work is required in order to either put pre-requisite changes into effect as part of the Roadmap development stage, or to specify work that needs to be incorporated into the timetable for the Roadmap itself.

This includes the required legal framework and associated institutional, regulatory and administrative mandates and requirements, to put the proposed PRS into effect. This includes a range of work required in the following areas:

- The legal framework and policy, institutional and administrative mandates to cover:
 - o Set up of a Standing Committee at the Parliament with responsibility for oversight of PRS
 - o Establishment of the expanded PMU for PRS
 - o Establishment of PIUs at District level
 - o Responsibilities of senior managers in line departments relating to CDLD mainstreaming and RGC pilots
 - o Responsibilities of District officials in relation to the above
 - o Legal status and registration of LSOs
 - o Defining and formalising the responsibilities of Joint Development Committees.
- Work to identify and select the location for RGC pilots. This will include further demographic background work, and other location-specific technical work including economic, social and cultural assessments, plus consultation with landlords and communities in the identified areas.
- PFM and accounting changes, including the BSP mandate, changes to cross-government instructions for the MTEF, MTBF and annual budget instructions, MTDF preparation, the Budget Call Circular, plus changes to accounting requirements for budget execution to ensure/improve tracking of PRS expenditure such as changes to the Chart of Accounts and DDO codes, changes to assignment accounts, changes to financial reporting, changes to audit and accountability requirements etc. Also requirements for policy-related financial management changes e.g. to the monitoring and returns from CIF funds.
- Design of the expanded PMU for PRS – including definition of responsibilities, staffing complement, delegations, designations and appointment of senior grade officials, positions and related functional requirements including specification of structure and associated areas of professional expertise, job descriptions etc.
- Design of PIUs at District level, as discussed above
- Design and specification of the requisite PC-1s for establishment of all new programmes and institutional changes for PRS implementation
- Further development of the PPP model and regulatory requirements etc., for PRS application
- Design of the monitoring and evaluation framework, with associated development of performance indicators and reporting framework – which can only be done once the programmes are further specified
- Further work on financing sources, including potential liaison with donors to explore future contributions to the PRS rollout.

8.2.3 The Roadmap – Development of Detailed Action Plan

The Roadmap is envisaged as being a detailed, practical and workable action plan to put the PRS and CDLD policy into effect. The Roadmap should provide a step-by-step plan and timetable for PRS and CDLD policy implementation, including timetable preparatory work that needs to be done, as well as projected phasing for the rollout of the proposed programmes and other initiatives.

Thus, the PRS Roadmap is essentially an implementation work plan for the GoS – to which GoS staffing and donor effort will contribute over the PRS implementation period.

Estimates on the recommended phasing of the major programmes has been provided in this Draft PRS, but assumptions will need to be cross-checked with the relevant Departments and further detail of this developed, once the more detailed specification and further work outlined above is done.

Timing and phasing worked out for the Roadmap should take into account the practical realities of putting into place many of the required changes outlined in Section 6 above.

The Roadmap should include not only a step-by-step action plan and timetable for key steps of PRS/CDLD implementation, but also relevant subsidiary plans signalled in Section 6 above – such as the plan for associated PFM budgeting and accounting changes, capacity development plan and communications plan.

ANNEXES

ANNEX 1: LIST OF STAKEHOLDERS CONSULTED

Government of Sindh Departments/Organizations/Academia/Universities		
S No.	Name	Designation
1	Mr. Muhammad Waseem	Chairman Planning and Development board
2	Mr. Hafeezullah Abbasi	Former Chief Economist, P&D
3	Dr. Shireen Mustafa Narejo	Secretary Planning, P&D
4	Mr. Asghar Memon	Head of Foreign Aid, P&D
5	Mr. Saleem Lakhmir	Head Social Sector Department
6	Mr. Syed Imtiaz Ali Shah	Director-General, M&E Cell, P&D
7	Mr. Shahzad Hasan	EU PFM team, Finance Department
8	Mr. Syed Hassan Naqvi	Secretary Finance Department
9	Mr. Zulfiqar Mirza	EU PFM team, Finance Department
10	Mr. Syed Shahnawaz Nadir Shah	Chief Investment Specialist Finance Department
11	Mr. Shazaib Sheikh Gul	Ministry of Education, Reform Support Unit
12	Mr. Abdul Fateh Tunio	Member (Natural Resources) P&D
13	Ms. Mehwish Solangi	Planning Officer, P&D
14	Mr. Khair Mohammad Kalwar	DG, Urban Policy and Strategic Planning Unit
15	Mr. Farid-ud-Din Mustafa	Deputy Commissioner, Karachi Central District
16	Mr. Rasheed Ahmad Zardari	Deputy Commissioner, Tando Allah Yar
17	Mr. Makhdoom	District Chairman, Tando Allah Yar
18	Mr. Ramzan Awan	Secretary, Local Government Department
19	Mr. Syed Ashraf Wasti	Member of Provincial Finance Commission
20	Ms. Rehana Memon	Head of SDGs Unit
21	Ms. Naveen Qadri	Communication officer, SGD unit
22	Mr. Mohammad Sohail Rajput	Principal secretary to the Chief Minister
23	Mr. Afzal Zaidi	Additional Secretary Finance Department
24	Mr. Shahab uddin Memon	Secretary, Finance department
25	Mr. Ali Khoso	Programme Co-ordinator, UCBPRP
26	Ms. Naushab Baloch	Director, UCBPRP
27	Mr. Pervaiz Chandio	Director, UCBPRP

Government of Sindh Departments/Organizations/Academia/Universities		
S No.	Name	Designation
28	Mr. Asif Rajput	Assistant Director, UCBPRP
29	Mr. Asim	Finance officer, UCBPRP
30	Mr. Behzad Amir Memon	Focal Person, Finance Department
31	Mr. Shahzeb Gul	Focal Person, Education Department
32	Dr. Naeem Uz Zafar	Chief Economist, P&D
33	Mr. Abdul Aziz Uquali	Secretary Education Department
34	Mr. Faisal Ahmad	Chief Programme Manager, Education Department
35	Mr. Saleem Jalbani	Director Economic Planning, P&D
36	Mr. Bashilga	Budget section, Education Department
37	Mr. Raja Qazi	Assistant Foreign Aid, P&D
38	Mr. Kashif Khoso	Planning Officer, P&D
39	Barrister Arslan Sheikh	Mayor Sukkur
40	Ms. Ambreen Zehra	Focal Person, Social Welfare Department
41	Mr. Azam Channa	Focal Person, Agriculture, Supply & Prices Department
42	Dr. Durenaz Jamal	Focal Person, Health Department
43	Mr. Gulfam Memon	Focal person, Labour Department
44	Dr. Nazeer Hussain Kalhor	Focal person, Livestock and Fisheries Department
45	Mr. Aazir Aftan	Asst. Director Finance, PPP Unit
46	Dr. Fawad Shaikh	Member (Social Sector) P&D Board
47	Mr. Abdul Qadir Tareen	Additional Secretary (Tech) Agriculture Department
48	Mr. Deedar Ahmed Bhutto	Project Director (AAN) Agriculture Department
49	Mr. Zulfiqar Ali Shah	Member, Sindh Board of Revenue
50	Mr. Mohammad Riaz	Assistant Census Commissioner
51	Ms. Tehmina Rehman	Psychologist, Women Development Department
52	Ms. Sanna Tariq	AD-Legal, PPP unit, Finance Department
53	Ms. Alia Shahid	Secretary, Social Welfare Department
54	Mr. Faheem Junejo	Director, Local Government Department
55	Mr. Aijaz Ahmed Mahesar	Special Secretary, Health Department
56	Ms. Naheed Durrani	MD, Sindh Education Foundation
57	Mr. Mumtaz Ali	Director, Urban Policy and Strategic Planning Unit

Government of Sindh Departments/Organizations/Academia/Universities		
S No.	Name	Designation
58	Mr. Ayaz Ali	Planning Officer, P&D
59	Mr. Najmuddin Otho	Vice Chairman, UC Channa
60	Mr. Javaid Ahmed	ADC, Matiari
61	Mr. Shakeel Ahmed	ADC, Hyderabad
62	Mr. Naveed	ADC, Mirpurkhas
63	Mr. Naeem Akhter	AD, Social Welfare Department
64	Mr. Yusuf Shaikh	Assistant Commissioner, Sukkur

EU, RSPs, COs, CSOs, Academia, Experts		
S.No	Name	Designation
65	His Excellency Jean Francois Cautian	EU Ambassdor to Pakistan
66	Mr. Amaury Hoste	EU, Team Leader Rural Development and Economic Cooperation
67	Mr. Bernard Francois	EU, Head of Cooperation
68	Mr. Massimo Canossa	EU ROM review consultant
69	Mr. Georges Dehoux	First Secretary, EUD
70	Mr. Fabrizio Dell'Olio	Head of Finance, EUD
71	Ms. Anne Kofoed	First Secretary, EUD
72	Ms. Sylvia Beamish	EU communications consultant
73	Mr. Joris Endel	In charge WB projects
74	Mrs. Safia	NRSP official
75	Ms. Fauzia	Programme Director, RSPs
77	Mr. Sono Khangharani	former CEO, TRDP
78	Mr. Arif Hasan	Urban Planner
79	Mr. Muhammad Waheed	Advisor World Bank
80	Mr. Connor Spreng	Consultant World Bank
81	Ms. Amelia Johnston	Consultant World Bank
82	Mr. Rashid Anwer	Head, Orangi Pilot Project
83	Mr. Adnan Khan	CEO, Research and Development Solutions
85	Ms. Elizabeth Visser	TL GRASP project

