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Report No:

EMERGENCY PROJECT PAPER

ON A

PROPOSED GRANT  
IN THE AMOUNT OF US\$ 6 MILLION

UNDER THE MULTI DONOR TRUST FUND FOR  
KHYBER PAKHTUNKHWA AND FEDERALLY ADMINISTERED TRIBAL  
AREAS AND BALOCHISTAN

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

GOVERNANCE SUPPORT PROJECT FOR KP AND FATA

August 25, 2011

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**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective May 23, 2011)

Currency Unit = Pakistan Rupees (Rs.)  
85.5731 = US\$ 1.00  
US\$ 0.011686 = Rs. 1.00

FISCAL YEAR  
July 1 – June 30

**ABBREVIATIONS AND ACRONYMS**

<b>AAA</b>	Analytical and Advisory Activities
<b>ABAMCO</b>	An International Finance Corporation
<b>ABAMCO Mgmt</b>	ABAMCO Management ( An International Finance Corporation )
<b>AC</b>	Air Condition
<b>ACE</b>	Anti Corruption Establishment
<b>ACS</b>	Additional Chief Secretary
<b>ADB</b>	Asian Development Bank
<b>AES</b>	Financial Services Company
<b>AG</b>	Auditor General
<b>AJK</b>	Azad Jammu Kashmir
<b>BP</b>	Bank Policy
<b>BRRIM</b>	Financial Services Company
<b>CAF</b>	Crisis Analysis Framework
<b>CAS</b>	Country Assistance Strategy
<b>CBOs</b>	Community Based Organizations
<b>CC</b>	Component Coordinator
<b>CCC</b>	Citizen Complaint Centers
<b>CDD</b>	Community Driven Development
<b>CDS</b>	Comprehensive Development Strategy
<b>CN</b>	Concept Note
<b>CPS</b>	Country Partnership Strategy
<b>CQ</b>	Consultants Qualification
<b>CQS</b>	Selection based on Consultants' Qualification
<b>CSIBL</b>	An International Finance Corporation
<b>CSOs</b>	Civil Society Organizations
<b>CVs</b>	Curriculum Vitas
<b>DAC</b>	Departmental Accounts Committee
<b>DAs</b>	Designated Accounts
<b>DCO</b>	District Coordination Officer
<b>DFID</b>	Department for International Development – UK
<b>DG</b>	Director General

<b>DNA</b>	Damage and Needs Assessment
<b>DPC</b>	Development Policy Credit
<b>EC</b>	European Commission
<b>ENI</b>	An International Finance Corporation
<b>ERC</b>	Emergency Relief Centre
<b>ERKF</b>	Economic Revitalization of Khyber Pakhtunkhwa & FATA
<b>ERRP</b>	Emergency Roads Recovery Project
<b>ESSAF</b>	Environmental and Social Screening and Assessment Framework
<b>FATA</b>	Federally Administered Tribal Areas
<b>FBS</b>	Fixed Budget Selection
<b>FCR</b>	Frontier Crimes Regulations
<b>FDMA</b>	FATA Disaster Management Authority
<b>FIIB</b>	An International Finance Corporation
<b>FM</b>	Financial Management
<b>FMIS</b>	Financial Management Information System
<b>FMM</b>	Financial Management Manual
<b>FO</b>	Financial Officer
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>GEF</b>	Global Environment Facility
<b>GNI</b>	Gross National Income
<b>GoKP</b>	Government of Khyber Pakhtunkhwa
<b>GoP</b>	Government of Pakistan
<b>GRMC</b>	Grant Review and Monitoring Committee
<b>GSP</b>	Governance Support Project
<b>GTFP</b>	An International Finance Corporation
<b>GTZ</b>	Gesellschaft Technische Zusammenarbeit (German Development Agency)
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>ICB</b>	International Competitive Bidding
<b>ICR</b>	Implementation Completion Report
<b>IDA</b>	International Development Association
<b>IDPs</b>	Internally Displaced Persons
<b>IFC</b>	International Finance Corporation
<b>IHFL</b>	An International Finance Corporation
<b>IOC</b>	Incremental Operating Cost
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISR</b>	Implementation Status and Results Report
<b>ISU</b>	Implementation Support Unit
<b>IT</b>	Information Technology
<b>IUFR</b>	Interim Unaudited Financial Report
<b>JSPE</b>	An International Finance Corporation
<b>KCT</b>	An International Finance Corporation
<b>KP</b>	Khyber Pakhtunkhwa

<b>LCS</b>	Least Cost Selection
<b>LEGES</b>	East Asia and Pacific and South Asia Practice Legal Group
<b>LG&amp;RDD</b>	Local Government and Rural Development Department
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MDTF</b>	Multi Donor Trust Fund
<b>MOU</b>	Memorandum Of Understanding
<b>MTBF</b>	Medium Term Budgetary Framework
<b>NAM</b>	New Accounting Model
<b>NBFI</b>	Non Banking Financial Institution
<b>NCB</b>	National Competitive Bidding
<b>NGO</b>	Non-Governmental Organization
<b>NWFP</b>	North West Frontier Province (the old name of KP Province)
<b>O &amp; M</b>	Operation & Maintenance
<b>OED</b>	Operations Evaluation Department
<b>OLPL</b>	Orix Leasing Pakistan Limited
<b>OM</b>	Operations Manual
<b>OP</b>	Operational Policy
<b>ORAF</b>	Operational Risk Assessment Framework
<b>ORIX</b>	A Pakistan based leasing company
<b>P &amp; D</b>	Planning & Development
<b>P &amp;DD</b>	Planning and Development Department
<b>PA</b>	Political Agent
<b>PAC</b>	Public Accounts Committee
<b>PaRRSA</b>	Provincial Reconstruction, Rehabilitation and Settlement Authority
<b>PC</b>	Project Coordinator
<b>PCNA</b>	Post Crisis Needs Assessment
<b>PCNU</b>	Post Crisis Needs Unit
<b>PCT</b>	An International Finance Corporation
<b>PCUs</b>	Project Coordination Unit
<b>PDMA</b>	Provincial Disaster Management Authority
<b>PDO</b>	Project Development Objective
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Financial Management
<b>PFMAA</b>	Public Financial Management and Accountability Assessments
<b>PGR</b>	Public Grievance Redress
<b>PHC</b>	Peshawar High Court
<b>PIFRA</b>	Project for Improvement of Financial Reporting and Auditing
<b>PKR</b>	Pakistani Rupee
<b>PM</b>	Prime Minister
<b>PMF</b>	Performance Measurement Framework
<b>PMU</b>	Project Management Unit
<b>PO</b>	Procurement Officer
<b>POs</b>	Project Officers

<b>PPAF</b>	Pakistan Poverty Alleviation Fund
<b>PPD</b>	Public Private Dialogue
<b>PPL</b>	An International Finance Corporation
<b>PPP</b>	Public Private Partnership
<b>PR</b>	Project Risk
<b>PU</b>	Project Unit
<b>QBS</b>	Quality Based Selection
<b>QCBS</b>	Quality and Cost Based Selection
<b>REHAB</b>	Rehabilitation ( Highways' Rehabilitation Project)
<b>RFPs</b>	Request For Proposals
<b>RRF</b>	Rapid Response Facility
<b>RVP</b>	Regional Vice President
<b>SA</b>	Special Account
<b>SAFRON</b>	States and Frontier Regions
<b>SARFM</b>	South Asia Region Financial Management
<b>SARPS</b>	South Asia Region Procurement Services
<b>SASDI</b>	South Asian Social, Environment & Water Resources Integrated Division
<b>SASDS</b>	South Asia Region Social Development Specialist
<b>SASEP</b>	South Asia Region Economic Policy and Poverty Group
<b>SASGP</b>	South Asia Region Governance and Public Sector Management
<b>SASPK</b>	South Asia Region Pakistan
<b>SBP</b>	State Bank of Pakistan
<b>SC</b>	Steering Committee
<b>SEP</b>	Sindh Education Sector Project
<b>SF</b>	San Francisco
<b>SMEDA</b>	Small And Medium Enterprise Development Authority
<b>SMEs</b>	Small and Medium Enterprises
<b>SO</b>	Strategic Objective
<b>SO1</b>	Strategic Objectives One
<b>SOC</b>	Strategic Oversight Council
<b>SOPs</b>	Standard Operating Procedures
<b>SSIP</b>	Small Scale Irrigation Project
<b>TA</b>	Technical Assistance
<b>TARUCCI</b>	Tribal Areas Rural-to-Urban Centers Conversion Initiative
<b>TORs</b>	Terms Of References
<b>TRF</b>	Transnational Results Framework
<b>TRG</b>	An International Finance Corporation
<b>UDL</b>	An International Finance Corporation
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>US</b>	United States
<b>USAID</b>	United States Agency for International Development

**USD**  
**WB**

United States Dollar  
World Bank

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<b>Basic Information</b>	
Country Director: Rachid Benmessaoud Sector Manager/Director: Joel Hellman Team Leader: Naseer A. Rana Project ID: P126425 Expected Effectiveness Date: August 15, 2011 Lending Instrument: Multi Donor Trust Fund (MDTF) Sectors: Multi Sector Themes: Governance Environmental category: NA Expected Closing Date: June 30, 2014	
<b>Project Financing Data</b>	
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other: Proposed terms:	
<b>Financing Plan (US\$m)</b>	
Source	Total Amount (US \$m)
<b>Total Project Cost:</b>	<b>6</b>
Multi Donor Trust Fund:	6
Borrower:	0
<b>Total Project Financing (MDTF)</b>	<b>6</b>
<b>Client Information</b>	
<b>Recipient:</b> Islamic Republic of Pakistan  <b>Responsible Agencies:</b> 1. PCNA Implementation Support Unit, P&DD, Government of Khyber Pakhtunkhwa, and 2. PCNA Implementation Support Unit, FATA Secretariat	
<b>Contact Persons:</b>  1. <b>Mr. Muhammad Salim Khan,</b> Secretary Planning and Development Department (P&DD), Khyber Pakhtunkhwa Secretariat, Peshawar, Pakistan Telephone No.: 92-91-9210516 Fax No.: 92-91-9210379  2. <b>Mr. Jamal Nasir,</b> Secretary Planning and Development Directorate (P & DD), FATA Secretariat, Peshawar, Pakistan Telephone No.: 92-91-9212933 Fax No.: 92-91-9212833	



Estimated disbursements (Bank FY/US\$m)				
FY	2011/12	2012/13	2013/14	2014/15
Annual	2.2	2.0	1.5	0.3
Cumulative	2.2	4.2	5.7	6.0
Project Development Objective and Description				
<p><b>Project development objective:</b> Improve the delivery efficiency of the PCNA program through institutional strengthening and support of the Khyber Pakhtunkhwa and FATA, while responding to priority needs of the PCNA governance program.</p> <p><b>Project Structure:</b></p> <p><b>Component 1:</b> Strengthening of the PCNA Implementation Support Units, provision of Technical Assistance, and Institutional Building of government department (total estimated cost – US\$ 2.50 million)</p> <p><b>Component 2:</b> Rapid Response Facility (RRF) (total estimated cost – US\$ 3.50 million)</p>				
Safeguard and Exception to Policies				
Safeguard Policies Triggered: Environmental Assessment (OP/BP 4.01) Natural Habitats (OP/BP 4.04) Forests (OP/BP 4.36) Pest Management (OP 4.09) Physical Cultural Resources (OP/BP 4.11) Indigenous Peoples (OP/BP 4.10) Involuntary Resettlement (OP/BP 4.12) Safety of Dams (OP/BP 4.37) Projects on International Waters (OP/BP 7.50) Projects in Disputed Areas (OP/BP 7.60)				<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? Have these been approved by Bank management?				<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes <sup>1</sup> <input type="checkbox"/> No
Conditions and Legal Covenants:				
Grant/ Project Agreement Reference	Description of Condition/Covenant	Date Due		
GA – Schedule 2, Section IV, B (2) & (3)	(i) selection and hiring of PCNA Coordinator, financial officer and a procurement officer; (ii) approval and adoption of the Operations Manual (iii) approval and adoption of the Financial Management Manual	Disbursement Conditions		
PA FATA – Section I A.1.(a)	Establish and maintain throughout the project implementation period a Project Steering Committee (“FATA PSC”), headed by the Additional Chief Secretary FATA	2 months of effectiveness & continuous		
PA FATA – Section I A.1.(b)	Maintain a PCNA ISU headed by Project Coordinator FATA throughout project implementation.	Continuous		

<sup>1</sup> For details please see paragraph 38

PA FATA – Section I A.2.	Recruit and maintain throughout project’s implementation an experienced and qualified internal auditor.	3 months of effectiveness & continuous
PA FATA – Section I B.	Develop, adopt and implement an operations manual for project related activities.	Continuous
PA FATA – Section I C.	Submit annual work plan to the World Bank for each year	Continuous
PA FATA – Section II B. 4.	Project to be live in PIFRA system.	6 months of effectiveness
PA FATA – Section III. 3.	Project Implementing Entity to establish a system for the handling of procurement complaints	3 months of effectiveness
PA Khyber Pakhtunkhwa – Section I A.1.(a)	Establish and maintain throughout the project implementation period a Project Steering Committee (“Khyber Pakhtunkhwa PSC”), headed by the Additional Chief Secretary Khyber Pakhtunkhwa	2 months of effectiveness & continuous
PA Khyber Pakhtunkhwa – Section I A.1.(b)	Maintain a PCNA ISU Khyber Pakhtunkhwa headed by Project Coordinator Khyber Pakhtunkhwa throughout project implementation.	Continuous
PA Khyber Pakhtunkhwa – Section I A.2.	Recruit and maintain throughout project’s implementation an experienced and qualified internal auditor.	3 months of effectiveness & continuous
PA Khyber Pakhtunkhwa – Section I B.	Develop, adopt and implement an operations manual for project related activities.	Continuous
PA Khyber Pakhtunkhwa – Section I C.	Submit annual work plan to the World Bank for each year	Continuous
PA Khyber Pakhtunkhwa – Section II. B. 4.	Project to be live in PIFRA system.	6 months of effectiveness
PA Khyber Pakhtunkhwa – Section III. 3.	Project Implementing Entity to establish a system for the handling of procurement complaints	3 months of effectiveness

## **A. INTRODUCTION**

1. This Project Paper seeks the approval of the Regional Vice President (RVP) to provide a grant under the Khyber Pakhtunkhwa, FATA and Balochistan Multi Donor Trust Fund (MDTF) in the amount of US\$ 6 million to Pakistan for a Governance Support Project (GSP) for Khyber Pakhtunkhwa and Federally Administered Tribal Areas (FATA) Project.

2. This project is designed to support the recovery and rehabilitation needs resulting from the militancy crisis under the Post Crisis Needs Assessment (PCNA) with a strategic focus on peace building. The proposed grant will finance capacity development, program development and urgent governance interventions.

3. The Project will be implemented by the newly created PCNA Implementation Support Units (ISUs), at the Planning and Development Department (P&D) of the Khyber Pakhtunkhwa Secretariat, and FATA Secretariat. The Project currently includes activities for Khyber Pakhtunkhwa and FATA only<sup>2</sup>. The PCNA process described below identified activities for the governance sector that includes establishing a governance structure for implementing the overall PCNA Program. A long list of activities to improve governance is provided that have been identified under the PCNA for building a more responsive and effective state (see Annex 11 for details of the activities).

## **B. EMERGENCY CHALLENGE: COUNTRY CONTEXT, GOVERNMENT RESPONSE AND PROJECT RATIONALE**

### *Country Context*

4. The Khyber Pakhtunkhwa -FATA region has consistently been one of the poorest parts of Pakistan. Both areas lag behind other provinces across a wide range of social and economic indicators, with a lag even more pronounced when viewed through a gender lens.<sup>3</sup> Estimated GDP growth for Khyber Pakhtunkhwa was already slowing in the period leading up to mid-2009, declining to around 3% in 2007/8, as compared to Pakistan's GDP growth rate of 4.2% for the year 2007/8. Furthermore, Khyber Pakhtunkhwa has consistently experienced far higher rates of unemployment than the rest of Pakistan. While FATA is not included in the surveys, the unemployment issue is likely to be even more pronounced there. Moreover, unemployment is particularly high among young men aged 15-30 (the main resource pool for militant recruitment).

5. In early 2009, the Government of Pakistan (GoP) launched major military operations in the Khyber Pakhtunkhwa -FATA to eliminate the local pockets of militants. The conflict has imposed a huge economic cost, on top of the obvious human tragedy. The crisis affected areas constitute 15% of the combined area of Khyber Pakhtunkhwa and FATA, are home to about 18% of the population, and account for some 17% of the value added. The military operations led to significant damage to physical infrastructure and services and displacing some 3 million people. While the majority of the internally displaced persons (IDPs) have returned to their places of origin, many have lost their homes and livelihoods. Those who stayed behind have suffered equally and tend to be just as poor and vulnerable as the IDPs.<sup>4</sup>

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<sup>2</sup> However, with a request from the government and additional financing, activities for Balochistan could be included after getting the required clearances.

