

Stabilization and Inclusive Development Programme

B0424 - Pakistan - Islamabad

REPORTING PERIOD 2023

Narrative

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1. Executive Summary

In the year 2023, Pakistan's economy confronted errated economic growth, hyperinflation and a volatile security situation particularly along the Pak-Afghan border region. The GDP growth rate of Pakistan plummeted to 0.29%[1] in the FY 2023 from the GDP growth rate of 5.97[2] in the FY 2022. Subsequently, the GDP of KP province reduced from 5.45%[3] in FY 2022 to an estimated 1.7%[4] in the FY 2023 resulting in slow down of businesses activities. UNDP responded to the economic challenges by implementing interventions that aimed at improving ease of doing business, improved access to finance through policy support and awareness raising among masses for building trust in the financial system and availing services, promoting entrepreneurship among the youth for creating self-employment opportunities and infrastructure rehabilitation for improved access to education and better water and sanitation services for local communities. Unprecedented security situation in the KP province particularly in the districts adjacent to the Pak-Afghan border restricted the access to the programme areas. Moreover, it denied/caused delays in the issuance of no-objection certificates (NOCs) to UNDP's implementing partners and third-party engineering firms, thereby hampering the pace of implementation in the target districts. Varying priorities of the interim government limited financial responses and competing priorities resulted in premature closing of policy support to the provincial government in fostering public private partnership for economic development in KP.

2. Background

Pakistan is a country bestowed with young and entrepreneurial population. Still, the country has not yet fully realized the potential of these youth offer for economic growth. Lack of work and business opportunities together with poor economic development and inadequate access to financial and training services and weak institutional framework are some of the biggest challenges faced by Pakistan. Despite, the efforts to turn the problems into opportunities, the progress has remained marginal. Further, gender disparity is profound in educational attainment and employment opportunities as Pakistan ranked 153rd in the Global Gender Gap Index. Additionally, the existing challenges in Pakistan were exacerbated by the COVID-19 pandemic and the floods in the year 2022. Sindh and Khyber Pakhtunkhwa are provinces that have been the worst hit by the devastating flash floods and torrential rainfall resulting in the destruction of infrastructure and costing the lives of millions.

Following a resilience framework throughout its work, the Stabilization and Inclusive Development Programme works towards sustainable economic growth by creating employment opportunities that are meaningful, sustainable and empowering particularly in area that have been affected by natural and or human-induced disasters. The programme is aligned with the priorities in Pakistan Vision 2025 and contributes to UNDP strategic plan and SDGs. Building upon digital technology, the programme will make efforts to increase meaningful employment through skills provision, improvement of existing Technical Vocational Education and Training (TVET) facilities to reduce demand and supply skills gap, provision of support to women in establishing and run Medium and Small Enterprises and placement of trained individuals in jobs. Further, the programme will work to improve access to basic services especially education to improve quality of life. Social cohesion and mutual trust will be improved through the restoration of community organization and social cohesion events. Gender equality is a cross cutting priority in the programme, SIDP will make efforts to

empower women, and vulnerable groups (transgender and persons with disability) by strengthening institutions.

3. Key Results Achieved

- **Level of Reporting:**

Output level results

Project Outputs:

Economic empowerment opportunities created for youth, girls/women and other vulnerable groups through skills development and access to meaningful employment

Contributing Outcomes:

Outcome 2 By 2027, people in Pakistan, especially those most marginalized and at risk of being left behind, will benefit from sustained, inclusive and green economic growth, through catalysing the medium, small and micro-enterprise (MSME) sector, which drives progress, creates adequate decent jobs for youth, adolescent girls and women, people with disabilities, and other vulnerable segments of society; promotes innovative and responsible MSMEs where gender barriers are addressed; and protects workers, including vulnerable and marginalized workers, from all forms of exploitation.

Contributing Outputs:

PAK_OUTPUT_2.2 Access to basic services and financial and non-financial assets and services improved to support productive capacities for sustainable livelihoods, jobs employability for youth, girls/women, and other vulnerable groups

Progress Note:

In line with CPD outcome 2.2, SIDP continued providing skills development support to the youth and women to improve their employability and enable them to create self-employment opportunities. In the year 2023, the programme supported 916 entrepreneurs (684 women) through on-campus entrepreneurship training, online e-commerce training and women initiative in social entrepreneurship (WISE) boot camps. On-campus entrepreneurship training and online e-commerce training engaged youth from eight district of Sindh Province and improved their business acumen in establishing new businesses and expanding existing ones. SIDP further provided three months mentorship support to these entrepreneurs to support new startups and improve their efficiency. 71% of the targeted 516 entrepreneurs established new businesses or expanded the existing ones. The WISE boot camps were conducted in 13 cities across Pakistan and provided four-days enterprise development training to 400 dynamic women social entrepreneurs working towards achieving sustainable development goals through their ventures. Additional, Industry based skills and job placement training

programme carried out for the youth in apparel/textiles, automotive, construction and retail sectors in Sindh province. As a result, 915 youth were trained including 50% women. Out of the total trained, 873 trainees were either employed or self-employed in the respective sectors. To educate individuals and MSMEs about formal financing and benefits associated with availing financial services, SIDP conducted financial literacy programme training sessions for 3,180 individuals (women:) 92% of which opted to open digital bank accounts with service providers present at the training venue. The programme also established women exclusive facilitation Kiosk Desks in designated branches of partner banks and hired women facilitation officers to assist women clients in availing financial services. Furthermore, SIDP rehabilitated 132 WASH facilities in 75 commercial hubs of Khyber, North Waziristan and South Waziristan to improve sanitation services and address WASH needs of customers and shop owners. After construction of these facilities, market committees reported a 42% increase in average number of customers in Khyber, 43% in North Waziristan and 60% in South Waziristan. Construction of two water filtration plants in Khyber district improved access of clean drinking to local communities. Overall, these facilities improved access of 83,530 individuals to clean drinking water and sanitation services. Provision of operation and maintenance training to market committee members and caretakers ensured sustainability of rehabilitated facilities.

- **Level of Reporting:**

Output level results

Project Outputs:

Communities are equipped to remove barriers that limit their access to education, mutual trust and socially cohesive societies contributing to their resilience

Contributing Outcomes:

Outcome 2 By 2027, people in Pakistan, especially those most marginalized and at risk of being left behind, will benefit from sustained, inclusive and green economic growth, through catalysing the medium, small and micro-enterprise (MSME) sector, which drives progress, creates adequate decent jobs for youth, adolescent girls and women, people with disabilities, and other vulnerable segments of society; promotes innovative and responsible MSMEs where gender barriers are addressed; and protects workers, including vulnerable and marginalized workers, from all forms of exploitation.

Contributing Outputs:

PAK_OUTPUT_2.1 Enabling business environment and financing for development (including technical and financial ecosystem) for job-rich economic and regional connectivity and cross-border development

Progress Note:

To ensure increased access to education, SIDP rehabilitated 22 girls' schools including 21 in Kurram and Orakzai and 01 in floods affected Chitral district. The list of 22 schools was endorsed by the Elementary and Secondary Education Department

(E&SED) to avoid duplication of efforts. Rehabilitation of schools' infrastructure particularly establishment of gender and disability inclusive sanitation services and provision of furniture improved education outcomes for 3,366 girl children. In addition to furniture, the programme provided equipment for computer-lab and science laboratory in the flood affected school in Chitral thereby contributing to improve learning environment for students. This intervention contributed to CPD outcome 2.1.

- **Level of Reporting:**

Output level results

Project Outputs:

Business enabling environment strengthened through technical support to public institutions and creation of linkages with the private sector for job-rich economic development

Contributing Outcomes:

Outcome 2 By 2027, people in Pakistan, especially those most marginalized and at risk of being left behind, will benefit from sustained, inclusive and green economic growth, through catalysing the medium, small and micro-enterprise (MSME) sector, which drives progress, creates adequate decent jobs for youth, adolescent girls and women, people with disabilities, and other vulnerable segments of society; promotes innovative and responsible MSMEs where gender barriers are addressed; and protects workers, including vulnerable and marginalized workers, from all forms of exploitation.

Contributing Outputs:

PAK_OUTPUT_2.1 Enabling business environment and financing for development (including technical and financial ecosystem) for job-rich economic and regional connectivity and cross-border development

- **Level of Reporting:**

Project level results

Contributing Outcomes:

Contributing Outputs:

Progress Note:

In the year 2023, the Stabilization and Development Programme (SIDP) achieve key deliverables related to creating equitable economic employment opportunities for women and youth, supporting business enabling environment by providing technical support to the government and improving access to basic services including education. The project was able to reach approximately 100,000 individuals including 51% women. Key results achieved by SIDP are as follows: - Youth entrepreneurship talent promoted through online and in-person entrepreneurship training for youth in Sindh

province. 71% of the targeted 516 entrepreneurs established new businesses or expanded the existing ones. - Empowered 400 Women entrepreneurs from across Pakistan and strengthened their social enterprises by developing business acumen and peer to peer and peer to mentor network in four-days women initiatives for social entrepreneurs (WISE) boot camps. 13 WISE boot camps were organized across Pakistan including Islamabad, Peshawar, Swat, Chitral, Abbottabad, Lahore, Multan, Karachi, Sukkur, Hyderabad, Quetta and Lasbela. - Industry based skills and job placement training programme carried out for the youth in apparel/textiles, automotive, construction and retail sectors in Sindh province. As a result, 920 youth were trained including 50% women. Out of the total trained, 873 trainees were either employed or self-employed in the respective sectors. - Financial literacy training provided to 3,180 beneficiaries from Khyber, Charsadda, DI Khan and Nowshera. 92% of participants of financial literacy component opened digital bank accounts. - WASH interventions achieved an increase of customers of 42%, 43% and 60% respectively in the commercial hubs of Khyber, North Waziristan and South Waziristan districts. Overall, these facilities improved access of 83,530 individuals to clean drinking water and sanitation services. Sustainability of WASH facilities ensured by providing operations and maintenance training to market committee members and caretakers. - Khyber Pakhtunkhwa's SMEs Access to Credit Strategy approved and endorsed by the Provincial Government for sustained implementation through Finance Department. - 5 memoranda of understanding (MOUs) signed between SMEs and investors in the B2B event to connect growing businesses, potential investors and the government. - Monitoring and evaluation capacities of 376 district field staff and Planning staff strengthened through a series of trainings, content development for future use, and digitalization of data collection process by development of two mobile applications. - KP TEVTA supported in evidence-based planning of future workforce and skills development interventions by conducting tracer study of TEVTA graduates from Peshawar and Kurram. - Access to quality education improved for 3,366 girl students by rehabilitating and refurbishing 22 schools.

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4. Key Challenges Encountered

In the year 2023, the security situation in the merged areas particularly the project districts of Khyber, Kurram, North and South Waziristan remained tense causing delay in issuance of NOC for SIDP's implementing partners and restricted field movement of SIDP district staff. To ensure safety of field staff and expediate the process of NOC release, SIDP maintained close coordination with TDP Secretariat and district administration. Furthermore, time buffers were built in the workplan to mitigate the impact of late release of NOC to IPs.

The overall financial situation of the country posed serious challenges for the economic sector to perform adequately. UNDP faced challenges in mobilizing the private sector and forming partnerships for linking trained youth with apprenticeship

opportunities. Consequently, UNDP shifted the focus towards self-employment generating digital skills and entrepreneurship training.

Late disbursement of Government of Sindh funds posed another challenge for the project as it was causing delays in implementation of field activities. After raising the issue in the project steering committee meeting, an expediated mechanism for quick tranche release has been proposed and put in place to avoid future delays.

Another key challenge encountered by the project was slow progress on the proposed intervention for revamping of PPP structure under technical support to KP government through PSU. Extensive deliberation with the government highlighted fiscal constraints, political uncertainty and frequent transfer of government officials as the main reasons behind delay in action. After consultation with the Government, workstream for Public Private Partnership (PPP) thematic area was parked. The project foresees this stream of work becoming relevant after February 2023 elections and placement of an elected government.

Lastly, the project experienced delays in onboarding service providers for implementing digital skills and vocational skills training interventions as potential bidders could not meet the selection criteria. Consequently, SIDP revised the strategy aiming to reach out to the wider market and re-advertised the procurement notice.

- **Level of Reporting:**

Output level results

Project Outputs:

Economic empowerment opportunities created for youth, girls/women and other vulnerable groups through skills development and access to meaningful employment

Contributing Outcomes:

Outcome 2 By 2027, people in Pakistan, especially those most marginalized and at risk of being left behind, will benefit from sustained, inclusive and green economic growth, through catalysing the medium, small and micro-enterprise (MSME) sector, which drives progress, creates adequate decent jobs for youth, adolescent girls and women, people with disabilities, and other vulnerable segments of society; promotes innovative and responsible MSMEs where gender barriers are addressed; and protects workers, including vulnerable and marginalized workers, from all forms of exploitation.