Sindh Poverty Reduction Strategy

EU, RSPs, COs, CSOs, Academia, Experts		
S.No	Name	Designation
86	Ms. Ayesha Khan	AKRSP
87	Mr. Shoaib Sultan Khan	Chairman, RSPs
88	Mr. Ghulam Sarwar Khero	SUCCESS Programme Co-ordinator, RSPN
89	Ms. Genevieve Hussain	Team Leader, FAO
90	Dr. Abdul Fateh Marri	Project Coordinator, Sindh Agricultural Growth Project
91	Ms. Shandana Khan	CEO, RSPN
92	Mr. Khaleel Tetlay	COO, RSPN
93	Mr. Dittal Kalhoro	CEO, SRSO
94	Mr. Rashid Bajwa	CEO, NRSP
95	Dr. Allah Nawaz Samoo	CEO, TRDP
96	Ms. Roomi Hayat	CEO, IRM
97	Mr. Khurram Shahzad	Specialist M&E, RSPN
98	Mr. Ali Akbar Qureshi	Programme Officer Administration, RSPN
99	Ms. Saman Sardar	Communications Officer, RSPN
100	Mr. Salim Alimuddin	Director, OPP-RTI
101	Ms. Zara Jamil	Documentation & Reporting officer, RSPN
102	Ms. Talat Begum	Women Enterprise, SRSP Swat
103	Mr. Minhas Gul	SR, SRSP Swat
104	Dr. Samina Khalil	Director AERC, Karachi University
105	Mr. Tasneem A. Siddiqui	Chairman, Saiban
106	Ms. Silvia Kaufmann	EU Nutrition Consultant
107	Ms. Aquila Ismail	Chairperson, Orangi Pilot Project
108	Ms. Sahar Ismail	Director Programs, Orangi Pilot Project
109	Mr. Fazal Ali Saadi	Programme Manager, SUCCESS-RSPN
110	Ms. Waheeda Mahesar	Director, SZABIST University
111	Mr. Diederik Rietveldt	Project Director, Ernst & Young
112	Mr. Abbas Ali	Partner, EY Ford Rhodes
113	Mr. Ali Akbar	Senior Manager, EY Ford Rhodes
114	Mr. Jamal Shoro	Team Leader, SRSO
115	Mr. Pervaiz Ahmed	Manager, SRSO

EU, RSPs, COs, CSOs, Academia, Experts		
S.No	Name	Designation
116	Mr. Jai Prakash	Program Manager, TRDP
117	Mr. Tahir Waqar	Program Manager, NRSP
118	Ms. Filza Nasir	M&E officer, RSPN
119	Ms. Marvi Ahmed	M&E officer, RSPN
120	Mr. Mohammad Ali Azizi	Specialist Social Mobilization, RSPN
121	Mr. Mohammad Noor	Communications officer, RSPN
122	Dr. Abdul Rehman Cheema	Team Lead Research, RSPN
123	Engr. Zahid Hussain Khand	Registrar, IBA Sukkur
124	Dr. Altaf Hussain Samo	Director, IBA Sukkur
125	Dr. Sher Muhammad Daudpota	Director, IBA Sukkur
126	Ms. Nazia Shah	Manager Coordination, SRSO
127	Ms. Seema Liaqat	Urban Resource Center
128	Ms. Subuk Hasnain	Editor, Herald Magazine
129	Mr. Badar Alam	Chief Editor, Herald Magazine
130	Ms. Shama Dossa	Faculty, Habib University
131	Mr. Rafique Rehman	Reporter, DAILY Ummat
132	Mr. Sajid Bajeer	Reporter, Express News
133	Mr. Liaqat Nohri	Reporter, Aaj News
134	Mr. Aijaz Bajeer	Reporter, Dunya News
135	Mr. Mumtaz Nohrio	Bureau Chief, Awaaz TV
136	Mr. Khatan Jani	Reporter, Kawish TV
137	Mr. Irfan Ali Junejo	Reporter, Roze News
138	Mr. Nandlal Lohano	Reporter, Ibrat
139	Mr. Hanif Sammon	Reporter, Dawn News
140	Mr. Nizam Samoo	Reporter, Geo News
141	Mr. Abdul Razzaque	President, LSO
142	Mr. Talib	Treasurer, LSO
143	Ms. Rashida	Member, LSO
144	Ms. Zarina	Finance, LSO
145	Ms. Kamla Poonam	Principal, Deep Academy

EU, RSPs, COs, CSOs, Academia, Experts		
S.No	Name	Designation
146	Dr. Manoj Kumar Malqani	District Chairman, Mithi
147	Ms. Fatima	Chairperson, LSO
148	Mr. Mustafa Soomoro	Social worker, TRDP
149	Ms. Sultana	President, VO
150	Ms. Zahida Parveen	Chairperson, LSO

ANNEX 2: CONSULTATIONS FOR DEVELOPMENT OF PRS AND CDLD POLICY

SUMMARY OF CONSULTATION WORKSHOPS

“Tell me and I will forget; show me and I may remember; involve me and I’ll understand.”
Chinese Proverb

In pursuit to develop a home grown PRS and CDLD policy, stakeholders were consulted across the board, in recognition that a variety of stakeholders should be given an opportunity to air an opinion, make a recommendation and must have the assurance that their voices will be heard. Communities are now demanding active involvement and determining that the issue of poverty can only be identified by the people living under it. It was agreed that effective consultations should be facilitated in order to provide the stakeholders with greater understanding and sense of ownership in the project, encourage local knowledge & input and allay suspicions.

Considerable efforts were put in to ensure that the stakeholders identified for consultations process are those:-

- 1) People who are affected by the existing situation
- 2) People who could be affected by any decision
- 3) People with a strong interest in the issue
- 4) People who may benefit from any decision
- 5) Stakeholders group

Based on input from these groups, a range of “policy options” have been developed. The general idea is to work within an existing institutional structure and propose changes and solutions within the established framework, but also to consider lessons learned from past experience and innovation needed for the way forward.

The purpose was to gain input from the broadest cross section of the communities as much as possible. The Districts and Karachi based consultations held with various stakeholders gave the opportunity to:

- Identify needs and issues
- Exchange information
- Establish objectives
- Identify strategies
- Formulate solutions
- Evaluate existing poverty related programs
- Spot differences
- Exchange feedback

METHODS OF CONSULTATION

Numerous methods of consultations with stakeholders were adopted for PRS development, which includes:-

- Discussions

- Consultation reports, comment/feedback
- Field visits
- Surveys and questionnaires
- Consultation Workshops
- Visibility material/Press releases
- Focus group sessions
- Presentations to special interest groups
- Public meetings
- One to one meetings and discussions.

Stakeholders' consultations is generally very time-consuming. However, there is little doubt that it provides a key means to acquire information and insights which is extremely relevant to policy development.

The Team for development of the PRS were provided with greater understanding on

- The fundamental factors of poverty in the province
- Capabilities of government and CSOs/NGOs to work together for collective goals
- Opportunities under PPP approach
- Clustering of resources
- Agglomeration and economies of scale
- The need for application of central place theory
- Practical implications of proposed solutions
- Hidden risks involved
- Significant cultural perspectives

The few basic principles highlighted during the consultative process by the stakeholders:-

- Policies must be coherent
- Policies must be cost effective
- Policies must align with the needs of the poor
- Policies should be based on "what works"
- Policies should support decisions based on equity

Key recommendations by the stakeholders during consultations

- Micro interventions do not work alone – a combination of Macro and Micro level interventions is required to create a greater impact on poverty
- Government and communities should work together and encourage two-way sharing of development plans
- There needs to be a new paradigm in planning, where communities can be involved
- Poverty cannot be addressed without community engagement
- Community ownership is the key to ensuring sustainability of interventions
- Social mobilisation is at the heart of CDLD and community-based approaches in micro-level poverty reduction initiatives

- There has not been sufficient attention to evaluation of the impact of poverty reduction interventions, including the focus on micro interventions in the past. What has been the real impact on poverty? What is the result of the GoS funds spent?
- The GoS is not visible in poverty reduction and CDLD, and it is not widely known that GoS (UCBPRP) is funding programmes run by Rural Support Programmes
- Poverty reduction interventions need to be targeted
- There is a need to take advantage of the benefits of agglomeration and economies of scale
- Clustering of resources is important, due to scattered resources especially to the villages that are far flung and close to the border
- There is a need to put more emphasis on greater market accessibility
- Policy needs to consider malnutrition as a priority, with ensued support
- Prioritize low cost housing to improve living conditions for the poor
- Tap the potential of cottage industries and enhance livelihoods
- Women empowerment is a key to poverty reduction
- There is a need to ensure sustainability of community organisations created through social mobilisation (COs, VO and LSOs) by developing a legal framework
- Addressing urban poverty needs a different approach to rural poverty, including methods of social mobilisation and working with communities in urban areas
- Communities themselves and community-based interventions cannot solve poverty – the government must step up
- The Government should proactively work under the Public Private Partnership model for poverty reduction
- There needs to be mainstreaming approaches to reduce poverty through UCBPRP and SUCCESS models
- The Project Management Unit (for UCBPRP and for PRS and CDLD implementation) needs to be strengthened and develop stronger linkages with line departments
- Participation of local government and district government is important, as their engagement is key to the development of the policy
- Policy should be developed keeping in view the basic principles of social justice and equity
- Transparency and minimal chances of corruption should be integrated in the policy – all players need to be accountable.