<sup>3</sup> Illiteracy levels are as high as 97% for women in FATA compared to 71% for men; the comparative figures for KP are 68 % for women and 33% for men, respectively.

<sup>4</sup> Based on the household survey data analysis reported by 'Food Security and Market Assessment in Crisis Affected Areas of KP and FATA', World Food Program, 2010.

## ***Government Response***

6. In the face of the crises that have confronted Khyber Pakhtunkhwa and FATA, the federal and provincial governments embarked on rapid post-crisis recovery and reconstruction efforts in collaboration with international and national humanitarian agencies. Since the beginning, donor support has been coordinated by the Planning Commission at the Federal Level, while, the Provincial Rehabilitation, Reconstruction and Settlement Authority (PaRRSA) was established to coordinate and implement these initiatives for both Khyber Pakhtunkhwa and FATA.

7. The GoP also has launched various assessments for strategic medium to long-term support for the region. A **Damage and Needs Assessment (DNA)** was completed in 2009 with World Bank (WB) and Asian Development Bank (ADB) support covering the areas first affected by the GoP's action to combat the militants<sup>5</sup> and a subsequent **Post Crisis Needs Assessment (PCNA)**, supported by the ADB, European Commission (EC), United Nations (UN) and WB, was formally issued in October 2010. The PCNA assessed and quantified the short and medium term social and economic needs of the region (see PCNA Transitional Results Framework for details). **The PCNA is broadly considered by development agencies and government counterparts as the point of reference in responding to the emergency post-crisis situation in Khyber Pakhtunkhwa and FATA.** It is also agreed that the post-crisis situation in Khyber Pakhtunkhwa and FATA should be considered as an emergency environment therefore the response of both government and development partners should be undertaken as emergency interventions. Taking this into consideration it will be necessary to ensure that the local government administrations have both the systems and the capacities to respond to the emergency.

8. **The PCNA provides the underpinning for long term peace building in Khyber Pakhtunkhwa and FATA.** Drawing on extensive stakeholder consultations, the Report identifies key crisis drivers<sup>6</sup> and the consequent priority areas that need to be addressed to support a coherent and durable peace-building strategy. The PCNA peace building strategy is based on the following four key strategic objectives:

- (1) build responsiveness and effectiveness of the State to restore citizen trust;
- (2) stimulate employment and livelihood opportunities;
- (3) ensure the delivery of basic services; and
- (4) counter radicalization and foster reconciliation.

It also identified nine priority sectors to facilitate the development of these four strategic objectives: (i) governance; (ii) rule of law; (iii) agricultural and natural resources; (iv) non-farm economic development; (v) education; (vi) infrastructure; (vii) health; (viii) social protection; and (ix) strategic communications.

Moreover, three cross cutting issues that run through the strategy are: (i) peace building and crisis sensitivity, (ii) gender, and (iii) capacity development.

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<sup>5</sup> Swat, Upper and Lower Dir, Buner, Shangla, Mohmand, and Bajaur.

<sup>6</sup> Following extensive consultations with the affected communities and a diverse range of stakeholders particularly opinion makers and Jirga consultations, the PCNA Crisis Analysis Framework (CAF) was prepared that informed the entire PCNA process. CAF helps in selecting those issues, sectors and sub-sectors with the greatest potential for promoting peace and stability, or alternatively, identifying those that may become a threat to the peace process and therefore need to be addressed. The outputs received from the Track I, Track II, Jirga and Literature Review were used as inputs in the CAF to identify Strategic Priorities and Sectors.

9. The Government of Pakistan, Government of Khyber Pakhtunkhwa and the Federally Administered Tribal Areas (FATA) Secretariat lead the PCNA process. The Government ensured active engagement of the relevant officials as counterparts throughout the pre-assessment, assessment, validation and finalization phases of the PCNA. To facilitate a seamless transition from PCNA design to implementation, senior officials were engaged from the following line departments: Planning and Development; Finance; Establishment; Board of Revenue; Provincial Reform Monitoring and Management Unit; Home; Law ; Livestock; Irrigation; Agriculture; Industries, Sarhad Tourism; Energy and Power; Elementary and Secondary Education; Higher Education; Social Welfare; Population Welfare; Health; Public Health Engineering; Frontier Highway Authority; Provincial Housing Authority; and, Information. Having remained involved, since the PCNA inception, many line departments/ directorates have initiated implementation of PCNA recommendations already. The P & D Department of Khyber Pakhtunkhwa has formally directed all line departments in Khyber Pakhtunkhwa to align the Annual Development Programmes (ADP) for the financial year 2011-12, to the PCNA recommendation, again demonstrating the extent of Government ownership.

10. Recognizing the need for a harmonized approach to respond to the crisis, the GoP and Donors requested the Bank to administer a **Multi Donor Trust Fund (MDTF)** for the recovery and rehabilitation of the crisis-affected areas in Khyber Pakhtunkhwa, FATA, and Balochistan. It has been operational since August 2010 and currently represents commitments of USD 139 million and is one mechanism for financing the PCNA program and is expected to support the governments' efforts in aid management and donor harmonization. The MDTF-funded projects are prepared under OP 8.0 with the expectation to expedite response to the current emergency situation.

#### **Box 1: The Khyber Pakhtunkhwa, FATA and Balochistan Multi-Donor Trust Fund Portfolio**

The current portfolio of projects to be funded by the MDTF responds to the direction given at the first Steering Committee meeting on Sept. 17 2010, that the first projects to be financed should be 'quick to turn around' and deliver fast, tangible results on the ground. At the MDTF Donor workshop on Feb. 1<sup>st</sup> 2011, the expectation voiced by donors was that the MDTF should now shift to also look, in addition to investment projects, at activities with less visible yet high impact results, including governance, institution building and civil service reform.

There are four MDTF financing strategy pillars that guide portfolio development:

- I. Restoring Damaged Infrastructure and Disrupted Services
- II. Improving Governance and Service Delivery
- III. Supporting Livelihood and Creating Employment Opportunities
- IV. Building Capacity and Institutional Strengthening.

The Provincial Governments and FATA Secretariat have agreed, with the Bank as the administrator of the MDTF, on the first set of priority needs. This has resulted in identifying ten projects to be financed from Round-1 resources of the MDTF which are as follows:

(a) "Emergency Recovery project" that will finance cash transfers to 100,000 vulnerable families (US\$ 35million); (b) '*Economic Revitalization of Khyber Pakhtunkhwa and FATA Project*' (ERKF), It supports the GOP in the economic recovery and revitalization of the crisis affected areas of KP province and FATA, by creating sustainable employment opportunities through rehabilitation of Small and Medium Enterprises (SMEs), investment mobilization, and institutional capacity building (US\$ 20.0 million).

The following five Projects are also at advanced stages of preparation: (a) FATA Urban Centers (TARUCCI) Project (US\$ 7.0 million); (b) '*Khyber Pakhtunkhwa Emergency Roads Project*' (ERP) (US\$ 8.0 million); (c) FATA Rural livelihood and Community Infrastructure project (US\$ 8.0 million); Governance Support project (US\$ 6.0 million) and (d) Strengthening Health Services in Crisis affected Districts of Khyber Pakhtunkhwa (US \$ 16 million).

Three projects are under discussion: (a) Balochistan Education Support Project (US\$ 10.0 million); (b) FATA Rural Roads

### ***Project Rationale***

11. Government capacity to manage and coordinate resources to implement the PCNA program is a binding constraint. The PCNA recommendations, when implemented fully will require 2.7 billion USD to be channeled to Khyber Pakhtunkhwa and FATA to support the transformation of the region and to reduce the impact of radicalism. In order to ensure smooth management of these finances in Khyber Pakhtunkhwa and FATA and implement the PCNA recommendations there is a need to build capacity to coordinate and manage such a large program. This project will initiate the process of capacity building in phases.

12. There is also a need to increase attention to improving governance to raise the trust in the state as indicated by the government and donors. The need to enhance citizens' trust is identified as a key step in the peace-building process in the PCNA. The PCNA Strategic Objectives One (SO1) is to 'Build Responsiveness and Effectiveness of the State to restore citizen trust'. The PCNA states that "Political, governance and rule-of-law deficits may be the most important drivers of crisis in FATA and Khyber Pakhtunkhwa today" highlighting the urgency of delivering tangible results in this area as soon as possible. The recommendations outlined under SO1 and in the 'Governance Sector' Transition Results Framework of the PCNA, list a number of interventions of a Governance Program aiming to improve service delivery and enhance relations between the government and the citizens. The total amount required to support the recommendations outlined in SO1 is estimated at USD 80 million to be implemented over a period of 30 months. The GSP is designed to support the development of these recommendations into a full Governance Program while supporting quick wins through a demand driven rapid response window (see Annex 8).

13. The Governance team, based in Islamabad, already has close working relationship with authorities in both Khyber Pakhtunkhwa and FATA and also at Federal level. Having participated in the PCNA, the team has built in depth knowledge about the situation in the Khyber Pakhtunkhwa and FATA including the legal and policy frameworks and about the PCNA recommendations. In this way, the World Bank team is well-placed to support the government authorities developing a long-term governance program of interventions through which other development partners and donors can provide support and coordinate their assistance. The cross-sectoral portfolio of the World Bank and the experience gained in other conflict areas serve as a useful base for governance interventions that will result in a cross-sectoral approach to improving governance and guiding reform in public service delivery.

14. A number of donors have already indicated the availability of sizeable assistance and long-term commitment to support the implementation of the PCNA recommendations. These include DfID and USAID. GTZ is also providing technical assistance to the Khyber Pakhtunkhwa government and FATA Secretariat. A number of other donors are implementing smaller interventions, such as the Government of Turkey who is supporting the building of houses across Khyber Pakhtunkhwa and FATA. Donor coordination is of critical importance.

15. The Khyber Pakhtunkhwa Provincial Government and the FATA Secretariat have put in place the legal framework for establishing the PCNA ISU. These units, known as the PCNA Implementation Support Units (ISUs), will be responsible for coordinating assistance, liaising with various government

departments to support the implementation of the PCNA recommendations and other government bodies. GSP will assist in operationalizing the ISUs for effective planning and delivery of the PCNA Program.

16. The PCNA also suggests the establishment of a PCNA Federal Steering Committee with the Prime Minister as the Chair. The PCNA assessment was completed through an institutional structure led by the Strategic Oversight Council (SOC) chaired by the Prime Minister<sup>7</sup>. The SOC will continue as the strategic apex body, with the Khyber Pakhtunkhwa and FATA Secretariats represented by the respective Additional Chief Secretaries, besides the Chief Minister, the Governor, and, other political, civil and military representatives.

17. For strategic management of the PCNA program, the Khyber Pakhtunkhwa and FATA Secretariats have decided on the development of two respective Steering Committees at sub-national level. The FATA Steering Committee has already been formed and comprises of the Additional Chief Secretary, Secretary P&DD, Secretary Finance, Secretary Law and Order, Secretary Administration and Coordination, Secretary Social Welfare and Women Empowerment, DG Projects, Chief Economists P&DD and the PCNA Coordinator as the Secretary to the SC. The formation of the Khyber Pakhtunkhwa Steering Committee is in its advanced stages and will be headed by the Additional Chief Secretary. The core members will be comprised of the Secretary Finance Department, Secretary Law & Parliamentary Affairs Department, Secretary Home Department, Secretary Establishment Department, Secretary Planning & Development Department and Director General Provincial Rehabilitation, Reconstruction and Settlement Authority (PaRRSA). Other members may be co-opted for discussing issues as needed. The Project Coordinator will act as Secretary of the Steering Committee. Both Steering Committees are to be supported by the PCNA ISUs.

18. The MDTF Secretariat has been asked to lead an initiative to develop a 3-5 year costed work plan to operationalize PCNA recommendations. At the Second Steering Committee Meeting held on April 27, 2011, the Steering Committee requested that further assistance to be channeled through the MDTF be based on the a 3-5 year costed work plan to operationalize PCNA recommendations, which will become the PCNA Program (see Annex 8). The analytical work conducted through the GSP will contribute to the development of this PCNA Program while at the same time supporting the implementation of the PCNA Governance Program.

19. This small project will leverage the large PCNA program by strengthening the ISUs and responding to priority needs of the PCNA governance program for building a responsive state as a critical part of the government's response.

### **C. PROJECT DESCRIPTION**

20. The project development objective (PDO) is to improve the delivery efficiency of the PCNA program through institutional strengthening and support of the Khyber Pakhtunkhwa and FATA, while responding to priority needs of the PCNA governance program.

21. The proposed Governance Support Project (GSP) has two components:  
Component 1: Strengthening of the PCNA Implementation Support Units, provision of Technical Assistance, and Institutional Building of government departments (total estimated cost – US\$ 2.50 million)

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<sup>7</sup> Supported by a Steering Committee and PCNA Secretariat

Details of component one:

- Strengthen the institutional capacity of Line Departments in Khyber Pakhtunkhwa and Line Directorates in FATA as well as PCNA ISU Khyber Pakhtunkhwa and FATA (i) for identification, design, preparation, appraisal and implementation of recommendations set forth in the PCNA; (ii) to develop and implement data collection, communication, and monitoring and evaluating methodologies; (iii) ensure coordination with the donors; and (iv) fulfill their fiduciary duties hereunder.
- Develop Khyber Pakhtunkhwa's and FATA's systems and processes for the coordination and implementation of PCNA activities as well as management of PCNA interventions in their respective territories.
- Identify a pipeline of projects for development by Line Departments in Khyber Pakhtunkhwa and Line Directorates in FATA.
- Operation and management of PCNA ISUs.

Component 2: Rapid Response Facility (RRF) (total estimated cost – US\$ 3.50 million)

Details of component two:

- Implementation support to governance specific interventions according to the PCNA in Khyber Pakhtunkhwa and FATA, as identified and implemented by Line Departments / Directorates, to remove key governance constraints.

22. The key performance indicators include the following:

- a. Systems established to monitor progress of PCNA program
- b. Five Project concept notes developed for interventions
- c. Development Partners Forum established
- d. Overall 10 year Governance Program designed after consultation with stakeholders and agreed at the Development Partners Forum
- e. Five Governance interventions funded in a timely manner
- f. Two reform actions implemented

23. **Diagnostics and Analytical Work:** In parallel, the project will be supported by a program of Bank-Executed analytical work that will provide funds and resources to conduct diagnostics and analytical work at the Government's request. While executed by the Bank under separate arrangements, this activity will be wholly linked to the GSP and will support the project's implementation by providing



analytical work as it is needed and requested by the Khyber Pakhtunkhwa Government or the FATA Secretariat to help develop the longer term Governance program and deepen the peace building reform initiative.

#### **D. Eligibility for Processing under OP/BP 8.0**

24. This project is in line with the guiding principles under the Bank's operational policy OP 8.00 and addresses capacity development and the need to enhance the efficiency of program delivery in the emergency environment in Khyber Pakhtunkhwa and FATA resulting from the crisis. The project is adapted to the particular emergency circumstances and consistent with MDTF and Pakistan CPS.

##### *Consistency with Multi Donor Trust Fund (MDTF) Financing Strategy*

25. The GSP is supporting the counterparts in responding to Pillars 1 and 4, identified as the strategic areas of investment in MDTF Financing Strategy. In alignment with the MDTF objective, the GSP project will focus on the guidance in PCNA regarding the challenge of post crisis reconstruction to cope with the longer-term issues of capacity building and governance. The project also addresses the objectives of strengthening the technical capacity and institutional arrangements and coordination, of Khyber Pakhtunkhwa's line department and the FATA Secretariat, in order to carry out the post-crisis reconstruction efforts as identified in the PCNA. As an administrator of the Trust Fund, the Bank, through GSP, will provide technical advice to, and coordinate capacity building activities for, the Government of Khyber Pakhtunkhwa and FATA Secretariat's officials under the umbrella of PCNA ISU, one each for Khyber Pakhtunkhwa and FATA Secretariats. The MDTF is well placed to support the project given its role as a forum for coordinating the PCNA efforts. The programs developed by Khyber Pakhtunkhwa and FATA will have full government ownership and leadership. The project is designed to assist the government in building capacity and systems to better implement a more transparent PCNA program. Similarly, analytical work and stakeholder consultations conducted to further inform the PCNA program will also be seen as government owned and led.

##### *Consistency with the Country Partnership Strategy (CPS)*

26. The Pakistan CPS for FY10-13 recognizes that conflict and insecurity represent major obstacles to economic development and poverty reduction. The operation is fully aligned with the CPS, falling under Pillar 4 titled 'improving security and reducing the risk of conflict'; and more specifically 'Increased Responsiveness and Effectiveness of the State.' Under this Pillar, the CPS considers that addressing the longstanding economic deprivation and social inequities among the population in the North West Frontier Province (now Khyber Pakhtunkhwa) region is critical to dealing with conflict as identified in the PCNA strategic framework. The operation, therefore, has a strong focus on implementation of the PCNA reform agenda. The capacity building of various public sector departments within Khyber Pakhtunkhwa and FATA will directly contribute to one of the expected outcomes of CPS, i.e. 'Strengthened capacity and strategic reform of governance institutions in Khyber Pakhtunkhwa and FATA under Pillar 4. Importantly, the Government of Khyber Pakhtunkhwa and FATA Secretariat have demonstrated their commitment to improving overall governance by putting the PCNA recommendations at the heart of their respective plans for reform. While a number of donors have been providing support to specific governance issues, limited attention has been paid to overall policy and procedural reforms at key line departments / directorates and government agencies. This project is designed to reply to the needs of such entities.