Contributing Outputs:

PAK_OUTPUT_2.2 Access to basic services and financial and non-financial assets and services improved to support productive capacities for sustainable livelihoods, jobs employability for youth, girls/women, and other vulnerable groups

Progress Note:

1. The security situation in the MAs remained volatile throughout the reporting year, as a result of which accessing the project districts remained a challenge for SIDP and its partners. The community mobilization campaign for financial literacy programme could not be initiated in Khyber, North Waziristan and South Waziristan due to non-

issuance of NOC to SIDP's implementing partner. Adopting to the situation, SIDP in consultation with USAID (donor for this activity), implemented this intervention in the floods affected districts of Charsadda, Nowshera, DI Khan, Mardan and boarder area joining Khyber and Peshawar. To ensure benefits of this intervention reach the people of the MAs, preference was given to individuals belonging to the MAs but residing in these (new target) districts. 2. Economic slowdown due to fiscal restraints and rising inflation caused industrial sector to operate at conservative capacity of 50%, making it difficult for the project to mobilize the private sector. Consequently, SIDP has shifted the focus towards digital skills trainings and entrepreneurship trainings for youth to generate self-employment opportunities by capitalizing on the booming gig economy. 3. Delay in the transfer of Government of Sindh funds remained a challenge in terms of meeting AWP commitments and ensuring smooth project implementation. SIDP raised the issue in the Project Steering Committee meeting held on 18th Septemeber and a funds disbursement mechanism was proposed by the forum to ensure no further delays in the future. 4. SIDP faced considerable delays in engaging service providers for implementing digital skills and vocational skills training activities as no potential bidders met the selection criteria during the first round of advertisement of the procurement notice. As a result, SIDP revised the strategy aiming to reach out to the wider market and re advertised the procurement notice.

- **Level of Reporting:**

Output level results

Project Outputs:

Communities are equipped to remove barriers that limit their access to education, mutual trust and socially cohesive societies contributing to their resilience

Contributing Outcomes:

Outcome 2 By 2027, people in Pakistan, especially those most marginalized and at risk of being left behind, will benefit from sustained, inclusive and green economic growth, through catalysing the medium, small and micro-enterprise (MSME) sector, which drives progress, creates adequate decent jobs for youth, adolescent girls and women, people with disabilities, and other vulnerable segments of society; promotes innovative and responsible MSMEs where gender barriers are addressed; and protects workers, including vulnerable and marginalized workers, from all forms of exploitation.

Contributing Outputs:

PAK_OUTPUT_2.1 Enabling business environment and financing for development (including technical and financial ecosystem) for job-rich economic and regional connectivity and cross-border development

Progress Note:

1. Reemergence of sectarian violence in Kurram district restricted field movement of project community officers and delayed the issuance of NOC for SIDP's implementing partner. To expedite the process of NOC release, SIDP regularly followed up with all

relevant authorities. Adopting a conservative approach, SIDP built time buffers in the workplan to cushion the impact of late release of NOC on implementation of project activities. Moreover, close coordination was maintained with district administration and local authorities and their advice was followed to ensure the safety of all field staff.

- **Level of Reporting:**

Output level results

Project Outputs:

Business enabling environment strengthened through technical support to public institutions and creation of linkages with the private sector for job-rich economic development

Contributing Outcomes:

Outcome 2 By 2027, people in Pakistan, especially those most marginalized and at risk of being left behind, will benefit from sustained, inclusive and green economic growth, through catalysing the medium, small and micro-enterprise (MSME) sector, which drives progress, creates adequate decent jobs for youth, adolescent girls and women, people with disabilities, and other vulnerable segments of society; promotes innovative and responsible MSMEs where gender barriers are addressed; and protects workers, including vulnerable and marginalized workers, from all forms of exploitation.

Contributing Outputs:

PAK_OUTPUT_2.1 Enabling business environment and financing for development (including technical and financial ecosystem) for job-rich economic and regional connectivity and cross-border development

Progress Note:

1. The progress on the Public Private Partnerships workstream remained slow due to political uncertainty, a tight fiscal environment and frequent transfers of key government officials. After consultation with the Planning and Development Department, the PPP workstream was closed, and the report submitted to P&DD, and other programmes working on PPPs for guidance and future use. SIDP envisions that once the elected government is in place after the elections in February 2024 this stream of work is likely to become relevant.

- **Level of Reporting:**

Project level results

Contributing Outcomes:

Contributing Outputs:

Progress Note:

In the year 2023, the security situation in the merged areas particularly the project districts of Khyber, Kurram, North and South Waziristan remained tense causing delay in issuance of NOC for SIDP's implementing partners and restricted field movement of SIDP district staff. To ensure safety of field staff and expediate the process of NOC release, SIDP maintained close coordination with TDP Secretariat and district administration. Furthermore, time buffers were built in the workplan to mitigate the impact of late release of NOC to IPs. The overall financial situation of the country posed serious challenges for the economic sector to perform adequately. SIDP faced challenges in mobilizing the private sector and forming partnerships for linking trained youth with apprenticeship opportunities. Consequently, SIDP shifted the focus towards self-employment generating digital skills and entrepreneurship training. Late disbursement of Government of Sindh funds posed another challenge for the project as it was causing delays in implementation of field activities. After raising the issue in the project steering committee meeting, an expediated mechanism for quick tranche release has been proposed and put in place to avoid future delays. Another key challenge encountered by the project was slow progress on the proposed intervention for revamping of PPP structure under technical support to KP government through PSU. Extensive deliberation with the government highlighted fiscal constraints, political uncertainty and frequent transfer of government officials as the main reasons behind delay in action. After consultation with the Government, workstream for Public Private Partnership (PPP) thematic area was parked. The project foresees this stream of work becoming relevant after February 2023 elections and placement of an elected government. Lastly, the project experienced delays in onboarding service providers for implementing digital skills and vocational skills training interventions as potential bidders could not meet the selection criteria. Consequently, SIDP revised the strategy aiming to reach out to the wider market and re-advertised the procurement notice.

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5. Project Risks and Issues

During the reporting year, the risks related to unstable security situation and resulting inaccessibility of the target areas materialized. Turbulent economic condition and political uncertainty slowed the pace impacted the project policy support activities and hindered mobilization of private sector. UNDP's lengthy internal procurement approvals considerably delayed the advertisement of call of proposal for digital and vocational skills training. Lastly the persistent devaluation of Pakistani rupee against the USD negatively impacted the financial delivery and timelines of the project.

6. Lessons Learned

1. SIDP aligned its policy support work through PSU with the priorities of government by maintaining close coordination with key government officials. Multi-stakeholder engagement approach enabled the project in developing holistic strategies and frameworks for improved financial access for businesses and evidence-based programme design for workforce development initiatives. Government buy-in was built by obtaining their endorsement of all policy work along with deliberate advocacy for its sustained implementation.
2. SIDP conducted e-commerce training for three hundred youth from Sindh by using online learning management system (LMS). This provided trainees the flexibility to attend the course at suitable time and refer to the course material available on the learning portal after the course ends. This approach not only proved to be cost effective but enabled UNDP to reach a wider audience.
3. Cognizant of multitude of barriers faced by women, SIDP implemented targeted intervention for women economic empowerment that enabled the project to reach out to 75% women beneficiaries, against the target of 50%, for entrepreneurship capacity building training activities. Incorporation of gender lense in policy support work with the KP government ensured inclusion of recommendations and actions needed for building sustainable capabilities of women led small businesses through improved credit access in KP's first ever SMEs Access to Credit Strategy.

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7. Conclusions and Way Forward

SIDP, in the year 2023, successfully achieved key milestones as planned in the AWP 2023. The project experienced key challenges related to unstable security situation in the MAs, delay in issuance of NOC to partners, economic fallout, political instability, delay in transfer of funds from the government of Sindh. For the year 2024, SIDP is foreseeing the upcoming general election, scheduled to be held in February 2024, as a major event that will likely to impact pace of policy support work and may negatively affect the security situation in the country. SIDP M&E will closely monitor the evolving situation and propose realignment of project priorities if needed. Presently, the project has set the following as key priorities for the year 2024. 1. Provide technical, vocational, and digital skills training and apprenticeship opportunities to youth. 2. Support to 2 Common Facility Centers (CFCs) for women in Kurram and Orakzai 3. Support entrepreneurs through capacity building and revitalization grants in flood affected districts. 4. Support MSMEs and individuals in availing micro-loans in partnership with MFI. 5. Rehabilitate / reconstruct WASH schemes and community physical infrastructure schemes such as irrigation channels, protection walls, street pavements; train communities on operation and maintenance to ensure sustainability of these schemes. 6. Implementation support to KP Government through PSU for synchronization of economic development strategies in three broader areas of access to finance, investment promotion and economic governance. 7. Engage community organizations in decision making. 8. Organize dialogues and social cohesion events among youth to promote collective thinking, actions and restoring mutual trust and confidence.

8. Other Reporting Requirements

Cognizant of multitude of barriers faced by women, UNDP provided targeted support to women entrepreneurs by conducting WISE bootcamp across Pakistan. Asymmetry in financial knowledge and access was addressed by reaching out to 50% women SMEs through financial literacy training programme, establishment of women exclusive facilitation desks at the designated branches of partner banks to assist women clientele in availing financial services and placement of six women interns at these facilitation desks to gain hand on experience of working in the banking sector. Infrastructure rehabilitation and refurbishment of furniture at girls schools improved girls' access to equitable quality education. UNDP incorporate gender lense in policy support to the provincial government. KP's first ever SMEs Access to Credit Strategy outlines in detail the steps required for building sustainable capabilities of women led small businesses and how they can access credit.

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