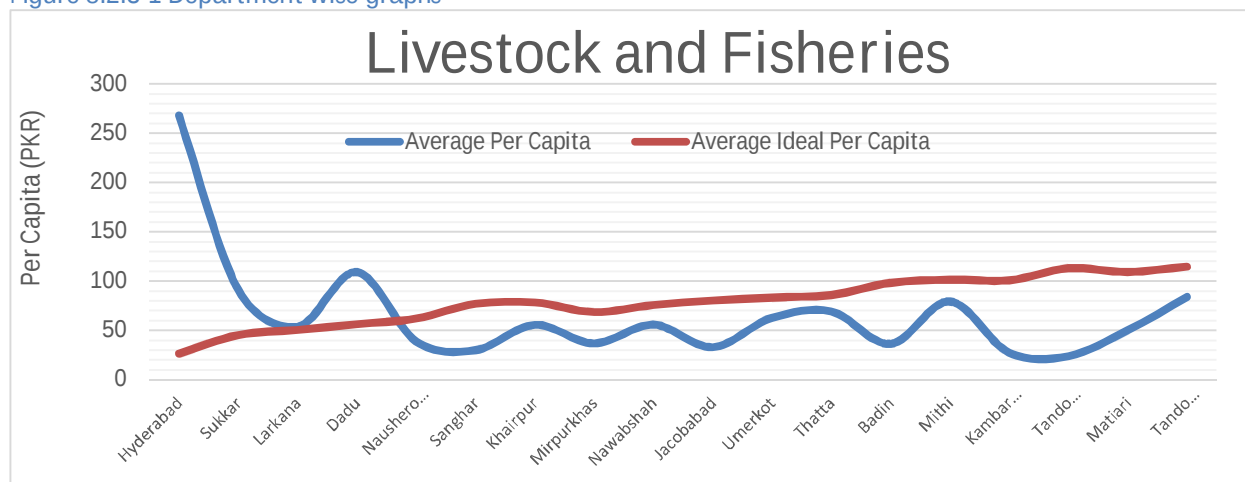
ANNEX 3: DEPARTMENTWISE ANALYSIS OF BUDGET ALLOCATION AT DISTRICT LEVEL

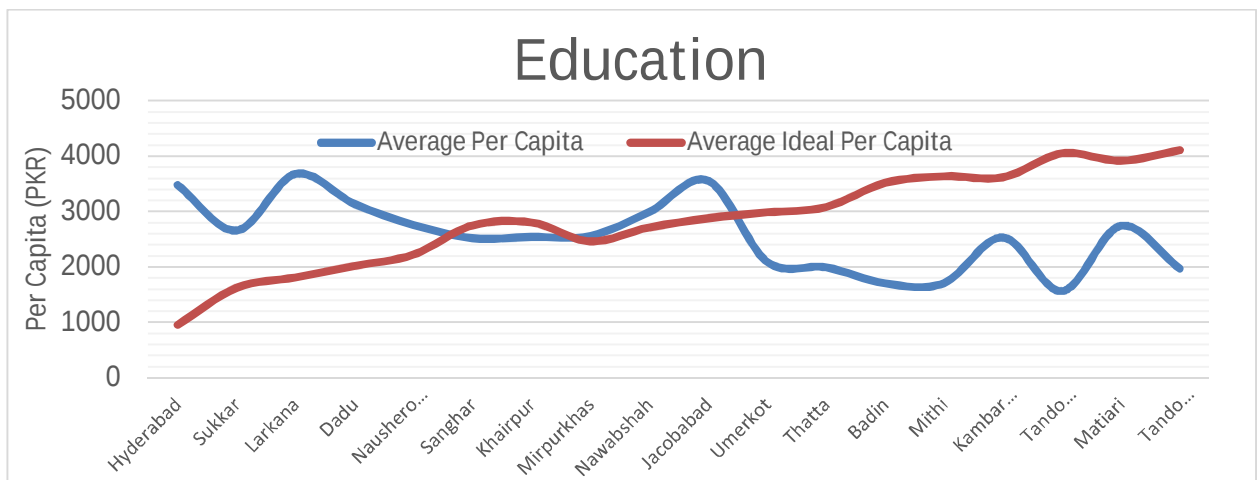
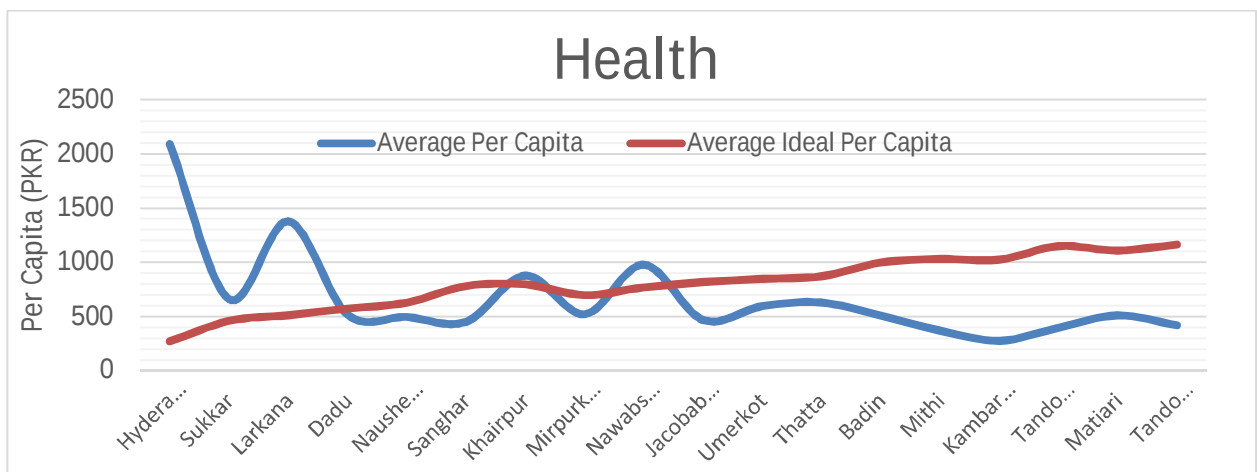
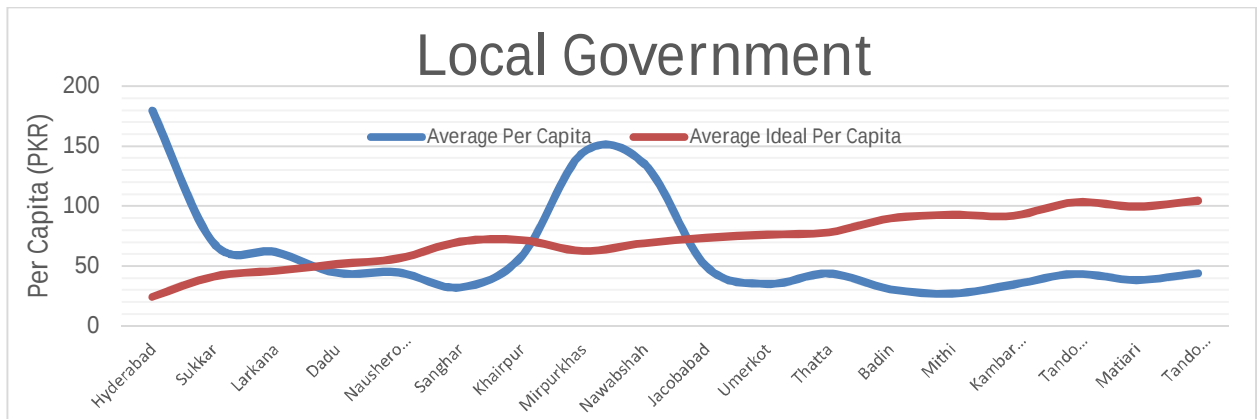
Summary