#### **E. Appraisal of Project Activities**

27. Environmental and Social Safeguards: The Bank has prepared an Environmental and Social Screening and Assessment Framework (ESSAF) to address potential negative environmental and social impacts in accordance with the OP 8.0 for emergency operations. However, this project will not cause any negative environmental or social impacts, therefore the Bank's environmental and social safeguard policies will not be triggered, so the ESSAF will not apply on this project. The proposed Project will finance international and local advisory services as well as goods, training and capacity building directly related to the envisaged reform measures under its scope. The Project is rated as Category 'C' as per the Bank's Environmental Assessment rating system, which confirms that the Project will not cause any adverse environmental impacts.

### *Lessons Learned and Reflected in Project Design*

28. The Bank's experience in implementing projects in *post-conflict* countries has highlighted the importance of a simple, well defined, and flexible project design to allow for adaptation to changing circumstances in a context of participation from the donor community. The Khyber Pakhtunkhwa and FATA situation presents additional challenges, because the regions are still in conflict, and the security situations, as well as the institutional weaknesses, demand that project design not be overly ambitious. Bank staff has limited possibility to visit the Khyber Pakhtunkhwa and FATA areas outside the city of Peshawar, and there are few international consultants willing to work there. This tends to lead to higher than average costs for all projects, particularly to carry out adequate supervision. It is also clear that while there may be sufficient individual capacity, institutional capacity is quite limited. In addition, experience has shown that complex projects are very difficult to implement successfully.

29. The design of the proposed project has been kept simple, focusing on a few critical activities which are deemed achievable in a relatively short timeframe, and which will provide quick impacts and in line with the PCNA recommendations, in addition to providing reliable information on the ground realities and better understanding of the underlying causes, to inform the design of medium to longer term reform strategies. The focus in each component is on strengthening the institutional aspects through relatively straightforward, and largely "process" interventions, as well as substantial training and capacity building, led by the Government. This responds to Bank experience in post-crisis environments where large injections of assistance, combined with elevated demands to deliver quickly have required an urgent increase in capacities. In states where institutions are under normal circumstances weak, the policy framework to allow for such 'surge capacity' in emergency environments is often lacking, leaving the recipient reliant on development partners to support this capacity gap. This project aims to respond to this need in Khyber Pakhtunkhwa and FATA.

30. The project also takes into account lessons learned from other similar projects in fragile and post-conflict countries, including: (i) ensuring robust understanding of country context and dynamics; (ii) providing adequate funding and road map for capacity building and expected activities upfront; (iii) the need to remain flexible in order to respond to the dynamic situation on the ground and (iv) focusing on harmonization of donors work relating to governance and reforms through the PCNA ISUs at Khyber Pakhtunkhwa and FATA Secretariats.

31. Additionally, the Operations Evaluation Department (OED) of the World Bank has reviewed technical assistance projects on a number of occasions. Conclusions from assessments for Ghana, Uganda and Afghanistan included the following which are relevant to the circumstances in Pakistan:

- (a) The more unsettled a country's institutional environment, the greater the need for a flexible, process-oriented design.

- (b) A flexible process requires strong project management that will stick to well defined core objectives for the technical assistance
- (c) There is no substitute for ownership of the technical assistance program on the grant recipient's side and in-depth country knowledge and careful supervision of the program on the Bank's side
- (d) When government commitment is backed up by the support of a high level project advocate, the likelihood of the project's success increases markedly
- (e) Continuity and cohesiveness of the Bank's country team and the grant recipient's project management team enhance learning and mutual trust, increasing prospects for the project's success.
- (f) Technical support should be chosen on the basis that results will enhance the capacity of sector programs to achieve growth and poverty reduction
- (g) Units such as the ISUs can have a broad impact on improving the capacity of government line departments / directorates to improve their governance, planning and implementation capacity.

## **F. Implementation Arrangement and Financing Plan**

### ***Implementation Arrangements***

32. The details of the implementation arrangements of the GSP will be described in an Operations Manual that will guide the operations of the project and also outline the role and responsibilities of the projects teams. Separate Operations Manuals will be developed for Khyber Pakhtunkhwa and FATA by the PCNA ISUs, with the support of the Bank Governance Team, after project negotiations have been finalized. However, an overview of the Operation Manuals' contents can be found in Annex 9.

33. The Government of Pakistan (GoP) will be the grant recipient. The GoP will on-grant the funds to the Government of Khyber Pakhtunkhwa and FATA Secretariat in accordance with its budgetary arrangements. Government of Khyber Pakhtunkhwa and FATA Secretariats will have primary responsibility for overseeing project implementation and ensuring the Bank's guidelines and procedures including fiduciary aspects (procurement management, financial management, monitoring and evaluation (M&E)) are adhered to, and for reporting to the World Bank and other relevant agencies. To facilitate day-to-day Project implementation, the PCNA ISUs of Khyber Pakhtunkhwa and FATA will responsible to manage this project and will have ultimate sign-off on requests for project funds. The PCNA ISUs will be overseen by the P&D department / directorate of the two entities and the Additional Chief Secretary of Khyber Pakhtunkhwa and the ACS of FATA will be informed of progress under the project on a regular basis and consulted as needed. Furthermore, for strategic management, both Khyber Pakhtunkhwa and FATA have decided on the development of two respective Steering Committees.

34. The PCNA ISUs shall be responsible for implementation of the GSP including all aspects of financial management, procurement, disbursement, and monitoring and evaluation arrangements under the project. The PCNA ISUs have been formally approved by the Government of Khyber Pakhtunkhwa and the FATA Secretariat. Formal notification of PCNA ISU legal establishment to the Bank shall be confirmed between the Bank and the Government of Khyber Pakhtunkhwa and FATA Secretariat during negotiations of this grant. The recruitment of the full time PCNA Coordinator, Financial Officer and Procurement Officer, in consultation with the Bank for both Khyber Pakhtunkhwa and FATA, is a requirement for initial disbursement.

35. Experience and lessons learned from other post conflict countries find retention and use of available experienced human resources critical for stability. Currently, Khyber Pakhtunkhwa and FATA Secretariat's human capacity is eroding, due to lack of hazard specific incentives. Civil servants are moving to more peaceful work places in-country. In the crisis affected areas, these civil servants are working under quite hazardous environment and retention of qualified officials under GSP is critical for

achieving project objectives. Recognizing the waning administrative capacity risk, PCNA recommends initiating a program to recruit civil servants on incentive contracts into priority functional areas for initial stabilization. Following on the recommendation and as a mitigating measure, civil servants can fill both Khyber Pakhtunkhwa and FATA ISU positions through project allowance mode and as individual contract based consultants, subject to relevant Khyber Pakhtunkhwa and FATA administrative regulations for the civil servants and provided: (a) they possess the required skills and competencies; and (b) apply through the competitive selection process for market based compensation. The project allowance, for such officials will be in accordance with government policy and the Khyber Pakhtunkhwa and FATA relevant regulations for civil servants, in this regard. The civil servants project allowance will be financed from the grant while their regular salary will be paid by the government. The second option of hiring consultants or contract staff to fill Khyber Pakhtunkhwa and FATA ISU positions will be subject to the Bank's Consultant Guidelines, including among others that: (a) the civil servants hiring does not conflict with any employment or other laws or regulations, or policies of the Government of Pakistan and Khyber Pakhtunkhwa / FATA Secretariat respectively; (b) the civil servant is on a leave of absence, without pay or has resigned / retired (only after 6 months of retirement or resignation or any statutory period by Government of Pakistan and Khyber Pakhtunkhwa / FATA Secretariat legislation, respectively; (c) the civil servant is not being hired by the agency they were working for before going on leave of absence without pay, resigning, or retiring; and (d) the civil servant hiring does not create a conflict of interest under paragraph 1.9 of the Consultant Guidelines. However, this option is more costly in addition to the issue of consultant's retention, making the project allowance option as more productive. In both cases of project allowance payment and hiring of civil servants as consultants, getting a no-objection from the Bank is mandatory. The project will embody strong internal control framework and a detailed Financial Management Manual will be prepared, including specific internal controls related to payment of project allowance. Country FMIS will also be implemented at project and transaction level data will be available. The Bank's project team will closely monitor the arrangement and seek compliance with the Bank's Consultant Guidelines. From a sustainability perspective, this incentive also supports the Khyber Pakhtunkhwa and FATA Secretariat's expressed priority to ensure that the enhanced know-how remains in the public sector for continuity and longer term peace building, once the project is completed. The designed project arrangements for payment of project allowance satisfy the requirement of OP/BP 6.00.

### *Financial Management Arrangements*

36. An assessment of the FM arrangements has been carried out for the project. Two segregated designated accounts (DAs), in US Dollars will be established, one each for Khyber Pakhtunkhwa and FATA PCNA ISUs. Government procedures will apply for budgeting. Disbursements will follow the 'report-based' principle whereby funds will be front-loaded to the DAs based on cash forecasts for the following two quarters provided in Interim Un-audited Financial Reports. Separate project financial statements shall be prepared for Khyber Pakhtunkhwa and FATA using cash basis IPSAS including details of expenditures by components and activities. These will be audited by the Auditor General of Pakistan and must be submitted to the Bank no later than 6 months after the year-end. There are no unsettled ineligible expenditures and overdue audit reports in respect of any Bank funded project from the Government of Khyber Pakhtunkhwa and FATA Secretariat.

37. One Finance Officer will be appointed at each PCNA ISU and Financial Management Manuals (FMMs) will be prepared for the project before 1<sup>st</sup> disbursement. These FMMs will embody a strong internal control framework. The project shall prepare an action plan with the PIFRA directorate for inclusion in the national FMIS. Internal Audit of the project will be carried out annually and reports will be discussed in the steering committee.

38. Management endorsement for a waiver of the requirements of OP 12.00 has been secured for a

period of 12 months ending on October 31, 2011 to allow for continued use of DAs for loans and credits to Pakistan. There are nine IDA-financed projects in Pakistan which have not refunded or provided documentation on the use of Designated Accounts/Special Accounts (DA/SA) after the deadline of two months after the end of the “grace period” (i.e., the “lapsed loan” date, normally six months after the Closing Date). Under Bank policy (OP 12.00, disbursement paragraph 12), failure to refund unused Designated Accounts/Special Accounts balances results in the Bank not permitting the use of DA under new loans, which term includes recipient-executed grants financed from trust funds. Management endorsement for a waiver of the requirements of OP 12.00 has been secured for a period of 12 months ending on October 31, 2011 to allow for continued use of DAs for loans and credits to Pakistan.

39. Based on the implementation of the proposed actions, the FM arrangements, as designed and proposed are considered adequate and there will be reasonable assurance that funds are used for intended purposes with economy and efficiency and that the requirements of OP 10.02 will be met. The implementing entities will ensure that the Bank’s guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects are followed in the project.

#### *Disbursement Arrangements*

40. In accordance with agreed procedures for operation and maintenance of the Designated Accounts, circulated by the Finance Division, Government of Pakistan; relating to the maintenance and operation of Revolving Fund Accounts of loans/credits/grants, two segregated Designated Accounts (DAs) will be established in United States Dollars, one each for Khyber Pakhtunkhwa and FATA PCNA ISUs. The DAs will be operated by joint signatories ensuring segregation of duties. Disbursement from the grant proceeds, expected in US Dollars, will be translated into Pak Rupees by the State bank of Pakistan, and the equivalent amount of local currency will be released to the Designated Account (DA) maintained with National Bank of Pakistan. Funds will be front-loaded using a report-based system. Quarterly Interim Un-audited Financial Reports (IUFs) providing six monthly cash forecasts will be prepared and submitted to the Bank. Advances into the DAs will be provided for the six months by the Bank on the basis of projections/ forecast for the first two quarters. Subsequent IUFs will document expenditures against the advance received and will provide forecast for the following two quarters, on the basis of which the amount of funds to be disbursed will be determined. The funds provided into the DAs would be used to meet the project’s eligible expenditures.

41. Under Component 2, Rapid Response Facility (RRF) – the project will finance PCNA specific government led interventions to support governance and reform activities that will be identified and implemented by line departments / directorates or other agencies of Khyber Pakhtunkhwa and FATA. Since various government departments/ directorates and other public agencies will be the key participating agencies for the implementation of RRF activities, the need to establish ‘revolving-fund (imprest) accounts’ through advances to be made from the Designated Account has been well recognized. The respective PCNA ISU would advance to these departments/ directorates and other public agencies an amount equal to the budgeted expenditures related to the project over a 90-day period, and replenish the account at the end of each quarter on a revolving basis. Each department/ directorate and other public agency will nominate their respective authorizing officers for the purpose of approving expenditures from the imprest. A simplified imprest account shall be maintained by the responsible officials of these departments/ directorates and other public agencies in a manner sufficient to render the classified account to the relevant PCNA ISU on periodic basis for consolidation of the project financial reports. Certified cash book and vouchers/ receipts for the expenditures incurred will be kept by the respective department/ directorate and other public agency for the purposes of annual audit. Revolving-fund (imprest) accounts under RRF will be established for those departments/ directorates and other public agencies where the volume of financial transactions is significant and financial management staff to maintain accounts is

available. In case the volume of financial transactions for any activity/ intervention implemented by a line department/ directorates and public agency is limited, the relevant PCNA ISU will make the payments on the basis of certified supporting documents forwarded by the respective departments/directorates and other public agencies.

### *Procurement Arrangements*

42. Procurement for the proposed Project would be carried out in accordance with the World Bank’s “Guidelines: Procurement Under IBRD Loans and IDA Credits” dated January 2011; and “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated January 2011, as well as the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are to be agreed between the Borrower and the Bank Project team in the Procurement Plan. This plan is yet to be developed. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. A General Procurement Notice shall be published as soon as procurement plan is prepared and any consultancies subject to international competition are identified.

### *Financing Plan*

43. **The Project will be financed by an MDTF grant in the amount of US\$ 6 million**, of which US\$ 3.9 million is assigned to Khyber Pakhtunkhwa and US\$2.1 million to FATA for PCNA ISUs capacity building, training and technical assistance and interventions under the Rapid Response Facility.

The table below illustrates the break-up of the Project costs, detailed break-up is provided in Annex 3.

### *Budget Estimate for the Project*

<b>Components</b>	<b>Khyber Pakhtunkhwa (US\$)</b>	<b>FATA (US\$)</b>	<b>Total (US\$)</b>
Component 1: Strengthening of the PCNA Implementation Support Units, provision of Technical Assistance, and Institutional Building of government departments / directorates	1,625,000	875,000	2,500,000
Component 2 – Rapid Response Facility	2,275,000	1,225,000	3,500,000
<b>Total</b>	<b>3,900,000</b>	<b>2,100,000</b>	<b>6,000,000</b>

## **G. Project Risks and Mitigating Measures**

44. The GSP Project faces significant reputational, implementation and operational risks, which could be aggravated by volatile country (including macroeconomic and security) situation. The Bank team assesses the overall risks as high with potential high impact. There is strong demand from the government and donors for the Bank to respond to the PCNA and emergency crisis on an urgent basis, the Bank team and counterparts have incorporated mitigation measures in the project design. The Operational Risk Assessment Framework (ORAF), analyzes major risks and their mitigation measures, and is attached as Annex 4. The following summarizes key risks and its mitigation measures derived from ORAF.

45. The GSP project may not address the capacity needs and demands of all the 9 sectors identified in the PCNA. All technical assistance financed by this project should be relevant to the objectives of the PCNA and MDTF. Moreover, there is a possibility that only few sectors are organized in associations/clusters/line department / directorate and thereby may benefit disproportionately from the Project. Prior to the Project's commencement, respective PCNA ISU will be asked for a tentative Project pipeline. Additionally, the project design is kept flexible to be able to adapt to demands as they are generated and to progressively cope with the experience as implementation of the first GSP reform projects are taking place. Revision of the Project identification and selection criteria after the interim review of the Project may also be undertaken, if needed.

46. There are significant project implementation risks as two independent, newly created PCNA ISUs will be managing and implementing the Project. FATA already has limited capacity to deal with the technical components and this risk is exacerbated by the outreach issues within various agencies of FATA. This risk is being mitigated by strengthening the PCNA ISUs of Khyber Pakhtunkhwa and FATA. The Bank will review professional staff appointments to the PCNA ISUs on a no-objection basis, clear TORs and work plans as a pre-requisite for the engagement of the PCNA ISU staff. In addition, the GSP will contract short-term consultants to provide technical expertise including management, on an as-needed basis. These measures should help to foster a flexible, process-oriented approach, while the TORs will provide a framework of well-defined core objectives for the technical assistance.

