

OFFICIAL DOCUMENTS

ISLAMIC REPUBLIC OF PAKISTAN
STATE BANK OF PAKISTAN

August 3, 2017

International Development Association
1818 H Street NW
Washington, DC 20433
United States of America

Pakistan: **Credit Number 6101-PK (Portion A)**
Credit Number 5989-PK (Portion B)
(Financial Inclusion and Infrastructure Project)


Dear Sir/Mesdames:

We refer to Section II A.1 of Schedule 2 to the Financing Agreement (Financial Inclusion and Infrastructure Project) between the Islamic Republic of Pakistan and the International Development Association and Section II A.1 of the Schedule to the Project Agreement between the International Development Association and the State Bank of Pakistan of even date herewith for the above-mentioned (Project).

We hereby agree that the Performance Monitoring Indicators to monitor and evaluate the carrying out of the Project and the achievement of the objectives thereof are those set forth in the Attachment to this letter.

Very truly yours,

ISLAMIC REPUBLIC OF PAKISTAN

By 
Authorized Representative

STATE BANK OF PAKISTAN

By 

Attachments:

RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Pakistan
Pakistan Financial Inclusion and Infrastructure Project

Project Development Objectives

The proposed development objective is to contribute to increasing access and usage of digital payments and other financial services for households and businesses in Pakistan.

This will be done by: (a) improving market infrastructure and institutional capacity, (b) supporting the uptake and usage of Digital Payments and Financial Services and by (c) improving access to financial services for micro, small and medium enterprises (MSMEs). The project will seek to substantially increase access and usage of financial services by women and support women-owned MSMEs.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Number of digital transaction accounts (in millions)		Number	45.00	60.00	Annual	GPSS, SBP	SBP
Description: This indicator measures the number of digital transaction accounts, as detailed in the Global Payment System Survey (GPSS) on an annual basis. The indicator targets take into account projected annual growth and the NFIS account targets.							
Name: Electronic payments		Number	0.40	2.00	Annual	GPSS, SBP	SBP

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
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per capita

Description: This indicator measures the growth in electronic payments and transactions per capita, including the shift of government payments to digital. The number of electronic payments will be divided according to the total population to receive a per capita measurement.

Name: Number of unique beneficiaries (borrowers) reached*		Number	0.00	123900.00	Annual	SBP, PFIs	SBP
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Description: This indicator currently captures the number of unique beneficiaries (including microfinance borrowers, microenterprises, and SMEs) reached under the line of microfinance outlined in Component 3. The project is designed to support the assumption that one-third of microentrepreneurs may apply for a second loan. The number of actual beneficiaries reached may be higher if the project endows the RSF.

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
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Name: Number of digital transaction accounts (female) in millions		Number	7.00	10.50	Annual	GPSS, SBP	SBP
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Description: This indicator measures the number of digital transaction accounts owned by females as detailed in the GPSS and the SBP on an annual basis. The indicator targets take into account projected annual growth and the NFIS account targets.

Name: Number of unique female beneficiaries reached (rounded to nearest 50)**		Number	0.00	74340.00	Annual	SBP, PFIs	SBP
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Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
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Description: This indicator currently captures the number of unique female beneficiaries (including microfinance borrowers, microenterprises, and SMEs) reached under the line of microfinance outlined in Component 3. The project is designed to support the assumption that one-third of all microentrepreneurs (including females) may apply for a second loan. The number of actual female beneficiaries reached may be higher if the project endows the RSF.

Name: Number of loans disbursed***	Number	0.00	150000.00	Annual	SBP, PFIs	SBP
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Description: This indicator includes the number of loans disbursed under the lending window in Component 3. If the project endows the RSF as detailed in Component 4, this indicator will aggregate additional loans facilitated through the RSF and revise the intermediate indicators to include the number of loans disbursed, segmented by Subcomponent 3a or 3b.

Name: New/Upgraded SBP-Operated Payment system and National Payments Gateway installed and operational (Yes/No)	Text	No	Yes	Annual	SBP	SBP
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Description: This indicator will receive a 'Yes' once (i) a roadmap and framework for the NPG and SBP operated payment system specifications are drafted; and (ii) Upgrades and replacements based on the detailed system components specified within the roadmap and framework are implemented. This includes upgrades / replacements to the SBP-operated payment system and the platform for interoperable instant retail payments (either the National Payments Gateway or to the existing private sector infrastructure) as specified in the framework.

Name: DTA Scheme designed and operational (Yes / No)	Text	No	Yes	Annual	SBP	SBP
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Description: This indicator will receive a "Yes" once the DTA is designed, launched and operational by the SBP.

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: End-to-end automation and modernization of the NSS implemented and operational (Yes/No)		Text	No	Yes	Annual	CDNS	CDNS

Description: This indicator will receive a 'Yes' once recommendations for improvements to the NSS (as detailed under annex 1) to modernize and automate the system have been implemented, established, and operationalized. The NSS improvements are identified under the detailed Component 2 (annex 1). The delivery of such recommendations for each activity (as designated by the phased approach) will constitute a 'Yes' each year for this indicator. The overall implementation and operationalizing of the end-to-end automation and modernized NSS will constitute a 'Yes' for this indicator by Year 5.

Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Number of digital transaction accounts (in millions)	45.00	48.00	51.00	54.00	57.00	60.00
Electronic payments per capita	0.40	0.70	1.00	1.40	1.70	2.00
Number of unique beneficiaries (borrowers) reached*	0.00	6000.00	36000.00	75900.00	100500.00	123900.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
Number of digital transaction accounts (female) in millions	7.00	7.50	8.00	9.00	9.50	10.50
Number of unique female beneficiaries reached (rounded to nearest 50)**	0.00	3600.00	21600.00	45500.00	60300.00	74340.00
Number of loans disbursed***	0.00	6000.00	36000.00	78000.00	120000.00	150000.00
New/Upgraded SBP-Operated Payment system and National Payments Gateway installed and operational (Yes/No)	No	No	No	No	No	Yes
DTA Scheme designed and operational (Yes / No)	No	No	No	Yes	Yes	Yes

Indicator Name	Baseline	YR1	YR2	YR3	YR4	End Target
End-to-end automation and modernization of the NSS implemented and operational (Yes/No)	No	No	No	Yes	Yes	Yes

Notes:

* Current targets listed in the PDO are reflective of the LOC for microfinance, and project support and beneficiaries reached under the RSF are not yet included. Therefore, actual reach may be higher once the RSF is endowed (pending project assessment), which will increase the number of beneficiaries reached and number of loans disbursed.

** Based on project design the project targets that at least 60 percent of microfinance borrowers should be women. The results indicator is based on current female borrower estimate of 54 percent of portfolio (PMN industry data as of June 2016).

*** Current targets are estimated using a US\$500 average loan size and are subject to revision with revised loan size depending on the SBP.

*** Based on project design, the project assumes that one-third of microenterprises may apply for a second loan within two years.