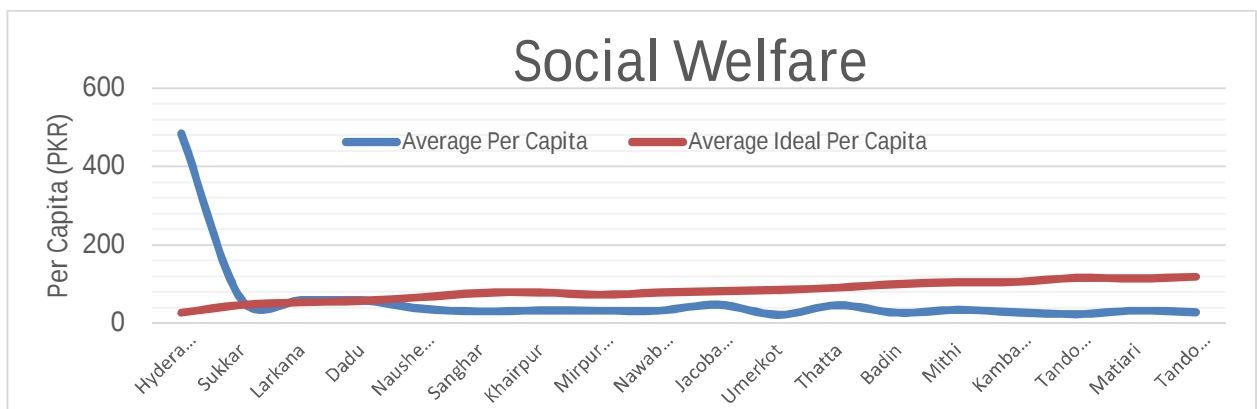
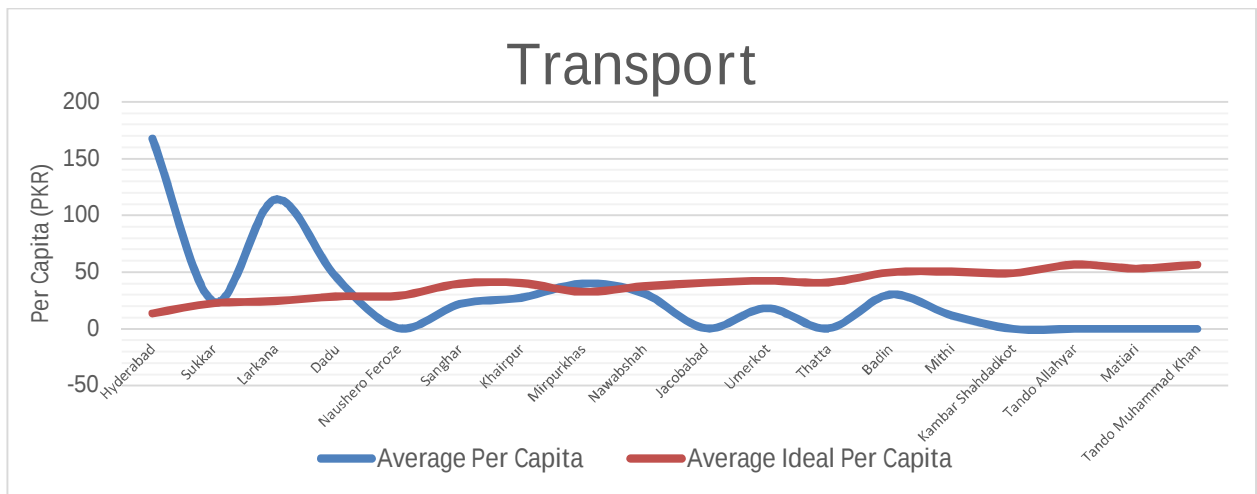
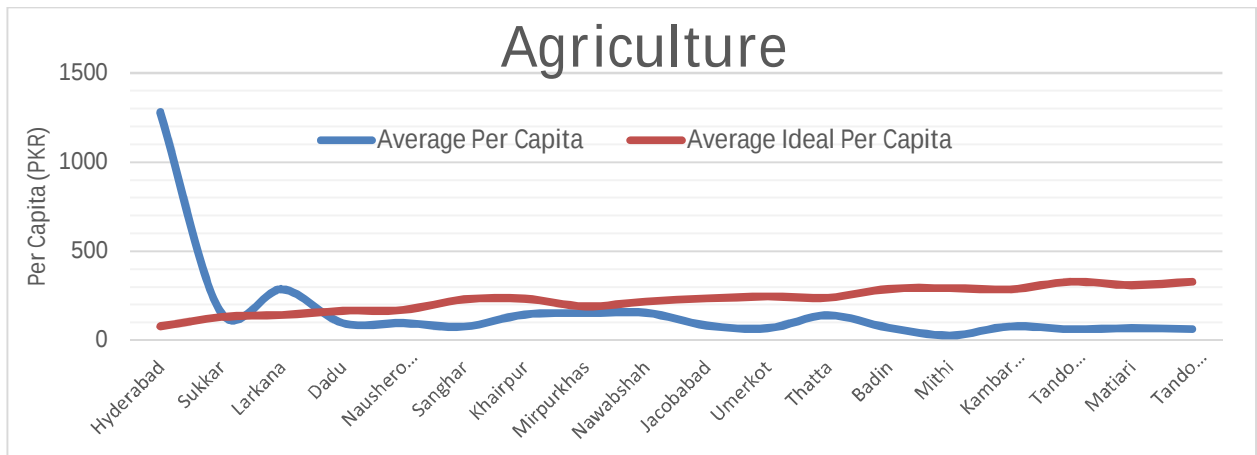
Table 8.2.3-1 Summary of Department Wise Analysis

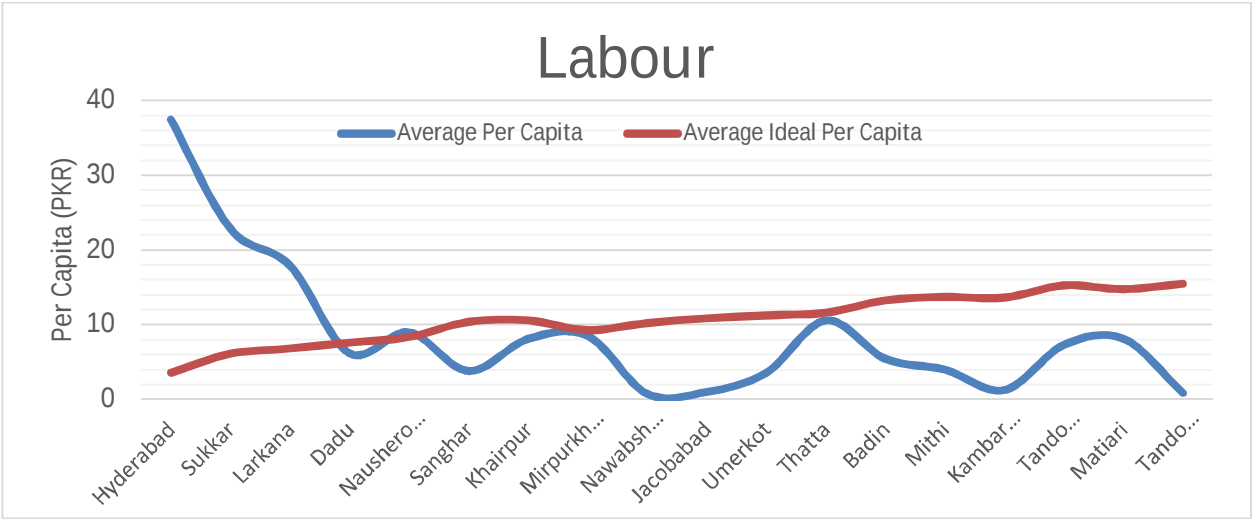
Finding	Detail
Per capita expenditure also correlates negatively at departmental level. The Poorest districts continuously have lower than average per capita expenditure.	All departmental spending over the last 3 years correlates negatively with the poverty index; poorer districts receive lower per capita expenditure
Some departments use some districts as 'hubs', which could explain the negative correlation	Interviews confirmed that livestock and fisheries and agriculture work with expenditure hubs.
Some departments have higher expenditure in more urbanized areas. This could explain the negative correlation	Interviews confirmed that Health has higher non-basic health expenditure in urban (less poor) areas.

Figure 8.2.3-1 Department wise graphs









ANNEX 4: THE MACRO-ECONOMICS OF POVERTY REDUCTION

Poverty is a macro variable and cannot be alleviated effectively by micro level initiatives alone. The subject is akin to acid rain; which requires action at the global level and individual farmers cannot deal with at local levels. This is not to say that local initiatives are not beneficial at all; rather, they can be useful in mitigating the worst effects of poverty.

Macro level variables that impact upon poverty are economic growth, asset ownership and fiscal (tax and public expenditures) structures; in addition to monetary, trade, labor, education, health and social welfare policies.

The relationship between economic growth and poverty reduction is well-established. High growth creates the surpluses that all sections of the population can partake in. For example, a bumper crop creates greater demand for unskilled labour to handle harvesting, packing, transportation, etc.; which constitutes a source of additional work days and wages for the working class.

However, the 'high growth-low poverty' relationship cannot always be assumed to hold. Where asset ownership is skewed and fiscal regime regressive, increases in national income may not filter down to lower income groups. This is the case in Pakistan, where: of every 100 rupees increase in national income, 38 rupees accrues to the richest 20% of the population and 8 rupees to the poorest 20%⁴⁴.

This is accounted for by the fact that Pakistan economy is moving from a production to a consumption mode. This is indicated by the fact that the share of investment in national income has declined from 19% in 1990-99 to 15% in 2010-16 and that of consumption risen from 72% to 81% over the same period⁴⁵. Consumption is serviced largely by tertiary sectors, where the employment potential for unskilled labour is low.

In rural areas, land distribution is highly unequal: 5% of rural households own 64% of land and 48% of rural households is landless. The 'ladder of poverty reduction' shows that asset ownership can reduce the incidence of poverty by about to 55% (see Table 1). It is also believed that ownership of one acre of land and/or 4 heads of cattle can help a rural family move above the poverty line and improve their quality of life. The relationship between land inequality and poverty and between land inequality and education status is very clear (see Tables 2, 3 and 4).

The tax regime is regressive, as can be seen from the fact that the richest 10% of the population pay 12.0% of their income in (direct and indirect) taxes and the poorest 10% pay 16.1%⁴⁶. The composition of public expenditure has also changed adversely with respect to the poor; with the combined share of 'Community, Social and Economic Services' in Aggregate Federal and Provincial Recurring Expenditure falling from an average of 19.8% over 1973-1989 to an average of 17.6% over the 1990s and to 15.1% post-2000⁴⁷.

⁴⁴ Social Policy Development Centre, Annual Review, Growth, Inequality and Poverty, Box 3.3, 2001

⁴⁵ Government of Pakistan, Economic Surveys, various issues

⁴⁶ Social Policy Development Centre, Annual Review, Combating Poverty: Is Growth Sufficient?, Box 4.3, Table C, 2004

⁴⁷ Government of Pakistan, Economic Surveys, various issues

Macro level Interventions:

At the macro level, the principal determinants of poverty are income generation and distribution. Measures, herewith, include land reform, tax reform, employment oriented growth policy, etc. These measures have medium to long term impact.

Land reforms: An equitable redistribution of land results in asset ownership by a wider number of household and assets accrue incomes; thereby, reducing poverty. Empirical research in Pakistan shows that ownership of one acre of land helps a family move above the poverty line (although it remains vulnerable to economic shocks.)

Tax reform: A tax regime that places the major burden of taxation on the rich and offers the major benefits of public expenditure on the poor takes money out of the pockets of the rich and puts it in the pockets of the poor; thereby, reducing poverty.

Employment oriented growth policy: A growth policy that promotes labour intensive sectors or technology processes that are labour policy creates a higher employment multiplier and jobs accrue income; thereby, reducing poverty.

Meso level Interventions:

At the meso level, the major determinants are policies related to provision of social and economic infrastructure and delivery of services. Individual, private provision of basic services has high unit cost and is affordable by the rich only. Conversely, collective provision of a service reduces unit cost, which benefits the poor. Further, some collectively provided services lower transaction costs and enhance income earning capacity. The provision of these services has medium to short term impacts.