47. Given that the PCNA ISUs in both Khyber Pakhtunkhwa and FATA will be newly established there is a risk that they may not be able to exercise sufficient internal authority to coordinate other government agencies and to make decisions on priorities for TA, capacity building and rapid response funding. To avoid the scenario whereby the PCNA ISUs are unable to exercise sufficient authorities vis-à-vis other line departments / directorates and agencies the Steering Committee has been envisaged as a collaborative body that will endorse the decisions of the respective PCNA ISU and strengthen the mandate of the PCNA ISUs.

48. There is lack of experienced and qualified staff in Government of Khyber Pakhtunkhwa and FATA. Professional and technical staff capacity can be major hindrance in both Khyber Pakhtunkhwa and FATA, especially for FM and procurement. FATA and Khyber Pakhtunkhwa implementing agency will have the flexibility to hire consultants or engage qualified civil servants after getting no-objection from the Bank. In order to meet the procurement and FM requirement, the Bank staff will provide training to designated Project staff, complemented with close supervision by Bank teams throughout Project's life, particularly in the initial stages of the project.

49. Measurability and monitoring of indicators maybe weak due to the limited M&E capacity of the implementation unit. M&E is a critical component of project design. Therefore, the need to build M&E

capacity is built-in the project design. Implementation of monitoring and evaluation will be effectively managed through supervision effort and designation of staff at the implementation level for this task.

50. The Project counterparts may not be able to sustain Project activities. This can impede the extension of project and program activities beyond Project's life. PCNA ISUs will be mandated with the PCNA reform agenda to be implemented over a 10 year time frame, however there is no permanent set up in place to oversee, take over, and sustain relevant staff and project activities in the long run.

51. Other risks relate to delays in completion of studies and duplication of effort. Any delays in completing studies will be costly for Pakistan's PCNA reform agenda and development. This risk can be managed by making the studies concise and the ToRs time bound. In addition the PCNA ISUs will work closely with the respective line departments during implementation to support monitoring of progress and results. On duplication of effort, this risk is very real because there is inadequate information about all the studies being contracted and carried out by donors, the government, and the private sector. The PCNA ISUs will do the needed due-diligence and advise the respective Steering Committee on the merits of the submitted proposal.

## II. PROJECT SUPERVISION AND MONITORING

52. **The PCNA ISUs will be responsible for the daily project coordination.** The PCNA ISU at Khyber Pakhtunkhwa and FATA Secretariats will prepare quarterly progress reports, including updates on the indicators identified in Annex 2. The World Bank Task Team leader will follow up on implementation matters regularly as part of the ongoing dialogue with the Khyber Pakhtunkhwa and FATA. The team leader is supported by a strong and experienced fiduciary and operational team in the World Bank's Offices in Islamabad, as well as from World Bank headquarters in Washington. Supervision missions will be carried out semi-annually, in accordance with prevailing Bank practice at the time (dependent on security situation) however, initially supervision will be intensified in order to get the activities launched. The supervision will mainly be through visits to the Khyber Pakhtunkhwa and FATA quarters in Peshawar. Full details related to monitoring, evaluation and reporting will be developing in the Operations Manual.

53. The closing date of the project would be June 30, 2014.

## H. TERMS AND CONDITIONS FOR PROJECT FINANCING

54. The project is a grant from the Khyber Pakhtunkhwa /FATA/Balochistan Multi-Donor Trust Fund, and the disbursement percentage will be 100 percent. It has been agreed with Khyber Pakhtunkhwa and FATA that retroactive financing will be provided for certain goods and services necessary to complete Project preparation, with prior agreement from the MDTF administrator. Retroactive financing is necessary for this project in order to give Khyber Pakhtunkhwa and FATA the flexibility to respond to the emergency environment. The Project requires retroactive financing to meet eligible expenditures paid up to 6 months prior to the signing of the Grant Agreement. The retroactive financing is allowed up to 10 % of the amount of the Grant. Retroactive Financing will be based on the allocation of funds between Khyber Pakhtunkhwa and FATA already agreed by the MDTF Secretariat with the respective Government counterparts. This would allocate up to 65% of available retroactive funds to Khyber Pakhtunkhwa and up to 35% to FATA



## Annex 1: Detailed Description Of Project Components

### Project Development Objective:

Improve the delivery efficiency of the PCNA program through institutional strengthening and support of the Khyber Pakhtunkhwa and FATA, while responding to priority needs of the PCNA governance program

### Component 1: Strengthening of the PCNA ISUs, provision of Technical Assistance, and Institutional Building of government departments / directorates (total estimated cost – US\$ 2.50 million)

#### Objective:

To ensure sufficient capacity in FATA and Khyber Pakhtunkhwa governments is in place to enhance overall coordination and implementation of the PCNA program (see Annex 8)

#### Description:

**The development objective of this component is** to provide urgently needed technical assistance (consultants, training, goods and services) to support the governments of Khyber Pakhtunkhwa and FATA to put in place implementation mechanisms to effectively deliver the PCNA program and enhance the coordination and implementation of projects and programs proposed under the PCNA. This will thereby enhance the efficiency with which the MDTF, and other donor assistance, is managed by provincial government, line departments / directorates and public entities.

**Institutionally, the Government’s implementation of PCNA recommendations, as also envisioned in the PCNA, is underpinned by three management levels.** *Aggregate Management*, concerned with strategic oversight and peace building policy direction. The Strategic Oversight Council (SOC) chaired by the Prime Minister<sup>8</sup> that led the PCNA since 2009, continues to perform the function. *Strategic Management*, concerned with translating policy direction into setting sectoral peace building priorities, monitoring results and addressing bottlenecks. The Khyber Pakhtunkhwa and FATA Secretariats have decided on the development of two respective Steering Committees for the purpose. *Operational Management*, through the PCNA ISUs concerned with coordinating assistance, liaising with various government departments / directorates, supporting implementation of the PCNA recommendations by line departments / directorates and other government entities, monitoring and evaluating results, providing donor coordination and putting in place required fiduciary control mechanisms. The PCNA ISUs will be the facilitation, support and monitoring nucleus for the PCNA reform agenda while the identification of urgent needs and project implementation of the reform activities will be executed by the concerned line departments / directorates. Project Management Units (PMU) at the line departments / directorates, if any, would lead on execution of activities with support as required from the respective ISU. This component of the GSP will support both Khyber Pakhtunkhwa and FATA to:

- Operationalize the PCNA ISUs;
- Working through the respective PCNA ISU, address urgent capacity gaps at the line departments / directorates to undertake the PCNA reforms;
- Organize Steering Committee and Strategic Oversight Council meetings to lead effective implementation of the PCNA reforms.

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<sup>8</sup> Supported by a Steering Committee and PCNA Secretariat

**The newly created PCNA ISU and line departments / directorates in both Khyber Pakhtunkhwa<sup>9</sup> and FATA lack the technical capacity, resources and tools to perform the operational management functions efficiently and effectively.** Based on the PCNA guidance, the GSP aims to address the start-up gaps and provide support for ISUs, concerned line departments / directorates and government entities, to strengthen their professional and technical capacity to identify, design, prepare, appraise, coordinate and implement development programs and projects for the reforms suggested in the PCNA. In addition, this support will center on assisting the Government to develop appropriate data collection, M&E methodologies and donor coordination through the respective ISU. The Project will accomplish this component by supporting:

- Full Operationalisation of the PCNA:
  - Provision of consultants to fulfill the functions of the PCNA, at a minimum of the 6 positions mentioned above initially, and possibly more once the government's basic implementation infrastructure, systems and processes are in place for full PCNA roll out
  - Provision of goods and equipment
  - Training and capacity building for PCNA ISU staff and line departments / directorates if necessary in Khyber Pakhtunkhwa and FATA Secretariats
  - Support in developing systems and processes for coordination of PCNA related activities and management of PCNA related interventions.
  - Establishment of a pipeline of projects being line departments / directorates' priorities for future financing.
  - Support establishment of the Development Partners Consultative Forum
- Capacity Support for line departments / directorates and other government entities implementing PCNA related activities:
  - Working through the respective PCNA ISU, the project will identify capacity gaps in governments departments and provide technical assistance (consultants, training). This support is intended to enhance the ability of line departments / directorates and other government departments to implement PCNA related projects and programs.
  - The ISUs will also undertake PCNA prescribed consultations (amongst areas of focus illustrated by Annex 11) across a diverse range of communities, public representatives, parliamentarians, civil society activists and organizations, private sector professionals, public officials, NGOs and public opinion makers would be undertaken, within the PCNAs ambit, to feed into the design of the governance program.

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<sup>9</sup> Building the capacity of the department is also consistent with the KP's Comprehensive Development Strategy (CDS), which highlights the need for technical support to the public sector to ensure mainstreaming of development work through relevant government departments.

**This component will finance goods, incremental operating costs<sup>10</sup>, TA and capacity building consulting services, project allowances<sup>11</sup> and allocation for contingency.** It is proposed that 65% of the budget allocation is assigned towards capacity building and TA needs identified under the PCNA strategic objectives and the priority sectors for taking forward the reform agenda. Whereas, 35% is assigned to cover Khyber Pakhtunkhwa and FATA PCNA ISU support staff; which also contribute towards the capacity building of PCNA ISUs, goods, incremental operating costs (IOC), project allowances and contingency. The goods category would include vehicles for the PCNA ISU to enable them to visit state ministries to assess and verify various proposals and provide support to projects being implemented by line departments / directorates, while providing unrestricted mobility inside Peshawar, across the province and to Islamabad for effective implementation. In addition, the goods category would also include computers, office furniture and office supplies. Incremental operating costs (IOC) for the component 1 will cover costs of stationery, printing, fuel and maintenance of vehicles, operating expense of AC's and generators, and operational travel cost for staff. The Project will engage initially 6 consultants who will establish the PCNU ISU and lead on the implementation of the Project. These consultants will initially consist of a PCNA full time Coordinator / Head of the PCNA ISU in Khyber Pakhtunkhwa and FATA, to be hired in consultation with the Bank, an M&E Officer, Communications Officer, Finance Officer, Procurement Officer and a Governance specialist. The recruitment of the PCNA ISU Coordinator, Financial Officer and Procurement Officer is a required for initial disbursement of funds. These consultants will be located in the PCNA ISU of Khyber Pakhtunkhwa and in the PCNA ISU of FATA. As the work progresses and additional needs are identified, consultants will be engaged based on clear TORs and working plan. The TA and capacity building consulting service allocation in the budget will be for advancing the PCNA Governance Program (see Annex 8) its strategic objective based on the 9 sectors demands and needs identified in the assessment. Complete details of the cost estimates are provided in Annex 3.

#### **Performance Indicators :**

- Systems established to monitor progress of PCNA program
- Five Project concept notes developed for interventions
- Development Partners Forum established
- Overall 10 year Governance Program designed after consultation with stakeholders and agreed at the Development Partners Forum

#### **Outcome:**

Khyber Pakhtunkhwa & FATA are able to manage and coordinate implementation of PCNA short and medium term interventions and design longer-term interventions

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<sup>10</sup> “Incremental Operating Costs” means Project Allowance, staff salaries, per diem and allowances, office rent, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, printing and stationary costs incurred for the purposes of Project activities, which expenditures would not have been incurred in the absence of the Project. The term “Incremental Operating Costs” does not include salaries of the Recipient’s or the Project Implementing Entities’ civil servants.

<sup>11</sup> “Project Allowance” means the reasonable top-ups required to level the civil servants’ salary with the prevailing market rate of consultant fees to be paid for the same TORs, if recruited in the market.

## **Component 2: Rapid Response Facility (total estimated cost – US\$ 3.50 million)**

### **Objective:**

The primary objective of the RRF is to provide fast-track support to PCNA-specific Government led actions by Khyber Pakhtunkhwa and FATA Secretariats.

**The development objective of this component is** to provide implementation support for Government-led priority PCNA governance interventions. This component will introduce a transparent funding mechanism to support governance and reform activities that will be identified and implemented by the line departments / directorates or other agencies of Khyber Pakhtunkhwa and FATA, within the PCNA realm and in line with the PCNA Governance recommendations. The RRF will provide fast-track support to PCNA-specific, demand-driven interventions by Khyber Pakhtunkhwa and FATA Secretariats, including for example the following (for details see Annex 11):

- Development of fast-track funds flow mechanism such as cash grants, community driven development (CDD) interventions, block grants and any others;
- Introduction of mechanisms for participatory and community based planning, budgeting, spending, accounting and auditing in the Khyber Pakhtunkhwa and FATA crisis context;
- Establishment of the Office of the Khyber Pakhtunkhwa Ombudsman (in FATA to assess regulatory mechanisms to facilitate extension of the jurisdiction of the Federal Ombudsman to FATA);
- Establishment of effective public grievance redress (PGR) mechanisms, supported by systems at community level which provide direct feedback to Khyber Pakhtunkhwa and FATA Secretariat about the quality of service delivery, and help to re-establish trust and confidence in the state;
- Convening of an all-stakeholders' conference to agree on a Khyber Pakhtunkhwa Anti-Corruption Strategy and how to implement the Right to Information Act to increase transparency and accountability;
- Initiation of peace and stabilization dialogue engaging the community, political representatives and leadership, civil and military officials and cross section of the civil society at all levels, including dialogue on the role of *jirga* and their interface with formal governance structures;
- Assisting legislators to better understand their role and responsibilities in peace building and enhance their understanding of the need for more civic engagement and oversight as an integral element of local government;
- Strengthening the representation and inclusion of civil society in the identification, planning, targeting, tendering, recruitment, procurement, implementation, and monitoring process of projects;
- Initiation of consultations and facilitate discussions and dialogue with the Political Agents, FATA Secretariat, FATA Parliamentarians and FATA representative civil society individuals and organization on multiple reform issues.

**RRF aims to encourage and stimulate innovation among line departments / directorates and government entities in Khyber Pakhtunkhwa and FATA towards the improvement of quality and relevance of their services through the introduction of improved governance or reforms.** In achieving this objective this component will also support greater transparency and efficiency across the PCNA program as a whole by addressing key governance constraints to program implementation. The support envisaged under the RRF includes:

- Goods and equipment
- Consultants
- Services
- Consultations, workshop and focus-group discussions

Implementation of the RRF may utilize the PCNA ISU to assist the line departments / directorates and government entities seeking the RRF support to identify the consultants needed or for the purchase of the goods. Alternatively, the line departments / directorates and government entities themselves will be able to perform such task with close support of the PCNA ISU.

**According to the PCNA the cost of the full Governance recommended interventions is US\$80 million.** Recognizing GSP allocation as a fraction, the assumption is that there could be many more applications than can be supported. The ISUs will develop a transparent criteria to prioritize investment, amongst others with foremost consideration for its peace building impact, to be detailed in the Operational Manuals respectively for Khyber Pakhtunkhwa and FATA Secretariats. The Fund will have a transparent criteria-based competitive program window for all entities which will finance the development of relevant programs or implement urgent reforms with strong links to PCNA specific governance activities. The entities will be required to develop a brief concept note (CN) about the needs and describing the implementation of activities and the expected results in improving services or better governance. Selection of qualifying concept note will be based on detailed selection criteria to be outlined in the respective Operations Manuals, for Khyber Pakhtunkhwa and FATA Secretariats but in broad terms will be comprised of activities that are:

- Outlined in the PCNA
- Governance specific
- Government owned and led
- High-impact with a peace building objective, as described in PCNA
- In accordance with the Government and development partners supported prioritization and sequencing; and
- Having no duplication with any other donor funded project / program.

Upon receipt of concept notes the PCNA ISU will evaluate and advise if the intervention responds to the defined criteria and if so the activity will be financed. In total the fund is looking at five governance activities and two reform initiatives. A binding arrangement<sup>12</sup> will be entered into between the PCNA ISU and the line departments / directorates and local administrations that are recipients of RRF funds. The binding arrangement will mandate compliance with and application by the line departments / directorates with the Anti-Corruption Guidelines, the Procurements Guidelines, the Consultant Guidelines, Operations Manual and the FMM.

This component will finance goods, training, consultancy services for systems and process design related to the specific intervention.

**Performance Indicators:**

- Five Governance interventions funded in a timely manner
- Two reform actions implemented

**Outcomes:**

Improved quality of services through implementation of urgent reforms

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<sup>12</sup> The binding arrangements to be entered between PCNA ISU Khyber Pakhtunkhwa with Line Departments or PCNA ISU FATA with the Line Directorates can take any shape normally utilized for any such instructions by Khyber Pakhtunkhwa (e.g. inter-departmental minutes, binding instructions/circulars, etc.) shall clearly provide for the compliance of IDA's fiduciary requirements by all Line Department/Directorates receiving IDA financing.