Public services that can be provided collectively at lower than private cost and that lowers transaction costs (*) for households are:

1. Housing (provision of developed, serviced plots at cost price)
2. Water supply (incl. drinking water) and waste water disposal
3. Electricity (subsidy for low income areas, recovered from high income areas)
4. Cooking fuel (gas)
5. Public transportation (subsidized, with cost recovered from private automobile owners)
6. School Education (Primary to Secondary)
7. Vocational training
8. Primary health care (provision at nominal cost)/health facilities targeting poor regions [BHU+RHC+MCH]
9. Preventive health care measures (immunization)
10. Health coverage for chronic diseases and accidental injuries (subsidized premiums)

Provisions for rural areas include the following infrastructure/services in rural growth hubs and large villages

1. Housing and village up-gradation (roads and drains, parks)
2. Primary health care (incl. for livestock)
3. *Market centres (input stores, vet clinics, sales outlets, banks, cold storage, Extension services)

4. *Milk chilling plants
5. *Farm to Market Roads

Meso level interventions include the government's development initiatives, i.e., development projects/schemes and the allocation of public funds via the Public-Sector Development Plan (PSDP), which is an integral part of the Annual Budget. Accordingly, the 2017-2018 PSDP has allocated development funds to all 48 Departments of the Government of Sindh. Analysis of the PSDP has revealed that 14 out of 48 Departments contain schemes that can be classified as pro-poor. And out of the 1,550 schemes of these 14 Departments, 798 schemes can be classified as pro-poor. As a share of the 1550 schemes in the 14 Departments, these schemes account for 51% in terms of number and 37% in terms of amount (see Table).

Table 8.2.3-1 Pro Poor Share

Profile of pro-poor Departments/Schemes				
Department	No. of schemes	No. of pro-poor schemes	Share of No. of pro-poor schemes (%)	Share of allocation to pro-poor schemes (%)
Total	1,552	798	51.4	37.8
Departments with 50% plus share of pro-poor schemes				
1. CD Program	1	1	100.0	100.0
2. Education	461	367	79.6	64.2
3. Katchi Abadis	3	3	100.0	100.0
4. Public Health Engg.	287	235	81.9	79.2
5. Social Welfare	13	8	61.5	82.6
6 Transport	17	13	76.4	91.9

Micro level Interventions:

Micro level interventions include measures that enhance household disposal incomes, i.e.:

1. Enhance household incomes through local income generating schemes, e.g., micro-finance, vocational training, etc.
2. Reduce household expenditure through provision of collective services at rural growth hubs.
3. Reduce unnecessary household expenditures, i.e., medical costs, via preventive health measures, e.g., provision of potable water, local sanitation, immunization, nutrition programs, basic health-care services for individuals and livestock at the household/community level, etc.

Micro-level interventions have been attempted by non-governmental civil society organizations, generally referred to as NGO or CBO), with funding, largely, from foreign donor organizations. However, governments at the centre and provinces have also created organizations by official notification that act as NGOs and are labelled Rural Support Programmes (RSP).

Poverty eradication, or at least alleviation, has been the development agenda and goal of all governments and all development agencies and organizations – official and non-official – over the

last seven decades. Vast sums have been invested, including amounts borrowed from domestic and foreign sources and including grants from foreign governments and agencies. And loud claims have been made over successes in reducing poverty. Data, however, belies all such claims, as a comparison of poverty and nutrition data shows.

Rural Support Programmes

The Rural Support approach was pioneered in 1982 by the Agha Khan Rural Support Program (AKRSP) in the Northern Areas, now Gilgit Baltistan, and in Chitral. It was a new participatory development paradigm – Generic Production Approach – based on community driven poverty reduction; whereby, savings creation and micro-credit provision, training and HR development, natural resource management (NRM) and productive physical infrastructure formed the basis for grassroots, rural development. Village Organizations (VOs) and Community Organizations (COs) acted as the functional units of the Program.

Rural Support Programmes (RSPs) are local, flexible and responsive organizations and provide social guidance, and technical and financial assistance to the rural poor through the mechanism of social mobilization and community driven development. The RSP strategy for rural growth and poverty reduction is premised on four pillars: efficient and sustainable agriculture growth; enabling environment for rural non-farm sector to enhance employment and incomes and improving public service delivery; enhancing the effectiveness and governance of rural institutions, and empowering the poor and vulnerable through social mobilization and safety nets.

AKRSP followed a comprehensive approach to tackle poverty, beyond social mobilization. It established rural civil engineering department and invested extensively in physical infrastructure, supported with micro financing. Investment in human capital was a critical part of its program.

Sindh also adopted the RSP approach with the extension of the National Rural Support Programme (NRSP) to Sindh in 1993 and formation of Thardeep Rural Support Programme (TRDP) in 1998 and Sindh Rural Support Programme (SRSO) in 2003. Sindh Graduate Association (SGA) also joined the RSP network in 2002.

The RSP network in Sindh exists in all districts, except Karachi. It covers 4,325 villages in 731 Union Councils. It covers 1.5 million households, organized into 86,538 Community Organizations (Cos), 11,620 Village Organizations (VOs), and 324 Local Support Organizations (LSOs).

Impact of RSP Operations

As stated earlier, AKRSP's poverty reduction model is premised on four pillars: efficient and sustainable agriculture growth; enabling environment for rural non-farm sector to enhance employment and incomes and improving public service delivery; enhancing the effectiveness and governance of rural institutions, and empowering the poor and vulnerable through social mobilization and safety nets. Further, AKRSP followed a comprehensive approach to tackle poverty, beyond social mobilization. It established rural civil engineering department and invested extensively in physical infrastructure, supported with micro financing. Investment in human capital was a critical part of its program.

Sindh RSPs have footprints in all of the above. However, efforts appear to have been patchy and uncoordinated with local and provincial government programs; with the result that meaningful results are not visible in terms of poverty indicators.

Overall, Rural Support Programs have a mixed history of combating the challenge of poverty across Pakistan. In certain areas, i.e., in Gilgit-Baltistan and Chitral, it has succeeded to reduce poverty and, in other areas, it has contained poverty. In some areas, success is less evident. Research into the causative factors of success and failure has revealed interesting results [Amjad and Kemal (1997), Chaudry (2009) and DFID (2009)]

Analysis of RSPs work has highlighted the following key lessons and policy points;

1. A stable pro-poor macro-economy is a pre-requisite for RSPs to achieve results.
2. RSP interventions must be linked with the broader macroeconomic structure
3. Social mobilization must be accompanied by real time interventions in physical infrastructure
4. RSPs must be engaged with target communities for an extended period of time
5. RSP work should not be spread thinly sector ally and regionally.

One observation on AKRSP is that it could not succeed in creating self-sustaining jobs and large numbers of men leave the area to find jobs in other parts of the country, particularly in Islamabad and Karachi, leaving their families behind. This factor is a powerful pointer that micro interventions need linkage with the macro economy for its successes to be sustainable.

ANNEX 5: CRITIQUE OF PRSP 1 AND PRSP 2

From 1999 and through the subsequent decade, international agencies such as the World Bank and the IMF promoted the creation of PRSPs as a conditional framework for concessional lending to developing countries. The concept of PRSPs was to encourage governments to define a specific framework for strategic prioritization of poverty reduction, with related prioritization of related funding and expenditure. The Pakistan Poverty Reduction Strategy Paper (PRSP) was adopted by the Government of Pakistan in 2003. The objective of PRSP-1 was to face the challenges of poverty reduction through a strategy that put poverty reduction at the centre of development goals. The PRSP approach was the first comprehensive explicitly targeted poverty reduction programme and, as such, merits a review in some detail.

The PRSP-1 covered an exhaustive range of economic and social issues and laid out a broad range of reform measures. It concluded that:

- The rural poor are highly vulnerable to droughts
- Poverty incidence varies across provinces
- Education is the most important factor distinguishing the poor from the non-poor
- The poor have inadequate access to public health and public services
- Unemployment and poverty are related in urban areas.

The PRSP-1 strategy for poverty reduction was premised on four pillars, comprising 32 principal areas of interventions - 11 areas of interventions in Pillar 1, 12 in Pillar 2, 5 in Pillar 3, and 4 interventions in Pillar 4. These four pillars of PRSP-1 were:

1. Accelerating economic growth
2. Improving governance and devolution.
3. Investing in human capital
4. Targeting the poor and vulnerable.

Pillar 1 commenced with the macroeconomic framework and covered issues relating to monetary and fiscal policy, financial sector reform, capital markets, trade liberalization, and privatization. It also targeted (1) infrastructure issues in communications, power, oil and gas, telecommunications, agriculture, water, livestock, and fisheries and (2) housing finance and social mobilization.

Pillar 2 covered issues such as, civil service reforms, pay and pension reform, procurement reform and police reforms. It also included devolution, fiscal decentralization, access to justice, anti-corruption strategy, freedom of information, fiscal and financial transparency, capacity building, and strengthening statistics. Pillar 3 covered health, drinking water and sanitation, education and youth development. Pillar 4 dealt with strengthening safety nets, expansion of micro-finance facility and pension programmes for the private sector.

Employment was also a focus, with identification of four types of sectoral priorities for employment growth: construction and housing; labour-intensive exports of high value agricultural products and garments; small and medium enterprises and increased labour-based content in public sector investment such as roads, irrigation and rural development.

FPRSP-1 provided a regional perspective and attempted an alignment with the Millennium Development Goals (MDGs). It also touched upon issues such as gender equality, empowerment of women and the environment-poverty nexus.

Analysis of PRSP-1

The PRSP-1 strategy postulated poverty reduction to be the principal objective, with elements serving this objective comprising the components of a development plan. However, its primary focus was economic growth. The primacy of the growth objective stood out in the Foreword to PRSP-1 by the then Minister for Finance and Economic Affairs, which begins thus: "The development challenges for Pakistan include achieving accelerated and sustained broad-based economic growth". Further,

"The level and intensity of poverty is closely linked with (the) pace and pattern of economic growth in urban and rural areas and income generating opportunities associated with such growth";

"... growth is a precondition for sustained poverty reduction";

"If informal sector employment is partly due to lack of formal sector jobs then sustained growth can be expected to induce more employment in the formal sector";

"... high level of public spending that are needed to improve basic social services and physical infrastructure may not be possible without achieving sustainable, high economic growth".

Of the four pillars, 'accelerating economic growth' was ranked number one with 'targeting the poor and vulnerable' last - also indicative of the fact that the central focus of PRSP-1 was growth, with its expectant trickle down beneficial effects on the poor.

Seven out of eleven elements of Pillar 1 corresponded directly with elements of the IMF/World Bank's Structural Adjustment Program. 'Accelerating Economic Growth' was premised upon five elements: Macroeconomic Framework, Monetary and Fiscal Policy, Financial Sector Reform, Capital Market Development, and Trade Liberalization. The objective of acceleration of economic growth was perceived almost exclusively through the prism of stabilization measures. There appeared to be a rather explicit assumption that 'getting financial statistics right' will inevitably lead towards accelerated growth, and by virtue of the trickle-down effect, towards employment and poverty reduction.

PRSP-1 also lacked sectoral focus. It stated that:

1. "The present government considers agriculture ... as (one of) the main engines of growth, which will generate employment opportunities".
2. "Nearly two-thirds of Pakistan's population lives in rural areas and the vast majority of the rural poor derive their living from agriculture and off-farm employment".
3. "The impact of growth on poverty reduction will depend upon whether growth has an impact on employment in those sectors where the poor are concentrated".

Despite the pre-eminence accorded to growth, however, agricultural growth was projected to increase only marginally from the 2002-03 baseline rate of 4.2 percent to 4.5 percent in 2007-08. Given the low employment elasticity in agriculture, measures to raise rural employment in non-farm activities were not identified.

One significant omission in PRSP-1 was the absence of a commitment to promote equity. The section on fiscal policy merely dealt with tax administration and public-sector enterprise expenditures, with no reference to redistributing the tax burden from the poor to the rich or to redistributing expenditures from non-productive current expenditure heads to public investment in physical and social infrastructure.

It also failed to mention the need for asset redistribution or the need for the fiscal regime to be rendered progressive. There were casual references in PRSP-1 to the importance of distribution of income and to asset ownership; however, these concerns did not appear even as elements or steps, let alone as a pillar in the Strategy. PRSP-1 identified inter-provincial variation in poverty levels. However, none of the pillars, or elements therein, provided for measures to correct inter-provincial economic imbalances.

Apart from the absence of a direct focus on poverty reduction, a disconcerting aspect of PRSP-1 was that it constituted a disjointed collection of measures rather devoid of a clear central theme and lacked a coordinated approach. The four pillars stood apart from each other, and the elements within the pillars were not shown to have any interconnections. No attempt had been made to establish direction of flows and feedbacks between the various elements and within the pillars.

The element of disjoint existed in stated objectives and corresponding budgetary allocations. Education, health and water supply and sanitation have been rightly identified as key variables in poverty reduction. However, it committed only 2.5% of GDP towards education by 2007-08, 1.0 percent of GDP to health "in the long run" and projected raising budgeted expenditures as a percentage of GDP on water supply and sanitation from baseline 0.12 percent to 0.13 percent. Budgeted expenditures on social security and social welfare as a percentage of GDP were projected to decline from baseline 0.10 percent to 0.08 percent. Not surprisingly, PRSP-1 strategy was unsuccessful in addressing poverty reduction.

The World Bank itself admitted failure in its own assessment of its global PRSP initiative. Its conclusion is summed up as follows: "The Initiative has added the most value in countries where government leadership and aid management processes were already strong. It has had less effect in countries with weak public-sector capacity or with donor-dominated aid relationships. Most PRSPs deal primarily with the composition of public expenditure and give inadequate treatment to growth and other poverty-reducing actions ... It has not yet fulfilled its full potential to enhance the poverty reduction efforts in low-income countries."⁴⁸

PRSP-2

Subsequently the World Bank supported the launch of PRSP-2, hoping to build on the lessons learnt during implementation of PRSP-1. It appears that one of the perceived lessons was the limited scope of PRSP-1, which comprised four pillars. Comparatively, PRSP-2 comprised 9 pillars, covered 5 areas and prioritized 17 sectors. The exercise also included drawing up a Medium-Term Expenditure Framework (MTEF) as the mechanisms to provide a link between policy priorities and budgetary provisions.

⁴⁸ The Poverty Reduction Strategy Initiative: An Independent Evaluation of the World Bank's Support Through 2003, The World Bank, Washington DC, 2004

The 9 pillars included:

1. Macroeconomic Stability and Real Sector Growth
2. Protecting the poor and the vulnerable.
3. Increasing productivity and Value Addition in Agriculture
4. Integrated Energy Development
5. Making Industry internationally competitive
6. Human Development for the 21st century
7. Removing infrastructure bottlenecks through Public Private Partnership (PPP)
8. Capital and Finance for Development
9. Governance for a Just and Fair system

Agriculture and Industry are two basic commodity producing sectors that provide employment; however, growth in these two sectors from 2006 to 2015 has averaged a mere 2.9% and 4.0%, respectively. The only direct reference to poverty was in Pillar 2. It merely restated the decades-old social safety nets provisions – EOBI, Workers Welfare Fund, provincial Social Security institutions, Zakat, Baitul Mal, microfinance banks, Utility Stores, etc. However, coverage of these schemes has been extremely limited (and continues to be low), as shown below:

Table 8.2.3-1 Welfare Schemes Status

Welfare scheme	Coverage as % of Total Labour Force	Total Benefit Expenditure (PKR Million)	Average Benefit per Beneficiary (PKR Per annum)	Benefit Expenditure as % of GDP	Beneficiaries as % of poor population
Employees Social Security scheme	2.1	1,352	1,588	0.03	1.9
Employees Old-Age Benefit scheme	4.6	1,744	7,026	0.03	4.2
Workers Welfare Fund	NA	3,546	3,252	0.07	-
Zakat	4.0	5,330	1,879	0.10	3.7
Baitul Mal	4.8	3,736	1,879	0.07	4.5
Total	15.5	15,708	2,466	0.30	14.3

The poverty related initiatives relied on the handful of existing disparate schemes that amounted to one-third of one percent of GDP, paid beneficiary families a mere PKR 200 per month (in 2000 prices), covered one-sixth of the total labour force and less than one-sixth of the population below the poverty line.

Essentially, the 9 pillars, 5 areas and 17 sectors of PRSP-2 covered the entire gamut of development agenda; implicitly accepting the fact that the process of raising incomes of the poor was a function of the totality of economic policy.

At federal level, the Government is still utilizing and reporting on the performance framework developed for PRSP-2 through the MTBF process. However, the initiative is largely perceived as having failed to specifically identify areas of intervention that could prove catalytic for poverty reduction and has essentially faded away from the public notice and agenda.

At a province level, PRSP-2 is acknowledged for government planning purposes as providing a strategic framework for poverty reduction at the federal level. However, it appears to have had little impact as a strategic framework for poverty reduction that has been able to be effectively incorporated into the provincial planning and budgeting agenda. The linkage to MDG goals also did not result in improved achievement – Sindh province failed in all MDG goals.

Various efforts in developing poverty reduction strategies for Sindh province have taken place in the era of PRSPs, and subsequently. Strategies have been developed at various times but not formally adopted or not effectively implemented. There was a Sindh Strategy for Sustainable Development (SSSD) which was prepared in 2007, but was shelved soon after the new government came in 2008.

ANNEX 6: BRIEF ON JDCs ESTABLISHED IN EIGHT SUCCESS DISTRICTS

Under the EU funded SUCCESS program, Joint Development Committees (JDCs) have been set up in eight districts of Sindh and have been formally notified by the Deputy Commissioners.

The key objective of the JDCs is to create synergies between the RSPs (implementing partner for the SUCCESS program), Community Institutions CIs (CO/V O/LSOs, formed through social mobilisation) and local administration/line departments and externally supported development investment in the programme districts in the planning of SUCCESS interventions. This participatory planning approach is envisaged to provide a learning platform for concerned stakeholders, to avoid duplication of efforts and monitoring of collaborative efforts.

According to the official notification, the JDC is scheduled to meet every six months, where the RSP presents its implementation plan and progress of SUCCESS, the LSO representative present the village development plans and Union Council development plans prepared by community members, and the government departments present their respective development initiatives for the district.

The district level JDC is headed by the Deputy Commissioner and the members include district officials from various line departments i.e. Health, Education, Social Welfare, Agriculture extension, Livestock & Fisheries, Public Health Engineering and the local government department. In addition, the representatives of respective RSP, a representative of the local elected bodies, 3 representatives of the LSOs/LSO network, and a representative of other civil society/development organisation working in the district are also members of the JDC⁴⁹.

Joint Development Committees have also been formed at the Taluka level, essentially with the same purpose and objective and similar membership. The link between the District and Taluka level JDCs is however not well-defined.

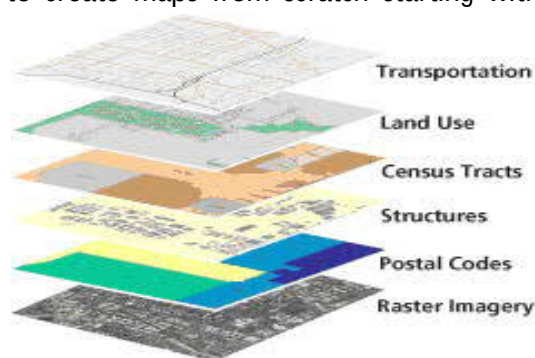
The formation of the JDC is organised and facilitated by staff members of the RSP. Membership from government line departments is nominated the District Administration, whereas the membership of LSO representatives is facilitated an organised by the RSPs through a participator process.