## Annex 2: Results Framework And Monitoring

<i>Program Development Objective</i>			
<b>Improve the delivery efficiency of the PCNA program through institutional strengthening and support of the Khyber Pakhtunkhwa and FATA, while responding to priority needs of the PCNA governance program</b>			
<i>Component Activities</i>	<i>Outputs</i>	<i>Intermediate Outcome Indicators</i>	<i>Definitions</i>
<p>1. Capacity Enhancement</p> <p>Outcome: <b>Khyber Pakhtunkhwa &amp; FATA are able to manage and coordinate implementation of PCNA short and medium term interventions and design longer-term interventions</b></p>	<ol style="list-style-type: none"> <li>1. PCNA Implementation Support Unit in Khyber Pakhtunkhwa and FATA set up and operationalized</li> <li>2. Overall 10 year Governance Program designed</li> <li>3. Five Project concept notes developed for interventions</li> <li>4. Development Partners Forum established</li> <li>5. Systems established to monitor progress of PCNA program</li> <li>6. Five studies completed and disseminated</li> <li>7. Ten workshops conducted</li> </ol>	<ol style="list-style-type: none"> <li>1. PCNA ISU in Khyber Pakhtunkhwa and FATA successfully fulfill their mandate</li> <li>2. Governance program endorsed by stakeholders</li> <li>3. Development Partners Forum convened as needed</li> <li>4. Key stakeholders successfully included in consultations</li> <li>5. Government and Donor consensus on implementation of findings and recommendations</li> </ol>	<ol style="list-style-type: none"> <li>1. “operationalized” means PCNA units are staffed, equipped, provided O&amp;M budget, and are interacting with development partners and government departments.</li> <li>2. 10 year Governance plan including design of sub-projects</li> <li>3. Development Partners Forum includes government, donors, CSOs, meeting at least twice a year.</li> <li>4. “mandate” means functions prescribed in ToRs of PCNA ISU</li> <li>Key stakeholders’ – CSO, local NGO, parliamentarians, civil servants, communities</li> <li>Successfully’ – active participation, views reflected in analytical work &amp; recommendations</li> </ol>
<p>2. Rapid Response Funding window</p> <p>Outcome: <b>Improved quality of services through implementation of urgent reforms</b></p>	<ol style="list-style-type: none"> <li>1. At least 5 Governance interventions funded in a timely manner</li> <li>2. At least 2 reform actions implemented</li> </ol>	<ol style="list-style-type: none"> <li>1. Government’s capacity to implement key interventions enhanced</li> <li>2. Improved transparency and accountability of the PCNA Program</li> </ol>	<p>‘Initiated’ – effective</p> <p>‘Improved transparency and accountability’ – more open government, greater deterrence against corruption</p>

### Annex 3: Summary Of Estimated Project And Implementation Costs

#### Summary of Estimated Costs

<b>Components</b>	<b>Khyber Pakhtunkhwa (US\$)</b>	<b>FATA (US\$)</b>	<b>Total (US\$)</b>
<b>Component 1: Strengthening of the PCNA Implementation Support Units, provision of Technical Assistance, and Institutional Building of government departments / directorates</b> a) Capacity strengthening of the PCNA Implementation Support Unit (ISUs) under the P&D Departments at Khyber Pakhtunkhwa and FATA <ul style="list-style-type: none"> <li>a. Individual consultants for Implementation, technical and procurement support, on as-needed basis</li> <li>b. Full time and part time International and Local Consultants</li> </ul> b) Strengthening of the PCNA ISU under the P&D Department at Khyber Pakhtunkhwa and FATA <ul style="list-style-type: none"> <li>a. Office furniture's, equipment, goods and office supplies including Operation costs to the PCNA ISUs.</li> <li>b. Two vehicles to facilitate transportation to and from sector departments and other beneficiaries under the project</li> </ul> c) Consultations	1,625,000	875,000	2,500,000
<b>Component 2 – Rapid Response Facility</b> a) Local and International consultants b) Goods, Services, training and study tours	2,275,000	1,225,000	3,500,000
<b>Total</b>	<b>3,900,000</b>	<b>2,100,000</b>	<b>6,000,000</b>

III. **ANNEX 4: OPERATIONAL RISK ASSESSMENT FRAMEWORK (ORAF)**

<p><b>Improve the delivery efficiency of the PCNA program through institutional strengthening and support of the Khyber Pakhtunkhwa and FATA, while responding to priority needs of the PCNA governance program</b></p> <p><b>Project Development Objective(s)</b></p>	
<p>PDO Level Results Indicators</p>	<ol style="list-style-type: none"> <li>1. Systems established to monitor progress of PCNA program</li> <li>2. Five Project concept notes developed for interventions</li> <li>3. Development Partners Forum established</li> <li>4. Overall 10 years Governance Program designed after consultation with stakeholders and agreed at the Development Partners Forum</li> <li>5. Five Governance interventions funded in a timely manner</li> <li>6. Two reform actions implemented</li> </ol>



Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measure
<b>1. Project Stakeholder Risks</b>			
1.1 Stakeholder	<b>Medium -I</b>	<p>1.1.1. Key stakeholders groups lack understanding and capacities for undertaking PCNA reforms, while resistance at various levels to change is observed.</p> <p>1.1.2 There is a possibility for the government department and respective line agencies as per the priority sectors identified under PCNA to make inappropriate claims towards the TA and capacity grants. Additionally, the GSP may attract several applicants which may not be eligible.</p> <p>1.1.3 Due to the presence of other development partners and CSOs/NGOs in the region, there could be an overlap between the Bank project and their programs resulting in an inefficient use of the MDTF-GSP. Moreover, inadequate donor relations and communication may result in duplication of effort in Khyber</p>	<p>1.1.1. In parallel to the initiation of the GSP Project, related sector work will be conducted (including analysis of the political economy). Such sector work will explore the stakeholder relations and incentive for change as well as the decision making structures to better understand the complex interrelations among key reform drivers and influential agency decision makers. Attempt at identifying what the public is receiving and what should be delivered to them by the government will be made. Additionally, the GSP Project will support preparation of a communication strategy for systematic consultations with various stakeholders.</p> <p>1.1.2 The MDTF GSP will work through a single counterpart each in Khyber Pakhtunkhwa and FATA. All requests for GSP assistance will be streamlined through this counterpart who will be responsible for coordinating and prioritizing requests from other government departments and line agencies. The process of coordinating and prioritizing these request will include the following (a) <b>Transparent Eligibility Criteria</b> for the selection of projects eligible for GSP funding agreed with the implementing counterparts and which will be made public to the sector ministries through a focused communication campaign. (b) Additionally, the GSP projects will be selected based on their commitment to the PCNA reforms agenda and through process of application, reviewing and evaluation identified in the Operations Manual (OM) for the project.</p> <p>1.1.3. Regular interactions with the development partners periodically to avoid possible duplication. The Project's communication campaign will also support team's efforts. The MDTF Secretariat will also work with the Khyber Pakhtunkhwa /FATA counterparts to support a mapping of TA being received and encourage the most strategic use of it.</p>

		<p>Pakhtunkhwa and FATA.</p> <p>1.1.4. The US\$ 6.0 million may not be sufficient to meet the TA, capacity building, and governance needs for Khyber Pakhtunkhwa and FATA, therefore there is a risk that the GSP may generate expectations which cannot be met.</p>	<p>1.1.4. Depending upon the Project outcomes and its overall success, additional funding may be sought from the MDTF. Other donors may be encouraged to harmonize their TA through the MDTF GSP if government counterparts are in support.</p>
<p><b>2. Implementing Agency Risks (including FM and PR Risks): Overall implementing agency risks is high since these are new units recently established</b></p>			
2.1 Capacity	<b>High</b>	<p>2.1.1. There are limited technical capacities within the implementing agencies and PMUs. Additionally, outreach of Project components to the target areas may be difficult.</p> <p>2.1.2. Lack of experienced and qualified staff in FATA and Government of Khyber Pakhtunkhwa for financial management (FM) and procurement.</p> <p>2.1.3. Divergence of expertise and focus between the components of the project.</p>	<p>2.1.1. (a) FATA and Khyber Pakhtunkhwa – PCNA Implementation Support Unit (ISU) will address capacity constraints by hiring consultants/staff with the requisite skills, if required nationally before GSP’s commencement. The Project Coordinator for FATA’s and Khyber Pakhtunkhwa’s ISU is likely to be trained public sector official with significant experience of development projects. Additional staff will include a Governance expert, Finance Officer and Procurement Officer Technical Project Officers (POs), in addition to an M&amp;E and communication specialist with strong sector backgrounds. The POs will be hired from the local/national market at competitive remuneration enabling them to adjust quickly into their assignments, and stay with the ISU during the Project’s life.</p> <p>2.1.2. Adequate documentation of basic internal controls and payment processes is a pre-condition for disbursement. Bank staff will provide training on procurement and FM requirements to the designated ISU staff. Close supervision will be done by Bank teams throughout Project’s life. Also, Khyber Pakhtunkhwa -FATA will upload procurement disclosures on GSP’s Project website. An independent complaint redressal mechanism will also be established.</p>

2.2 Governance	<b>High</b>	<p>2.2.1. Possibility of political interference during the planning and implementation.</p> <p>2.2.2. The Project's effectiveness depends on the ownership of its public sector counterparts in Khyber Pakhtunkhwa and FATA. Any shift in the key positions within these two set ups can adversely affect the Project milestones.</p> <p>2.2.3 There could be distortion of performance results of TA grants and Project funds allocations.</p> <p>2.2.4. The centralized government structure in Khyber Pakhtunkhwa and the current institutional arrangements in FATA reduces the involvement of stakeholders in the decision making process.</p>	<p>2.2.1 (a) The Khyber Pakhtunkhwa and FATA Secretariats have decided on development of two respective Steering Committees that will provide strategic management of PCNA-related activities in Khyber Pakhtunkhwa and FATA. The FATA Steering Committee has been established and is headed by the Additional Chief Secretary. The establishment of the Khyber Pakhtunkhwa Steering Committee is in its advanced stages and will also be headed by the Additional Chief Secretary. The Steering Committees will oversee Project's performance and make policy decisions as and when required.</p> <p>(b) The GSP will be implemented by a dedicated ISU in close collaboration with public sector counterparts and line departments / directorates to ensure transparency.</p> <p>2.2.2. It is difficult to mitigate this risk at the provincial level and for FATA Secretariat. However, as these positions are always occupied by trained public sector officials, the Project's continuity should not suffer.</p> <p>2.2.3. The project will incorporate robust monitoring supervision and a designate staff at the PMU/ISU level.</p> <p>2.2.4. PCNA reform decisions will be initiated by the sector agencies/line departments / directorates and the TA will be providing support for its implementation.</p>
2.3 Fraud & Corruption	<b>High</b>	<p>2.3.1. There can be a conflict of interest between the overseeing counterparts and the ISU's staff.</p>	<p>2.3.1 (a) There will be direct transfer of funds to ISU's with timely reporting of expenses along with independent verification of payments for technical assistance, capacity building and training, with third party monitoring arrangements.</p> <p>(b) FATA Secretariat's and Government of Khyber Pakhtunkhwa's mechanism for internal reviews will be extended to the ISU's. Post audits of projects will be done by the Auditor General (AG). All Audit Reports of FATA will be discussed at the Departmental Accounts Committee (DAC)</p>

		2.3.2 The risk of fraud in selecting the consultants and in contracts management is a possibility	<p>meeting. In FATA, the corruption cases are reviewed by the Governor's Inspection Team which also reviews public complaints.</p> <p>(c) The respective Steering Committees will provide overall guidance, oversee implementation of MDTF-GSP and make decisions to address delays.</p> <p>(d) Internal Audits of the project will be carried out periodically. Annually AG will carry out external audit of the project.</p> <p>2.3.2. Transparency of the procurement process and effective controls will be monitored closely and should be in line with Bank requirements.</p>
<b>3. Project Risks</b>			
3.1 Design	<b>High</b>	<p>3.1.1. The agency mandated with the implementation of the PCNA's findings is not operational and will become effective only prior to Project's initiation, both in Khyber Pakhtunkhwa and FATA.</p> <p>3.1.2 All the affected sectors may not have representation through especially based on the PCNA identification.</p>	<p>3.1.1. The PCNA Implementation Support Unit (ISU) will be notified and operational prior to project effectiveness both in Khyber Pakhtunkhwa and FATA. This unit will be headed by a public sector staff and will actively collaborate across sectors towards the implementation of the PCNA.</p> <p>3.1.2. There will be a provision in the Operations Manuals of both Khyber Pakhtunkhwa and FATA to revise the criteria after the interim review of the Project by the Steering Committee, if this concern is verified. Prior to the Project's commencement, respective ISU will be asked for a tentative Project pipeline. Additionally, the project design is kept flexible to be able to adapt to demands as they are generated and to progressively cope with the experience as implementation of the first GSP reform projects are taking place. This will facilitate the change management process in parallel.</p>
3.2 Social & Environmental (SASDI and SASDS)	<b>Low</b>	3.2.1. Under the proposed project no social or environmental impacts are expected.	3.2.1. The project will have no direct environmental or social impacts and there are no known social/environmental issues associated with the implementation of this project.

3.3 Donor	Program &	<b>Medium– L</b>	3.3.1. Project is one of the activities being funded by the MDTF and hence depends upon the procedures governed by the MDTF and its requirements.	3.3.1. MDTF Secretariat is housed in the Bank’s Country Office in Islamabad. The services of the Secretariat will be requested to pursue desired approvals and actions from the GoP on fast track basis. Bank’s internal procedures have already been streamlined under OP 8.0 to enable Project Preparation and Approval on fast track basis. In addition, the Secretariat has ongoing discussions with the GoP at national/sub-national level to look at expediting approval processes considering the possibility of using waivers for central level approvals based on the 18 <sup>th</sup> Amendment. If projects/programs stagnate due to lack of responsiveness, guidance will be sought from the Steering Committee members, at either regular or extra-ordinary Steering Committee meetings.
3.4 Quality	Delivery	<b>High</b>	<p>3.3.2. Other development partners are also engaged in the PCNA related reform agenda of the Khyber Pakhtunkhwa and FATA which may create coordination issues</p> <p>3.4.1 In both Khyber Pakhtunkhwa and FATA, the project will be implemented by the PCNA Implementation Support Unit, a government unit under the P&amp;D to implement the project mandated with the implementation of the PCNA. The proposed institutional arrangement may not sustain Project activities after the ISUs are dismantled. This can hamper the extension of activities beyond Project’s life</p> <p>3.4.2 Measurability and monitoring of PDO’s may suffer due to the limited M&amp;E capacity of the implementation unit.</p> <p>3.4.3. GSP global experience has shown that implementation initiation and development of pipeline of projects can take time and which may trigger delays.</p>	<p>3.3.2. Continuous meeting with donors will be taking place to exchange information about the PCNA related reform activities being financed in the Khyber Pakhtunkhwa and FATA and monitoring activities of such will be centralized and easily available at the ISU.</p> <p>3.4.1. Before Project’s completion, institutional arrangements will be in place within Khyber Pakhtunkhwa and FATA to take over ISUs relevant staff and Project activities.</p> <p>3.4.2 M&amp;E is a critical component of project design. Therefore, the need to build M&amp;E capacity is built-in the project design. Monitoring and measurability of project indicators will also be effectively managed through supervision effort and designate staff at the implementation level.</p> <p>3.4.3. MDTF Secretariat will actively supervise the implementation of the GSP Project. Bottlenecks at the implementing agency level will be supported for quick resolution with extra supervision and technical support, as necessary.</p>

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Overall Risk Rating: Preparation	Overall Risk Rating: Implementation	Comments
High	High	Agreed with the Task Team and IL Risk Team

## **Annex 5: Financial Management And Disbursement Arrangements**

### **PAKISTAN MDTF - Governance Support (GSP) PROJECT**

#### **Country Issues**

55. The Bank has carried out extensive analytical work on public financial management (PFM) systems in the country, both at national and sub-national levels. In May 2007, Public Financial Management and Accountability Assessments (PFMAA), using the PEFA<sup>13</sup> PFM Performance Measurement Framework, were completed for Balochistan, Punjab, and Khyber Pakhtunkhwa and a Federal level PFMAA using the same framework was delivered in June 2009. It noted that reforms underway have contributed towards improvements in PFM systems. Most notable are the ones initiated under the Bank-funded Project for Improvement of Financial Reporting and Auditing (PIFRA) and the implementation of a Medium Term Budgetary Framework (MTBF) which is supported by DFID. Donor-funded projects and a number of self-accounting entities remain outside the government FMIS. The government is yet to develop an effective internal audit function and continuing efforts are needed to improve effectiveness of tax collection and the management of cash balances impacting the predictability in availability of funds. Specific diagnostic and analytical work has not been done for FATA where Federal PFM systems are applicable.

#### **FM Staffing**

56. At each PCNA ISU there will be at least once Finance Officer who may be deputed from the Accountant General (AG) or otherwise hired from the market against terms of reference acceptable to the Bank. The FM staff must be on-board prior to the first disbursement.

#### **Budgeting**

57. Budget will be prepared annually according to GoP and Government of Khyber Pakhtunkhwa rules and procedures for FATA and Khyber Pakhtunkhwa PCNA ISUs respectively, on the basis of planned activities. The budget will be prepared on the basis of Annual Work Plan which provides details of activities to be carried out the project during the year. The project will be 100% financed through grant and its budget will be reflected in the development budgets of Federal (FATA PCNA ISU) as well as Khyber Pakhtunkhwa governments (Khyber Pakhtunkhwa PCNA ISU). Steering Committees shall review and approve the budget proposal to be submitted to Khyber Pakhtunkhwa Finance Department and Federal Ministry of Finance.

#### **Accounting**

58. Separate books of account, on cash basis, will be maintained for the Project activities using the Chart of Accounts under the New Accounting Model (NAM). Sufficient subsidiary records will be kept to facilitate preparation of quarterly reports and annual financial statements providing details of receipts and expenditures. Initially, manual books of accounts will be maintained for the project. Within one month of Effectiveness, both the PCNA ISUs will start working with the PIFRA Directorate for incorporation of the project in the national Financial Management Information System (FMIS) and shall prepare an action plan to ensure that the same is completed within 6 months of project Effectiveness. Once the PCNA ISUs have live access to the national FMIS, manual books will be discontinued and only a Cash Book will be maintained.

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<sup>13</sup> Public Expenditure and Financial Accountability

### **Internal controls**

59. Each ISU, before first disbursement, shall prepare SOPs for Financial Management covering areas such as payroll processing, payment processing, fixed assets, cash and bank management etc. which shall also define service standards. The SOPs will embody a strong and comprehensive internal control framework for activities under this project. Project Steering Committees will review progress on quarterly basis. Secretary P&DD Khyber Pakhtunkhwa and Secretary P&DD FATA Secretariat will appoint an Internal Auditor having appropriate qualification and experience to carry out internal audit of the project. The report of internal auditor will be reviewed by the Steering Committee and will also be shared with the Bank.

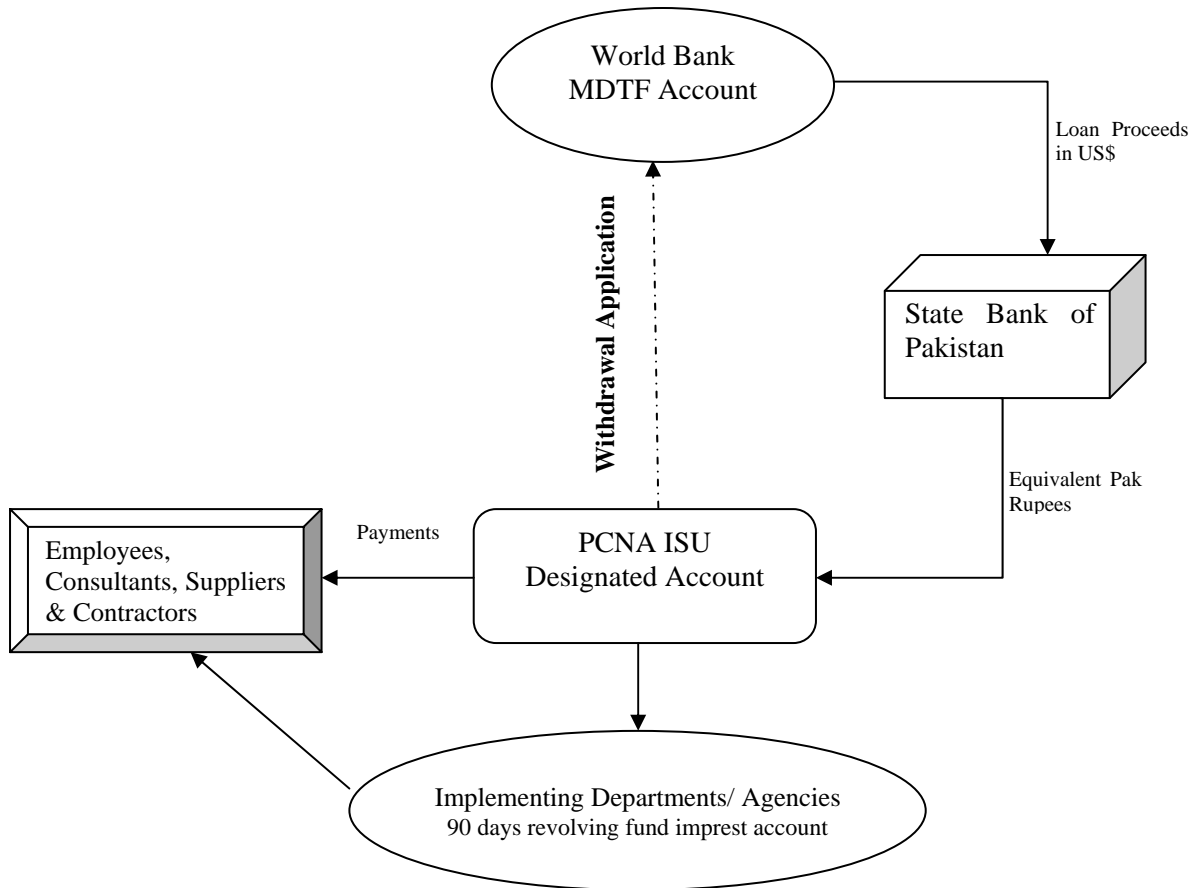
### **Fund Flow Arrangements**

60. In accordance with agreed procedures for operation and maintenance of the Designated Accounts, circulated by the Finance Division, Government of Pakistan; relating to the maintenance and operation of Revolving Fund Accounts of loans/credits/grants, two segregated Designated Accounts (DAs) will be established in United States Dollars, one each for Khyber Pakhtunkhwa and FATA PCNA ISUs. The DAs will be operated by joint signatories ensuring segregation of duties. Disbursement from the grant proceeds, expected in US Dollars, will be translated into Pak Rupees by the State bank of Pakistan, and the equivalent amount of local currency will be released to the Designated Account (DA) maintained with National Bank of Pakistan. Funds will be front-loaded using a report-based system. Quarterly Interim Un-audited Financial Reports (IUFs) providing six monthly cash forecasts will be prepared and submitted to the Bank. Advances into the DAs will be provided for the six months by the Bank on the basis of projections/ forecast for the first two quarters. Subsequent IUFs will document expenditures against the advance received and will provide forecast for the following two quarters, on the basis of which the amount of funds to be disbursed will be determined. The funds provided into the DAs would be used to meet the project's eligible expenditures.
61. Under Component 2, Rapid Response Facility (RRF) – the project will finance PCNA specific government led interventions to support governance and reform activities that will be identified and implemented by line departments / directorates or other agencies of Khyber Pakhtunkhwa and FATA. Since various government departments/ directorates and other public agencies will be the key participating agencies for the implementation of RRF activities, which will require a passage of funds to line departments/ directorates, the need to establish 'revolving-fund (imprest) accounts' through advances to be made from the Designated Account has been well recognized (see paragraph 54). The PCNA ISU would advance to these departments/ directorates and other public agencies an amount equal to the budgeted expenditures related to the project over a 90-day period, and replenish the account at the end of each quarter on a revolving basis. Each department/ directorate and other public agency will nominate their respective authorizing officers for the purpose of approving expenditures from the imprest. A simplified imprest account shall be maintained by the responsible officials of these departments/ directorates and other public agencies in a manner sufficient to render the classified account to the PCNA ISU on periodic basis for consolidation of the project financial reports. Certified cash book and vouchers/ receipts for the expenditures incurred will be kept by the respective department/ directorate and other public agency for the purposes of annual audit. Revolving-fund (imprest) accounts under RRF will be established for those departments/ directorate and other public agencies where the volume of financial transactions is significant and financial management staff to maintain accounts is available. In case the volume of financial transactions for any activity/ intervention implemented by a line department/ directorate and other public agency is



limited, the PCNA ISU will make the payments on the basis of certified supporting documents forwarded by the respective departments/agencies.

Chart I: Funds Flow



Allocation of Grant Proceeds

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consultant services, consultant services, Training and Workshops, and Incremental Operating Costs for activities under Part A of the Project carried out by Khyber Pakhtunkhwa	1,625,000	100 %
(2) Goods, non-consultant services, consultant services, and Training and Workshops for activities under Part B of the Project carried out by Khyber	2,275,000	100%

Pakhtunkhwa		
(3) Goods, non-consultant services, consultant services, Training and Workshops, and Incremental Operating Costs for activities under Part A of the Project carried out by FATA	875,000	100%
(4) Goods, non-consultant services, consultant services, and Training and Workshops for activities under Part B of the Project carried out by FATA	1,225,000	100%
<b>TOTAL AMOUNT</b>	6,000,000	

The MDTF financing is inclusive of import duties and taxes.

*Incremental Operating Costs:*

“Incremental Operating Costs” means Project Allowance, staff salaries, per diem and allowances, office rent, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operating and maintenance expenditures of office equipment and vehicles, bank charges, insurance, advertising, media projections, newspaper subscriptions, periodicals, printing and stationary costs incurred for the purposes of Project activities, which expenditures would not have been incurred in the absence of the Project. The term “Incremental Operating Costs” does not include salaries of the Recipient’s or the Project Implementing Entities’ civil servants.

*Retroactive financing*

62. The Project requires retroactive financing to meet eligible expenditures up to an aggregate amount not to exceed six hundred thousand U.S. Dollars (U.S. \$ 600,000) for payments made six (6) months prior to the signing date of this Agreement but on or after January 1<sup>st</sup>, 2011. The retroactive financing is allowed up to 10 % of the amount of the Grant. Retroactive Financing will be based on the allocation of funds between Khyber Pakhtunkhwa and FATA already agreed by the MDTF Secretariat with the respective Government counterparts. This would allocate up to 65% of available retroactive funds to Khyber Pakhtunkhwa and up to 35% to FATA

**Financial reporting**

63. Interim Unaudited Financial Reports (IUFs) will be submitted within 45 days of the end of each calendar quarter, for both PCNA ISUs. The format and content of these reports will be agreed during

Negotiations. Annual financial statements for both PCNA ISUs will be prepared separately in accordance with Cash Basis International Public Sector Accounting Standards.

### **Auditing**

64. Audit of both P&DD and FATA Secretariat for the financial year 2009-10 has been carried out by the Auditor General of Pakistan and the Audit Reports have been discussed in the DAC meetings. The audit reports mainly include instances of non-compliance with rules and regulations by the departments / directorates. Neither P&DD nor FATA Secretariat is currently implementing any bank funded project and therefore no audit reports are outstanding from these entities.
65. External audit of both FATA and Khyber Pakhtunkhwa PCNA ISUs will be conducted by the Supreme Audit Institution, i.e., the Office of the Auditor General of Pakistan which is acceptable to the Bank. For each financial year closing on June 30, acceptable audited financial statements will be submitted to the Bank by December 31, i.e. within 6 months of the close of each financial year.

<i>Audit Report Type</i>	<i>Due Date</i>
Project Audited Financial Statements for Financial Year ended June 30 each year – Khyber Pakhtunkhwa PCNA ISU	December 31 each year
Project Audited Financial Statements for Financial Year ended June 30 each year – FATA PCNA ISU	December 31 each year

### **Conditionality**

- Full time PCNA ISU Coordinators to be in place
- Finance Officer to be in place at each PCNA ISU prior to 1<sup>st</sup> Disbursement.
- Preparation of Financial Management Manuals (FMM)s, one each for Khyber Pakhtunkhwa and FATA, prior to 1<sup>st</sup> Disbursement.

#### IV. ANNEX 6: PROCUREMENT ARRANGEMENTS

66. Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated January 2011; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, as well as the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are to be agreed between the Borrower and the Bank Project team in the Procurement Plan. This plan is yet to be developed. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. A General Procurement Notice shall be published as soon as procurement plan is prepared and any consultancies subject to international competition are identified.

##### **Procurement of Works**

67. No works are envisaged in this project.

##### **Procurement of Goods**

68. There could be some requirements of office equipment (furniture, and computers) and field vehicles for Project cell in Khyber Pakhtunkhwa, and FATA. There is no other requirement envisaged so far.

69. Contracts for goods under ICB are not expected at this stage. Procurement methods for goods under the Project will consist of shopping for contracts costing up to US\$200,000, NCB for contracts up to US\$300,000, and ICB for contract costing more than US\$300,000. Direct contracting may be used for any urgently required goods after prior approval of the Bank.

##### **Procurement of non-consulting services**

70. No such requirements are identified at this stage. If any such procurement is agreed, the Banks sample documents for such procurements shall be used.

##### **Selection of Consultants**

71. The major consultancy assignments would be for institutional and regulatory review. Contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultants' Guidelines. Consulting services selection would be carried out through Quality and Cost Based Selection (QCBS) for contracts with consulting firms costing more than US \$300,000 equivalent, and through Consultants Qualification (CQ) for contracts costing up to US \$300,000. Other methods as mentioned in Section III of Consultants' Guidelines shall be used as required.

### **Individual Consultants**

72. This is envisaged to include any full-time or part-time technical assistance required for the Project. Services for assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines, which stipulate that the selection should be made through comparison of at least 3 CVs that meet the requirements of the Terms of Reference including those for qualifications and experience. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

### **Operational Costs**

73. Costs related to the implementation of the Project will be financed by the Grant including salaries of incremental ISU staff and their operating costs.

### **Assessment of the Agency's Capacity to Implement Procurement**

74. The identified risks for procurement and contract implementation and mitigation measures are provided below. Given the readiness status of the project the overall Project risk for procurement is High.

### **Capacity of PCNA ISU**

75. A Project Implementation Support Unit within Department of P&D is being set up which shall be responsible for project implementation. A procurement officer will be hired in the ISU. Procurement capacity assessment for Khyber Pakhtunkhwa shall be done once the project cell is functional and the staff is hired. The Project Coordinator of PCNA ISU FATA has relevant experience of consultancy selection on several projects. A procurement officer will be hired in the ISU.
76. The Bank will conduct a training workshop for the project staff soon after identification/hiring of the staff.

### **Procedural Clarity**

77. Given the emergency nature of the project, quick turnaround in procurement decisions is essential. There shall be agreement with Government of Khyber Pakhtunkhwa and FATA that the PC and PCNA ISU shall be empowered to take procurement decisions. Such agreements shall be documented in the project manual.

## Market Constraints

78. Consulting firms may be reluctant to participate in the project given the law and order situation. The assignments shall be developed in a manner that local as well as external participation is encouraged and the contract sizes are large enough to solicit good response. There shall be adequate dissemination of the opportunities.

## Transparency

79. The official websites of P&D and FATA shall have a specific MDTF /TA Project link for adequate dissemination. All procurement notices, bid documents /RFPs, evaluation reports, and award data shall be posted on the website. These websites shall also be used for posting of grant evaluations, awards, and performances. Bank's guidelines on publication of award paragraph 2.31 of consultancy guidelines and 2.60 of the procurement guidelines shall be followed for disclosure.

## Complaints

80. The PCUs would manage the complaint handling system. This system would include documentation and addressing of complaints within a period of 7 days. PC shall keep the Bank informed by forwarding to it any complaints within 3 days of the receipt. Arrangements for the second tier in Khyber Pakhtunkhwa are yet to be agreed. Monitoring Directorate FATA/Governor's inspection team shall be the forum for appeals for the complainant in FATA, if the redressal by PCU is not deemed sufficient.

**Table 1: Procurement Actions (Summary of the above identified issues and agreed actions)**

	<b>Issues</b>	<b>Action</b>	<b>Timeline</b>	<b>Responsibility</b>
i.	Capacity of PCNA ISU and Project Cell	Hiring of respective Procurement Focal points  Training session to be provided by World Bank team to newly recruited PCNA ISU staff	Two months after effectiveness of Agreement  After hiring of staff	Khyber Pakhtunkhwa /FATA  Bank
ii.	Procedural clarity	Recipients' internal approval procedures outlined in Operations Manuals	Operations Manual is a Condition of Disbursement	ISU/Project Cell
iii.	Market Constraints	Adequate packaging  Wide circulation	By negotiations Ongoing	ISU/Project Cell  ISU/Project Cell
v.	Transparency	Functional web site	Exists. Update required.	ISU/Project Cell

		Disclosure on website	Ongoing	ISU/Project Cell
vi.	Complaints	Independent complaint redressal mechanism	Three months after effectiveness of Agreement	ISU/Project Cell

### Procurement Plan

81. The Recipient has developed a Procurement Plan for Project implementation which provides the basis for the procurement methods. Procurement plan will be made available in the Project's database, Project website, and the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity Frequency of Procurement Supervision
82. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended frequent supervision missions to visit the field to carry out post review of procurement actions.

### Review of Procurement by the Bank

83. Thresholds for prior review of contracts under eligible expenditures are given in the table below. All other contracts will be subject to Post-Review by the Bank. PCNA ISU will send to the Bank a list of all contracts for post-review on a quarterly basis. Post-reviews as well as the implementation reviews would be done six monthly. Such review of contracts below threshold will constitute a sample of about 15-20 percent of the contracts. These thresholds will be addressed in the Procurement Plan.