⁴⁹ Notification for Formulation of Joint Development Committee (JDC) at District level, DC/Suj//245/2017 dated 31/07/2017

ANNEX 7: METHODOLOGY FOR IDENTIFICATION OF RURAL GROWTH CENTERS

Annex 7a: ArcGIS and Mean Shortest Distance Calculation:

ArcGIS: ArcGIS is a desktop mapping and spatial data analysis application produced by ESRI (Environmental System Research Institute). It allows to create maps from scratch starting with geographic data in electronic form and to analyse data that has a location component. ArcGIS uses the concept of Geographical Information System (GIS) to build maps in which each category of spatial feature is a separate layer. These layers are spatially registered so when the user overlays them the program can line them up correctly to build the map. There are several types of layers and the user has many choices regarding how to depict them.



Basically, there are two types of GIS data.

1. Vector Data
2. Raster Data

Vector data is further classified in two 3 types

- Point (e.g., buildings, landmarks). Zero-dimensional.
- Line, or arc (e.g., roads and streets, streams, railroads, power lines). One-dimensional.
- Polygon (e.g., political entities, census geographies such as tracts). Two-dimensional.

In this exercise, we have used all these three types of vector data.

Raster Data: Pixel based data is called raster data.

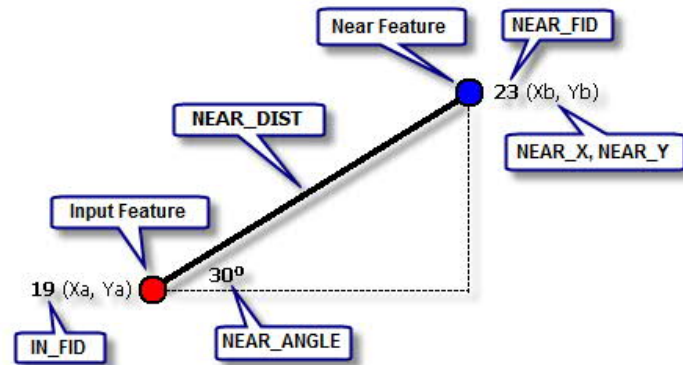
Raster images (e.g., an aerial photograph, scanned topographic map, or an elevation model). Contrasting with feature-based vector layer, these are images based on an X by Y grid of cells, each of which has a value that represents something like elevation, land use classification, or colour value.

Data can be associated with the spatial features, and mapped or analysed. There can be attributes, or tabular data, associated with each feature in a layer (e.g., demographic data for each Census Tract). Data tables (e.g., database or spreadsheet files) can be added ("joined") to a layer if there is a field with common values (e.g., census tract number).

The program can also map spatially referenced data files in some spreadsheet and database formats (e.g., if one field contains latitude/longitude coordinates). Tables that contain address data can be "geocoded" to map the locations based on a street layer. Users can open a non-registered raster image and georeferenced it using the program's functions, or vectorize features from a raster image. Own information can also be added in the map by using drawing and writing tools. Raster data will be used for land use mapping – to be conducted for piloting project.

Mean Shortest Distance Calculation: Mean Shortest distance is calculated by the Near Tool present in the proximity toolset of Arctool box. It calculates distance and additional proximity information between the input features and the closest feature in another/same layer or feature

class. The distance between any two features is calculated as the shortest separation between them, that is, where the two features are closest to each other. The following illustration shows the distance between two points along with several other keywords and features used by the proximity tools.

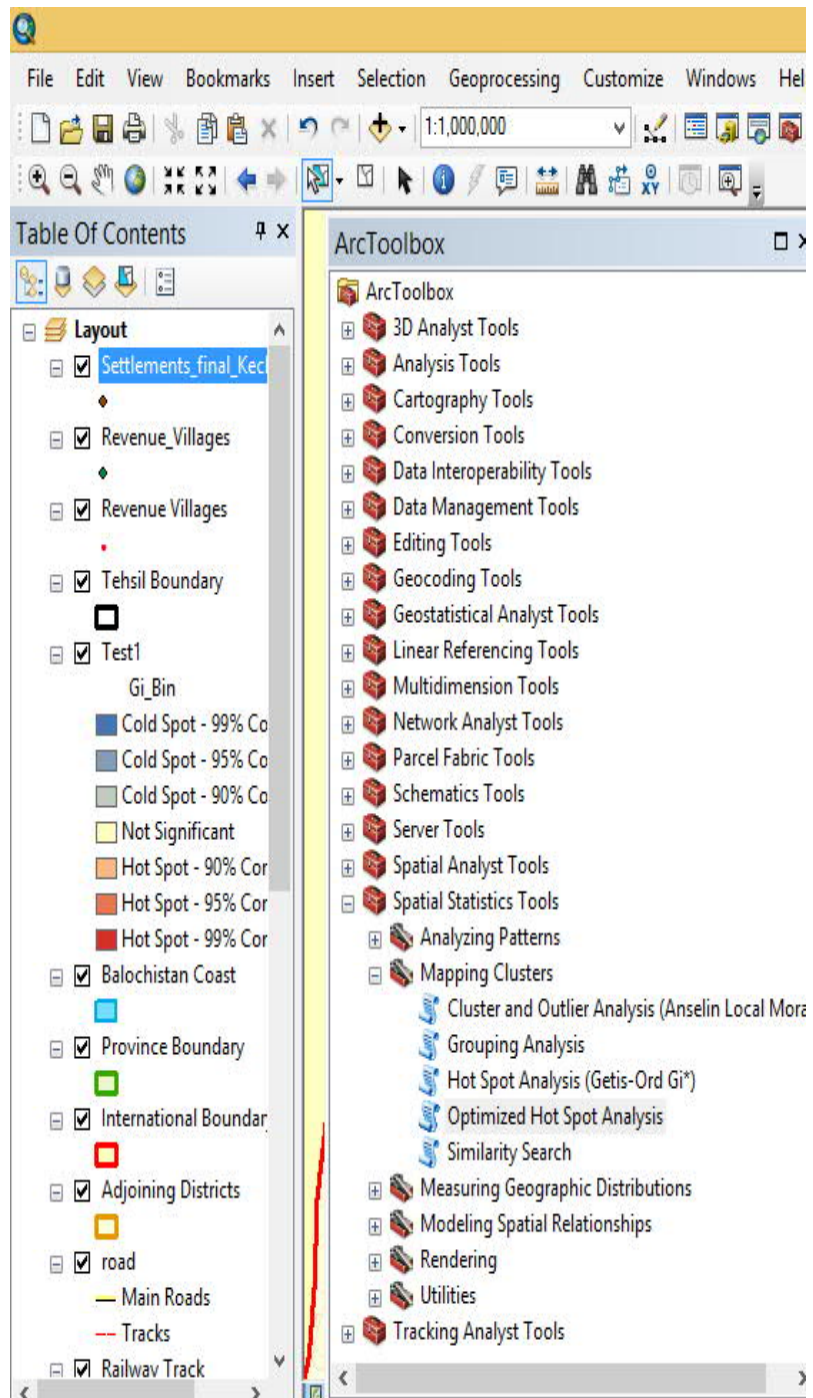


The keywords in the callouts above (IN_FID, NEAR_DIST, NEAR_FID, NEAR_X, NEAR_Y, and NEAR_ANGLE) are fields added to the output by the Generate Near Table and tools, and to the input feature class when the Near tool is run.

Annex 7b: Spatial Statistical Tools & Mapping Clusters Toolset

The Spatial Statistics toolbox contains statistical tools for analysing spatial distributions, patterns, processes, and relationships. While there may be similarities between spatial and non-spatial (traditional) statistics in terms of concepts and objectives, spatial statistics are unique in that they were developed specifically for use with geographic data. Unlike traditional nonspecial statistical methods, they incorporate space (proximity, area, connectivity, and/or other spatial relationships) directly into their mathematics.

The tools in the Spatial Statistics toolbox allow to summarize the salient characteristics of a spatial distribution (determine the mean centre or overarching directional trend, for example), identify statistically significant spatial clusters (hot spots/cold spots) or spatial outliers, assess overall patterns of clustering or dispersion, group features based on attribute similarities, identify an appropriate scale of analysis, and explore spatial relationships.



Grouping Analysis

Groups features based on feature attributes and optional spatial or temporal constraints. The required variables are number of groups and analysis fields.

Number of Groups:

The number of groups/ clusters to create

Analysis Fields:

A list of fields you want to use to distinguish one group from another

This tool will optionally create a PDF report summarizing results.

Spatial Constraints:

Specifies if and how spatial relationships among features should constrain the groups created. The constraint used for this grouping is K_NEAREST_NEIGHBORS which is defined as - Features in the same group will be near each other; each feature will be a neighbour of at least one other feature in the group. Neighbour relationships are based on the nearest K features where you specify an Integer value, K, for the Number of Neighbours parameter, usually is set at 8, we can add any value we desire.

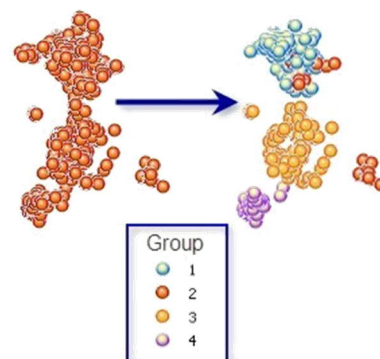
Distance Method:

EUCLIDEAN —The straight-line distance between two points (as the crow flies)

MANHATTAN —The distance between two points measured along axes at right angles (city block); calculated by summing the (absolute) difference between the x- and y-coordinates in many cases however, when we won't have any criteria for selecting a specific number of groups; instead, we just want the number that best distinguishes feature similarities and differences. To help in this situation, we can check on the Evaluate Optimal Number of Groups parameter.

References:

1. Bureau of Statistics, Planning & Development Department – Government of Sindh
2. Revenue Department – Government of Sindh
3. Population Census Office
4. National Rural Support Programme
5. Rural Support Programmes Network (RSPN)
6. Sindh Rural Support Organization



ANNEX 8: COST ASSUMPTIONS

Annex 8a: COSTING ASSUMPTIONS

S.No	Heads	Assumption	Source
Rural poverty program			
I	Poverty Score card	PKR 200,000 / Union Council	Amount extracted from PC-1 for the UCBPRP-6
II	Income generating grant	PKR 15,000 / Rural Household multiplied by the coverage rate of 4.08%	Amount extracted from PC-1 of UCBPRP-6 and the coverage rate is based on average of four districts specified in PC-1: • Khairpur • Sanghar • Umerkot • Mirpurkhas
III	CIF	PKR 15,000 / Rural Household multiplied by the coverage rate of 8.04%	Amount extracted from PC-1 of UCBPRP-6 and the coverage rate is based on average of four districts specified in PC-1: • Khairpur • Sanghar • Umerkot • Mirpurkhas
IV	Vocational training	PKR 20,000 / Person multiplied by the coverage rate of 0.5% (rural population)	Amount extracted from PC-1 of UCBPRP-6 and the coverage rate is based on average of four districts specified in PC-1: • Khairpur • Sanghar • Umerkot • Mirpurkhas
V	Low cost housing	PKR 100,000 / Rural Household multiplied by the coverage rate of 0.8%	Amount extracted from PC-1 of UCBPRP-6 and the coverage rate is based on average of four districts specified in PC-1: • Khairpur • Sanghar • Umerkot • Mirpurkhas
VI	Set up & capacity building VO/CO/LSO	Capacity Building: • PKR 2100 / CO	Amount per CO/VO/LSO extracted from PC-1 of UCBPRP-6 after aggregating

S.No	Heads	Assumption	Source
		• PKR 9277 / VO • PKR 107500 / LSO	following components: • Registration & stationary cost • Management & stationary cost • Bookkeeping and audit training • Management cost • Audit training • Appraisal and monitoring training • Conferences
VII	Enterprise development	PKR 10 Million / District	Amount extracted from PC-1 of UCBPRP-6
VIII	Social Mobilization	• 11.8% of total program cost approximately • Data Base Development = PKR 833,333 / District	Social Mobilization costs based on PC-1 of UCBPRP-6. Data base development amount extracted from PC-1
IX	Management fee & overhead	• 04% of total program cost (of which 03% is supervision and management fee and 01% is for TPV)	Based on the PC-1 for the UCBPRP-6.
		• M & E = PKR 23,537,053 / District • Capacity Building = PKR 5,250,000 / District	Extracted amount from PC-1 of UCBPRP-6
Village Improvement Program			
I	Village Improvement	Cost below are per village. Assume that 10% of the villages will be improved	Amounts below have been corrected to prices 2017
		• Village Sanitation & Brick Paved Village = PKR 4,356,678	Average amount based on PC-4 (Shikarpur and Kashmore) and PC-1 (Jacobabad) districts

S.No	Heads	Assumption	Source
		Drinking water supply scheme = PKR 349,115	Average amount based on PC-4 (Shikarpur and Kashmore) and PC-1 (Tharparkar) districts
		Village Improvement Scheme = PKR 1,529,823	This includes following components included in PC-1 (Tharparkar): - Setting up sanitation, - Village water disposal, - Bio gas technology; and - Energy efficient stoves
II	Maintenance	10% of the total village improvement for each year (For 3 years)	Based on assumption made by the team
III	Facilitation costs	05% of the total village improvement for each year	Based on assumption made by the team
IV	Additional Cost	If the district is among the poorest districts identified, the allocation per villages will increase by 50% in that particular district.	Based on assumption made by the team
Phase 2 Rural Poverty Program			
I	Enterprise development	PKR 1 Million / Scheme (Provided number of schemes are equal to the number of LSOs)	Amount extracted from PC-1 of UCBPRP-6
II	Operational costs of the Enterprise	10% of the Enterprise cost	Based on assumption made by the team
III	CIF monitoring & Audit Costs	01% of the total CIF fund for each year (For 3 Years)	Based on assumption made by the team
IV	Additional Cost	If the district is among the poorest districts identified, the allocation per LSO will increase by 50% in that particular district.	Based on assumption made by the team (policy assumption)
V	Kitchen Gardening	Kitchen Gardening is divided into following	Amount extracted from PC-1 of 'Promotion of Kitchen Gardening'

S.No	Heads	Assumption	Source
		components: - Set-up Cost (which includes Field Tool Kits, Hand Sprayer, Seeds and related material) = PKR 8,435 / Household - Roll out cost = 5% of Set-up Cost. The above cost are corrected for inflation and with coverage rate of 08% i.e. same as of CIF.	Project initiated by Agriculture Department of Government of Sindh in the year 2008. The roll out cost percentage is based on the assumption made by the team.
Urban Income Enhancement Program			
I	Vocational training	- PKR 20,000 / trainee 0.5% Coverage Rate (urban population)	Amount extracted from PC-1 of UCBPRP-6 and the coverage rate is based on average of four districts specified in PC-1: - Khairpur - Sanghar - Umerkot - Mirpurkhas
II	CIF	- PKR 0.1 Million / Household 08% Coverage Rate (urban households)	Amount extracted from PC-1 of UCBPRP-6 and the coverage rate is based on average of four districts specified in PC-1: - Khairpur - Sanghar - Umerkot - Mirpurkhas
III	Start-up capital grants	PKR 10 Million	Amount extracted from PC-1 of UCBPRP-6
IV	Management costs	10% of Vocational Training Program 10% of the Start-up Capital	Based on assumptions made by the team
Economic Cluster Program			

S.No	Heads	Assumption	Source
I	Infrastructure economic clusters	50 Clusters divided over the districts as their share of urban population - PKR 500 Million / Cluster	Based on assumptions and calculations made by the team. Shares in urban population is calculated, excluding Greater Karachi districts and Hyderabad.
II	Facilitation costs infrastructure economic cluster	5% of the infrastructure cost	Based on assumption made by the team
III	Start-up capital grants	PKR 10 Million / Cluster	Amount extracted from PC-1 of UCBPRP-6 (Equal to the amount allocated for Enterprise Development)
IV	Vocational training	- PKR 40,000 / trainee 0.5% Coverage Rate	Amount extracted from PC-1 of UCBPRP-6, but increased 100%. And the coverage rate is based on average of the four districts specified in PC-1: - Khairpur - Sanghar - Umerkot - Mirpurkhas
CIF revenue forecasting			
I	CIF rural	2.3% Revenue Annually	Based on following three districts at a rate of 14% in 6 years obtained from RSP Phase II Maintenance Proposal: - Shikarpur - Kashmore - Jacobabad
II	CIF Rural Management Fee	PKR 500/ loan	Based on assumption made by the team (loan is max 20.000 PKR)
III	CIF Urban	2.3% Revenue Annually	Based on following three districts at a rate of 14% in 6 years obtained from RSP Phase II Maintenance Proposal: - Shikarpur - Kashmore - Jacobabad
IV	CIF Urban Management Fee	PKR 500	Based on assumption made by the team (loan is max 20.000 PKR)
Pilot Rural Growth Centre			
1	Housing and village	Covered under	-

S.No	Heads	Assumption	Source
	up-gradation (internal roads, drains, parks, Masjid)	UCBPRP/SUCCESS Interventions	
2	Drinking water facility	Same as above	-
3	Secondary school for boys and girls	- Upgradation of primary school to elementary school: PKR 10 million per school - Upgradation of middle school to high school: PKR 20 million per school	ADP, average project
4	Rural Health Centre	- Upgradation of BHU to RHC: PKR 66 Million per unit - Upgradation of RHC to THQ hospital: PKR 225 million per unit	ADP, average project
5	Veterinary clinic	-	-
6	Market center (input stores, sales outlets)	- Construction of covered market in Khairpur: PKR 100 million per center - Construction of Mirch Mandi (chili market place): 200 million	ADP, average project
7	Agricultural equipment repair facilities	Private sector	-
8	Milk collection point chilling plant	PKR 0.5 Million	SAGP
9	Roads connecting villages to the Hub	Existing LG /GOS schemes	-
10	Farm to market roads	Existing LG/GOS Schemes	-
11	Extension service & RSP Service Centre	-	-

Annex 8b: Breakdown of Districts into groups based on poverty ranking

Groups	Districts	Reference
Group 1	Umerkot	UCBPRP-6
	Tharparkar	UCBPRP-4
	Tando Muhammad Khan	SUCCESS
	Sujawal	SUCCESS
	Thatta	UCBPRP-6
Group 2	Badin	UCBPRP-6
	Kashmore	UCBPRP-4
	Mirpurkhas	UCBPRP-6
	Jacobabad	UCBPRP-4
	Sanghar	UCBPRP-6
Group 3	Kambar Shahdadkot	SUCCESS
	Tando Allahyar	SUCCESS
	Ghotki	UCBPRP-5
	Matiari	SUCCESS
	Shikarpur	UCBPRP-4
	Shaheed Benazirabad	UCBPRP-5
Group 4	Jamshoro	SUCCESS
	Khairpur	UCBPRP-6
	Dadu	SUCCESS
	Naushero Feroze	UCBPRP-5
	Sukkur	UCBPRP-5
	Larkana	SUCCESS