**Table 2: Thresholds for Procurement Methods and Prior Review  
Aligned with The Rapid Response to Crisis and Emergencies: Streamlined Procurement Procedures.**

Prior Reviews Identified in Approved Procurement Plan

<b>Expenditure Category</b>	<b>Contract Value (Threshold) US \$</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review US\$ thousand</b>
<b>1.Civil Works</b>	Not applicable		
<b>2. Goods</b>	>300,000	ICB	All
	<300,000	NCB	First Contract by all entities
	<200,000	Shopping	First contract by all entities

	Regardless of value	Direct Contracting	All
<b>3. Consulting Services</b>			All TORs and Training Programs to be reviewed by Bank's TTL
<b>-3.A Firms</b>	>300	QCBS,CQS, QBS,FBS,LCS,	First contract by any process and thereafter as provided in Proc. Plan
	Regardless of value	Single Source	All
<b>Individual Consultants</b>		Comparison of 3 CVs	First contract

Note: ICB = International Competitive Bidding ; NCB = National Competitive Bidding; QCBS = Quality- and Cost-Based Selection; QBS = Quality-Based Selection; FBS = Fixed Budget Selection; LCS = Least-Cost Selection; CQS = Selection Based on Consultants' Qualifications; TOR = Terms of Reference.



## **Annex 7: Implementation And Monitoring Arrangements**

### **Implementation Arrangements**

84. The Government of Khyber Pakhtunkhwa and the FATA secretariat, as the grant recipient, will have primary responsibility for overseeing project implementation and ensuring the Bank's guidelines and procedures are adhered to (primarily fiduciary aspects (procurement management, financial management, monitoring and evaluation (M&E), and reporting to the World Bank and other relevant agencies)). To facilitate this day-to-day Project implementation, a dedicated Project Coordination Unit (hereinafter PCNA ISU) has been established separately in Khyber Pakhtunkhwa and FATA Secretariats within P&DD.

85. The PCNA shall be comprised initially of six full-time dedicated staff persons in each of Khyber Pakhtunkhwa and FATA Secretariat ISUs. As a requirement for initial disbursement, a PCNA full time Coordinator / Head of the PCNA ISU in Khyber Pakhtunkhwa and FATA will be hired in consultation with the Bank. Furthermore the Coordinator will serve as the key interlocutor for the Bank's Task Team Leader and to ensure consistency between the beneficiary departments / directorates within the government of Khyber Pakhtunkhwa and FATA Secretariat. The Coordinator will be supported by a Governance expert, Communication expert, M&E expert, a Financial Officer (FO) and a Procurement Officer (PO). The FO and PO will manage the daily financial management and procurement activities of the project as outlined in the sections below and in further detail in Annexes 4 and 5, respectively. As with the PCNA ISU Coordinator, the hiring of the FO and the PO are also conditions for initial disbursement.

86. The PCNA ISU shall be responsible for project implementation including all aspects of financial management, procurement, disbursement, and monitoring and evaluation arrangements under the project. Formal legal establishment of the PCNA ISU with notification to the Bank shall be confirmed between the Bank and the GOP before negotiations.

87. In order to ensure the project is being implemented in a manner consistent with the Government of Khyber Pakhtunkhwa and FATA Secretariat overall reform efforts, the ISU will be overseen by the P&D.

88. In addition to the PCNA ISU, each sectoral component of the PCNA sectors will be supported by a dedicated sector Component Coordinator (CC), to be appointed from within a relevant line department / directorate benefiting from the Project. It is expected that the existing "focal points" from various departments / directorates who were involved in the PCNA assessment will take on the role of CC.

89. Under Component 2, Rapid Response Facility (RRF) – the project will finance PCNA specific governance reform activities that will be identified and implemented by line departments / directorates or other agencies of Khyber Pakhtunkhwa and FATA. Since various government departments/ directorates and other public agencies will be the key participating agencies for the implementation of RRF activities, the need to establish 'revolving-fund (imprest) accounts' through advances to be made from the Designated Account has been well recognized. The Revolving-fund will be established for those departments/ directorates and other public agencies where the volume of financial transactions is significant and financial management staff to maintain accounts is available. In case the volume of financial transactions for any activity/ intervention implemented by a line department/ directorate and public agency is limited, the PCNA ISU will make the payments on the basis of certified supporting documents forwarded by the respective departments/directorates and public agencies. Furthermore for the

procurement, financial management and the monitoring and evaluation, the PCNA ISU will also provide need based training.

## **Annex 8: The PCNA Governance Program**

### *Background to the PCNA*

90. The Post Crisis Needs Assessment was a multi-stakeholder initiative, led by the Government of Pakistan with the support for international development partners, to assess the situation resulting from the military crisis in Khyber Pakhtunkhwa and FATA and put forward recommendations for peace-building and development in the region. Multi-disciplinary teams consisting of federal and provincial governments, and international development agencies undertook extensive literature reviews and field-level consultations to develop a set of recommendations within 4 strategic objectives which would guide the process of peace-building and development over a period of ten years. The recommendations also included 30-month transitional plans.

The analytical framework of the PCNA consists of;

### Four Strategic Objectives

- Strategic Objective 1: Enhance Responsiveness and Effectiveness of the State to Restore Citizen Trust
- Strategic Objective 2: Stimulate Employment and Livelihood Opportunities
- Strategic Objective 3: Ensure Provision of Basic Services
- Strategic Objective 4: Counter-Radicalization and Reconciliation

### Nine Sectors

1. Good Governance
2. Rule of Law
3. Agriculture and Natural Resources
4. Non-Farm Economic Development
5. Education
6. Infrastructure
7. Health
8. Social Protection
9. Strategic Communications

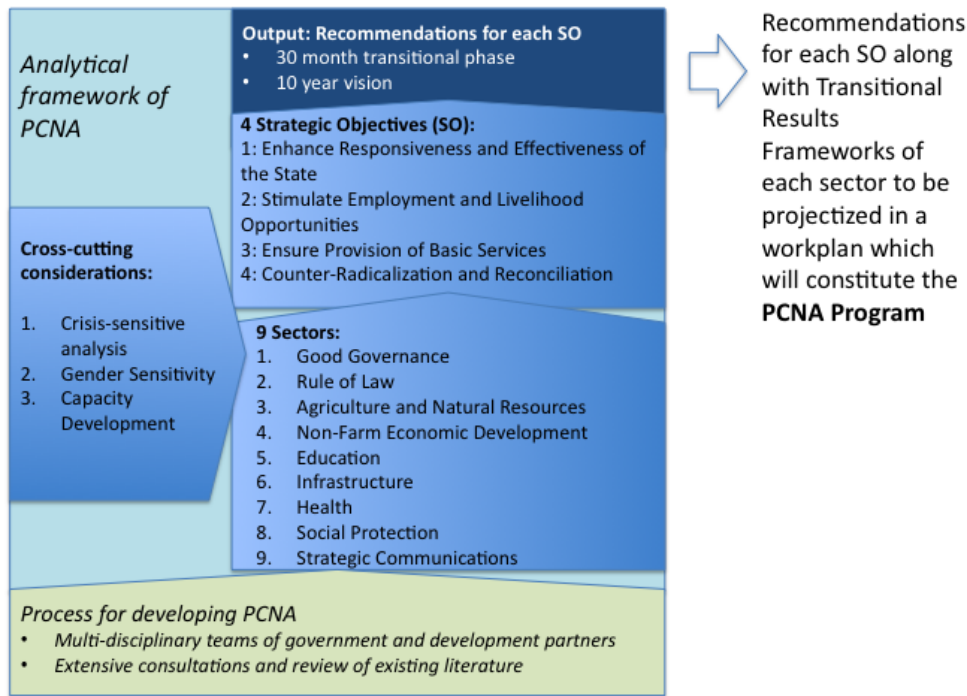
### Three Cross-cutting themes

1. Crisis-sensitive analysis
2. Gender Sensitivity
3. Capacity Development

### *The PCNA Program*

91. The Post-Crisis Needs Assessment outlines clear recommendations for each Strategic Objective analyzed during the PCNA process. During the Second MDTF Steering Committee meeting held on April 27, 2011, the Steering Committee requested the MDTF Secretariat to operationalize the recommendations of the PCNA and projectize them in the form of a work plan with priority interventions for the next 3-5 years. This work plan will constitute the PCNA Program.

Figure 1 shows how the PCNA recommendations relate to the PCNA program

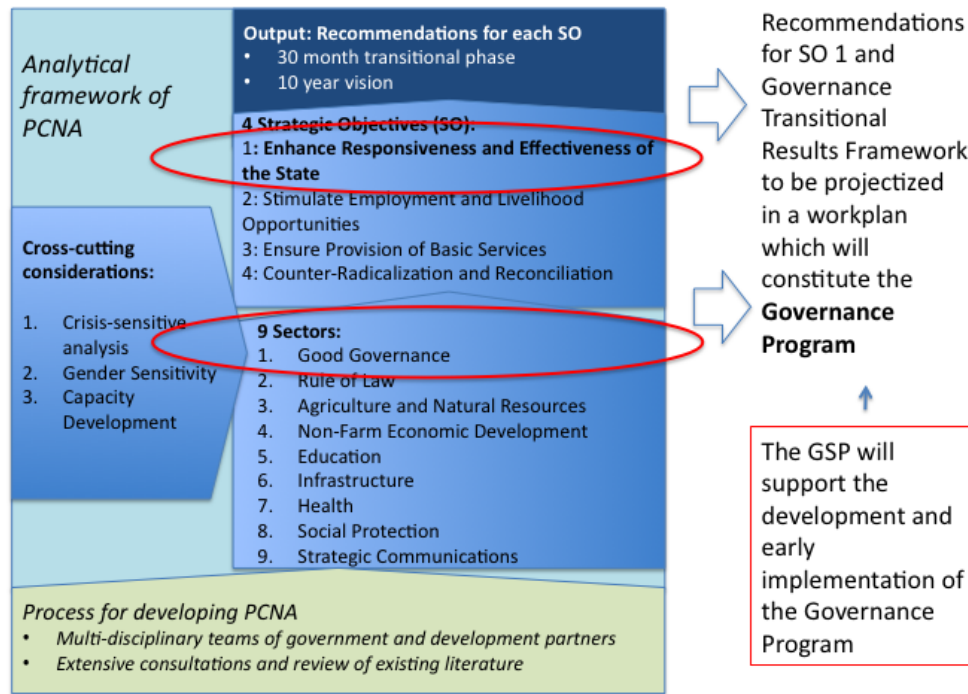


*The PCNA Governance Program*

92. The recommendations specific to Strategic Objective 1 “Enhance Responsiveness and Effectiveness of the State to Restore Citizen Trust” will be used as the basis for developing the PCNA Governance Program (see figure 2).

93. The PCNA states that “Political, governance and rule-of-law deficits may be the most important drivers of crisis in FATA and Khyber Pakhtunkhwa today” highlighting the urgency of delivering tangible results in this area as soon as possible. Therefore, the GSP aims to leverage and capitalize on government momentum that already exists relating to SO1 and move ahead with supporting Khyber Pakhtunkhwa and FATA to develop the Governance Program, while the process of developing the PCNA program is underway. The outputs of the GSP diagnostic and analytical work, while advancing the Governance program, will feed into the analysis of the overall the PCNA program.

Figure 2 shows how the GSP will support the development of the PCNA Governance Program



The recommendations of SO1 outline recommendations for a Governance Program along the following interventions;

- Political and Legal Reform*
- Civic Engagement and Oversight*
- Access to Affordable, Timely and Equitable Justice*
- Corruption*
- State Provision of Public Security Services*
- Strengthening Local Government Institutions*
- Service Delivery*
- Social Inclusion Measures*

The desired outcomes of the Governance program, according to the recommendations of SO1, would be;

- *A Road map for political reforms in FATA and PATA agreed*
- *Strengthened relationship between state, communities and civil society*
- *Legal/judicial infrastructure reformed and strengthened in FATA*
- *Legal/judicial infrastructure reformed and strengthened more generally*
- *Anti-corruption mechanisms are strengthened to increase transparency and accountability*
- *More effective and more direct state provision of public security services*
- *Governance improved to demonstrate state responsiveness to community needs*

94. The GSP will provide urgently needed capacity to the PCNA ISU, government departments and line departments / directorate to facilitate their involvement in the development and implementation of the full PCNA Governance program through the TA and Capacity Support component. It will also support the implementation of interventions to immediately remove some of the key governance constraints to program implementations through the Rapid Response Fund.

## **Annex 9: Operations Manual**

95. An Operations Manual will be developed in order to guide the operations of the GSP and also to clarify the roles and responsibilities of the project teams. This Operations Manual will be developed in detail once the project negotiations have been finalized and all parties have signed minutes of negotiations. The Operations Manual will be finalized before the project begins implementation.

A separate Operations Manual will be developed for Khyber Pakhtunkhwa and FATA. The Operations Manuals may be revised as project implementation begins.

### **96. Outline of the Operations Manual**

1. Introduction: Purposes of Operations Manual
2. Objectives of the Project and Components
3. Government counterparts
4. Roles and Responsibilities of GSP Project Team
5. Roles and Responsibility of PCNA ISU Counterpart
6. Composition and Role of Steering Committee
  
7. Component 1: TA and Capacity Building
  - 7.1. Objective
  - 7.2. Criteria of 'urgent TA needs'
  - 7.3. Process for identifying TA needs
  - 7.4. Process for selecting consultants
  - 7.5. Contract management of consultants
  
8. Component 2: Rapid Response Facility
  - 8.1. Criteria for qualifying interventions
  - 8.2. Process for selecting interventions
  
9. M&E and reporting
  - 9.1. Roles, responsibilities and frequency
  - 9.2. M&E Framework
10. Communications Plan
11. Public grievance and feedback mechanisms

## **Annex 10: Communications Strategy**

*NB: A full communications plan and budget will be outlined in the Operations Manual. This will be developed in collaboration with the government counterparts within Khyber Pakhtunkhwa and FATA. The detailed plan will seek to leverage and strengthen existing government processes and systems. It will also link into government initiatives around sector 9 of the PCNA related to Strategic Communications.*

### **97. Key Stakeholders**

The key stakeholders for the GSP are;

1. Internal government line departments / directorates and agencies within Khyber Pakhtunkhwa and FATA
2. Provincial representatives from Khyber Pakhtunkhwa and FATA legislators
3. Civil Society Organizations in Khyber Pakhtunkhwa and FATA
4. Development Partners

### **98. Approach to communicating with key stakeholders**

#### ***1. Internal government line departments / directorates and agencies within Khyber Pakhtunkhwa and FATA***

Why: The GSP project will rely heavily on close cooperation with other government departments / directorates and agencies. In some cases the project may even seek to instigate changes to institutional culture. In order to limit resistance to change and to encourage inter-departmental collaboration it will be important that government departments and agencies are involved in the GSP processes and kept informed of progress. Therefore, communication efforts to internal government stakeholders will seek to include and be collaborated as widely as possible.

Furthermore, the majority of the interventions of this project will be based on demand from government line departments / directorates. Therefore, a clear strategy for soliciting, responding to and implementing requests for technical assistance (under Component 1), and Rapid Response projects (under Component 3) will need to be developed in order to ensure both efficiency and transparency. This strategy will need to be clearly and regularly communicated internally within the governments of Khyber Pakhtunkhwa and FATA. This strategy may include a mechanism for managing feedback and grievances arising internally related to the GSP.

How: The primary responsibility for engaging with and ensuring that internal government stakeholders are kept informed will lie with the PCNA ISU Communications Focal Point at both Khyber Pakhtunkhwa

and FATA Secretariats, however the GSP Team will be available to provide support as necessary. The GSP project will be ‘kicked-off’ internally in Khyber Pakhtunkhwa and FATA Governments with a workshop to explain the projects and seek feedback from other government departments. After this initial workshop progress of the GSP will be communicated through existing fora, such as through the PCNA Steering Committees and regular government meetings. Individual workshop will be held to explain the processes of each Component. Internal workshops will also be held to communicate the results generated by the project, e.g. results of diagnostic and consultative work. The PCNA ISU Communications Focal Point at both Khyber Pakhtunkhwa and FATA Secretariats may also want to consider developing a system to generate and respond to internal feedback related to the project. This will be discussed with the government counterparts once they are identified and outlined in the Operations Manual. The Operations Manual will be made available internally to stakeholders within Khyber Pakhtunkhwa and FATA governments in order that the process for prioritizing requests is understood and is fully transparent.

## ***2. Provincial representatives from Khyber Pakhtunkhwa and FATA legislators***

Why: Many of the initiatives of the GSP will support or instigate reform or institutional change. The representatives of Khyber Pakhtunkhwa and FATA legislators at the Provincial and Federal Legislature will play an important role in supporting this change through the Parliaments and other fora and therefore will need to be kept informed of the progress of the project. Furthermore, by ensuring they are informed on the outcome of diagnostics and consultations conducted under Component 2, the provincial representatives from Khyber Pakhtunkhwa and FATA legislators will be more empowered to make informed decisions related to reform and governance and will be better positioned to serve their constituents.

How: The Khyber Pakhtunkhwa and FATA Parliamentarians at the provincial and federal level actively participated in the PCNA consultations and are amongst the priority stakeholders to transform PCNA GSP’s specific recommendations into action. As with groups 1 and 2, responsibility for liaising with this group of stakeholders will primarily be with Khyber Pakhtunkhwa and FATA PCNA ISU Communications Focal Point, supported by the GSP Project Team. Therefore, the detailed strategy for communicating with provincial representatives and legislators will be developed for the purposes of the Operations Manual. Where constructive and efficient channels for communication already exist these will be leveraged by the project including the Public Accounts Committee (PAC).



### ***3. Civil Society Organizations in Khyber Pakhtunkhwa and FATA***

Why: Civil Society Organizations in Khyber Pakhtunkhwa and FATA have been involved in the PCNA process through consultations that led to the recommendations of the PCNA. Therefore a level of expectation has already been set amongst civil society groups in Khyber Pakhtunkhwa and FATA. It will be important to respond to these expectations by ensuring transparency around the GSP and ensuring the continual provision of accurate and timely information. Civil society organizations will also be heavily involved in the consultations of Component 2 therefore it will be important from the outset to establish collaboration with civil society groups.

How: As before, primary responsibility for liaising with civil society groups will be with the PCNA ISU Communications Focal Point at both Khyber Pakhtunkhwa and FATA Secretariats, supported by the GSP Team. A kick-off workshop will be held once the project begins implementation to explain the objectives and processes of the project as well as to solicit feedback and input. The PCNA ISU Communications Focal Points at both ISUs may want to consider selecting 'partner' CSOs with whom to collaborate on outreach activities relating to the project. In this way some communications responsibilities could be 'outsourced'. Regular meetings, either collective or individual with key CSO, to communicate progress and results will be necessary. It will also be important to establish a mechanism by which civil society can provide feedback as the project is implemented. This mechanism will be further explored with the government counterparts once they are identified. In the case that a feedback mechanism is developed for the MDTF as a whole, the GSP may leverage this system to field and manage input from civil society relating to the GSP. The project may also work with the local ombudsman offices, however, it is recognized that additional support and/or resources may be needed in order for the local ombudsmen to take up this additional function.

### ***4. Development Partners***

Why: A number of development partners are currently involved or planning to be involved in both the provision of technical assistance and Governance interventions. Therefore, it will be important to keep these development partners informed of GSP progress in order to avoid overlap and leverage synergies between the GSP and other similar interventions. These development partners include, amongst others, USAID, DfID, GTZ, UNDP and UNHCR

How: The MDTF Secretariat will ensure that its communications materials are updated with GSP details and will provide support in disseminating information amongst donors. However, primary responsibility for communicating detailed project information and coordinating on a technical level will lie with both the GSP Communications Focal Point at both Khyber Pakhtunkhwa and FATA Secretariat and also the PCNA ISU counterpart. The Government has already formally announced formation of the

Development Partners Consultative Forum, to be supported by the GSP. The Forum is intended for higher level dissemination, particularly of the findings and recommendation of the diagnostics, analytical and consultations through GSP Component 2. The GSP and PCNA ISU Communication Focal Points at both Khyber Pakhtunkhwa and FATA Secretariat will provide regular updates through the Forum to the development partners, in addition to the related line departments / directorates, engaged communities, CSOs and a cross section of opinion makers.. A kick-off event will be held for development partners (and other related stakeholders), in addition to the Steering Committee meetings , followed by regular technical level meetings to explore opportunities to collaborate.

#### **99. PCNA ISU Communications Focal Point at Khyber Pakhtunkhwa and FATA Secretariats**

The Communications Strategy for this project relies heavily on the PCNA ISU Communications Focal Point in Khyber Pakhtunkhwa and FATA. This position is itself a position that will be funded by Component 1 of the GSP. Therefore, it is envisaged that in the early stages of the project, additional support will be required to establish this position until it is up and running. This additional support will be provided through the Governance Team and also the MDTF Secretariat.

The functions of this position, beyond the needs of this particular project, will be outlined in collaboration with the PCNA ISU at both Khyber Pakhtunkhwa and FATA Secretariats and a communications plan and budget for the communications needs of the PCNA programs in Khyber Pakhtunkhwa and FATA will be developed. This will be based both on the needs of the project portfolio as well as the communications needs outlined in sector 9 of the PCNA. The PCNA ISU Communications Focal Point at both Khyber Pakhtunkhwa and FATA Secretariat will liaise closely with the Ministry of Information, the other related line departments / directorates, the offices of the local ombudsman and also the MDTF Secretariat Communications Focal Point.

## **Annex 11: Long-List Of Governance Activities Identified Under the PCNA**

### **Component 1**

#### **Khyber Pakhtunkhwa**

- Assessment of existing PFM at Khyber Pakhtunkhwa using Public Expenditure and Financial Accountability (PEFA) Framework and implementing reform strategies, in light of PEFA identified risks and mitigation action plan.
- Design of robust and accountable PFM to ensure efficient and transparent delivery of public services through design & pilot implementation of financial management systems within the national systems for participatory and community based planning, budgeting, spending, accounting and auditing suitable to address PCNA sectors specific needs.
- Design of a Gender Responsive Budget Strategy in Khyber Pakhtunkhwa.
- Reforms to boost capabilities of the administrative system and address identified risks to peace building including: (a) setting the public service delivery baseline through design of citizen services report cards (b) first round of citizen report cards prepared for key five public services and sharing survey results with line departments and civil society followed by preparation and publication of improvement of services action plan (c) develop citizen charters in conflict affected districts/agencies with special focus on women participation (d) develop mechanisms to institutionalize citizen feedback client survey, legal aid clinics and para-legal network (e) roll out of the implementation of pilots program across Khyber Pakhtunkhwa where citizen-local government liaison is strengthened, Citizen charters prepared and displayed.
- Adopting a community driven development approach under 'local government act', amongst other including to: (a) introduce mechanisms for participatory and community based planning, budgeting, spending, accounting and auditing in the conflict context of Khyber Pakhtunkhwa to transform perceptions of poor responsiveness and trust by engaging the civil society in processes for transparency and financial oversight through providing technical support to the Local Government Department of Khyber Pakhtunkhwa to develop mandatory participation mechanism; (b) involve communities in development work by introducing small community based spending schemes to instill sense of ownership and possibly counter radicalization; (c) design of civil society led rural support programmes that involve jirgas and CBOs and roll out of civil society led rural support programme in conflict affected areas involving jirgas and CBOs in at least 50% of the Khyber Pakhtunkhwa districts and frontier regions.
- Strengthening frameworks for access to information.
- Conduct comprehensive study on formal and informal accountability and anti-corruption institutions, including assessing capacity, complementarities, shortcomings and gaps in Khyber Pakhtunkhwa.
- Assessing Anti-Corruption reform programmes in Khyber Pakhtunkhwa, followed by development and implementation of formal and informal institutions based reform program for Anti-Corruption Establishment (ACE) in Khyber Pakhtunkhwa.
- Assessing State needs to strengthen the representation and inclusion of civil society in the identification, planning, targeting, tendering, recruitment, procurement, implementation, and monitoring process of projects.
- Identifying activities that also empower communities to be aware of and demand their rights, and to hold authorities and implementing partners to account.
- Conducting rapid assessment of capacities needed to support a large PCNA program in Khyber Pakhtunkhwa at different levels of administration and develop a functional capability in Khyber Pakhtunkhwa Government to support peace-building and reconciliation efforts. The assessment, to be conducted in the first 6 months of PCNA implementation phase, will feed into a capacity development strategy.

- Preparatory work for Institutional and Civil Service Reform, amongst others including: (a) criteria for ensuring merit-based and transparent selection of key positions within the public service should be developed, initially for the crisis affected areas; (b) recruitment procedures must include gender sensitivity and ensure women are involved at all levels of civil service; (c) review of the adequacy of civil service salaries; (d) initiating a program to recruit civil servants on incentive contracts into priority functional areas. It could initially be piloted in the crisis affected areas; (e) capacities of public administration and civil society must be enhanced in the short term for basic service delivery and stabilization activities in Khyber Pakhtunkhwa; (f) reforms to ensure citizens voice is heard, in addition to participation in planning, transparency and accountability (g) identify and test mechanisms as well as internal processes for participation, to ensure that community contributions are considered, and rejection explained where not, in addition to planning for internalization of tested effective mechanisms and processes over the 30 months horizon.
- Adoption of a far-reaching e-governance system, including to install e-governance at the district levels.
- Conducting rapid assessment of IT, automation and other operational systems specific capacities needed to support a PCNA program in Honorable PHC and develop a functional capability in Honorable PHC to support peace-building and reconciliation efforts. The assessment will feed into a capacity development strategy.
- Assessing further strengthening operational capacity needs of the Honorable PHC and Courts at District and Sub-Divisional Headquarters in Khyber Pakhtunkhwa, in particular the crisis affected areas and provide support to address the needs for PCNA specific activities.

Commissioning a comprehensive fact-finding report and the preparation of TORs of staff for the following purposes: (a) assess and determine the various activities and work load of the Record Rooms, in coordination with the Honorable District and Sessions Judges concerned; (b) determine the schedule of activities, and cost-estimation related to automated indexing, registration and scanning of documents consigned in the said Record Room; and (c) identify the relevant software to support the automation of Honorable PHC and other Courts at the District and Sub-Divisional Headquarters.

#### **FATA**

- Assessment of existing PFM at FATA using Public Expenditure and Financial Accountability (PEFA) Framework and implementing reform strategies, in light of PEFA identified risks and mitigation action plan.
- Identifying institutional and human capacity development needs of the PA set up in FATA agencies.
- Assessment and develop of a strategy addressing the following issues amongst others: (a) adopt a community driven development approach to local government in FATA; (b) strengthen the representation and inclusion of civil society in the identification, planning, targeting, tendering, recruitment, procurement, implementation, and monitoring process of projects. (c) assist legislators to better understand their role and responsibilities in peace building and enhance their understanding of the need for more civic engagement and oversight as an integral element of local government; (c) transform perceptions of poor responsiveness and trust by engaging the civil society in processes for transparency and financial oversight; (d) involve communities in development work by introducing small community-based spending schemes to instill sense of ownership and possibly counter radicalization; (e) clarify the role, responsibility, function and capacity for elected councilors in FATA, in addition to their capacity development to assume the roles and responsibilities, effectively; (f) identify mechanisms to re-establish the credibility and trust in traditional decision making bodies like jirgas as they are likely to remain an important interface between the administration and the public; (g) capacity development for civil society to equip it to liaise between communities and government; and (h) facilitate institutionalizing civil

society representation and community participation mechanism at community, union council, agency and FATA Secretariat levels, so as to link policy-making to community level activities.

- Capacity gap analysis and measures for enhancing capacities of civil society in the short and medium term for basic service delivery and stabilization activities in FATA.
- Creation of a meaningful space for dialogue, participation and oversight, in parallel to the improvements in service delivery and systemic reform.
- Strengthening the framework for citizen's access to information.
- Designing mechanisms to: (a) strengthen the representation and inclusion of civil society in the identification, planning, targeting, tendering, recruitment, procurement, implementation, and monitoring process of projects; (b) identify and promote Community Driven Development (CDD) interventions that complements community empowerment, to be aware of and demand their rights, and to hold authorities and implementing partners to account.
- Building local capacity through programs on: (a) legal literacy which raise awareness around key rule-of-law concerns; and (b) PFM which facilitates and disseminates social audits, especially of PCNA related interventions.
- Conducting rapid assessment of skills and capacities needed to support a large PCNA program in FATA at different levels of administration and develop a functional capability in FATA to support peace-building and reconciliation efforts. The assessment will feed into a phased capacity development strategy and include amongst others, capacity gap analysis and measures for enhancing capacities of public administration in the short, medium and long term for basic service delivery and stabilization activities in FATA.
- Assessing and developing a strategy addressing, amongst other the following issues: (a) SAFRON administrative functions delegation to FATA Secretariat; (b) adoption of a far reaching e-governance system; (c) review of the adequacy of civil service salaries; (d) initiate a program to recruit civil servants on incentive contracts into priority functional areas, initially to be piloted in the crisis affected areas; (e) reforms in civil service to ensure citizens voice is heard, in addition to participation in planning, transparency and accountability; (f) support FATA Secretariat in identifying and testing mechanisms and internal processes for community participation and to ensure that community contributions are considered, and rejection explained where not.

## **Component 2**

### **Khyber Pakhtunkhwa**

- Adoption of a far reaching e-governance system, including installing e-governance in Honorable Courts at District and Sub-Divisional Headquarters in Khyber Pakhtunkhwa.
- Enabling online access to Statutory and case laws, and the computerization of records of judicial cases at the prioritized Judicial Rooms, as a pilot initiative.
- Develop and test fast track funds flow mechanism including cash grants, community driven development (CDD) interventions, block grants and any others, for pilot testing and aiming to be internalized into the national PFM systems within the PCNA 30 months time horizon.
- Introduce mechanisms for participatory and community based planning, budgeting, spending, accounting and auditing in the conflict context of Khyber Pakhtunkhwa. Such mechanisms are to be tested in the short term for roll out and finally internalization within the national systems over the 30 months period.
- Initiate peace, security and stabilization dialogue engaging the community, political representatives and leadership, civil and military officials and cross section of the civil society at all levels, including dialogue on the role of jirgas and their interface with formal governance structures.
- Assist legislators to better understand their role and responsibilities in peace building and enhance their understanding of the need for more civic engagement and oversight as an integral element of local government.

- Establishment of the Office of the Khyber Pakhtunkhwa Ombudsman, including: (a) develop plan to fully operationalize the Ombudsman's Office; (b) develop plan to establish citizen complaint centres (CCC) and provide technical support to the offices for roll out at district level; (c) provide technical assistance to design district and agency-wise Ombudsman Offices.
- Establish effective public grievance redress (PGR) mechanisms, supported by systems at community level which provide direct feedback to Khyber Pakhtunkhwa Secretariat about the quality of service delivery, and help to re-establish trust and confidence in the state.
- Map legislative committees and identify areas for capacity development including amongst others: (a) to assist legislators to better understand their role and responsibilities in peace building and enhance their understanding of the need for more civic engagement and oversight as an integral element of particularly the local government through support program for the Provincial Assembly; (b) training of Legislative Committees on public account, budget and local governments; (c) strengthening of the Assembly Secretariat to strengthen legislative committees; (d) support Provincial Assembly Secretariat to issue budget documents reflecting the results of audit and corrective allocations and measures; (e) support the Public Accounts Committee for enhanced oversight and legislative scrutiny.
- Strengthening and empowerment of the Chief Minister's Inspection Team to undertake investigations and audits of all districts including PATA and frontier regions
- Strengthening the Auditor General of Pakistan's Khyber Pakhtunkhwa specific external audit functions to perform effective audit functions throughout the province and particularly the crisis affected areas.
- Convene all stakeholders' conference to agree on a Khyber Pakhtunkhwa Anti-Corruption Strategy that would also outline how to implement the Right to Information Act to increase transparency and accountability.
- Job specific training and generic skill development across the Khyber Pakhtunkhwa Secretariat and the field formations, particularly in the crisis affected districts and frontier regions through: (a) relevant country study visits for the senior management (b) project design, contracting, monitoring, oversight and reconstruction policy management oriented skill development for the middle as well as senior management (c) out of country need specific trainings for senior and middle management with the commitment to serve Khyber Pakhtunkhwa Secretariat and / or the field formations for a minimum of three years (d) fee re-imburement and required skill specific allowances for all in Khyber Pakhtunkhwa Secretariat and field formations, encouraging own skill development in the required skills sets. The initiative will include full time, part time, online and distance learning programs with the commitment to serve Khyber Pakhtunkhwa Secretariat and / or the field formations for a minimum of three years; (e) strengthening operational capacity of the Khyber Pakhtunkhwa Secretariat and the field formations through provision of required support tools, including computers, printers, scanners, photocopiers and other IT support; (f) initiating a program to recruit skilled civil servants on incentive contracts into priority functional areas, including consultants, in the short term to support senior managers on PCNA specific issues, and till the civil services compensation rules regulations are rationalized.
- 

## **FATA**

- Initiate program to: (a) recruit skilled civil servants on incentive contracts into priority functional areas, including consultants, in the short term to support FATA senior managers on PCNA specific issues, and till the civil services compensation rules regulations are rationalized (b) develop criteria for ensuring merit-based and transparent selection of key positions within the public service in FATA. Recruitment procedures must include gender sensitivity and ensure women are involved at all levels of civil service.
- Planning, developing and pilot testing mechanisms for : (a) fast track funds flow including cash grants, community driven development (CDD) interventions, block grants and any others, for

pilot testing with a view to be internalized into the national PFM systems within the PCNA 30 months time horizon.

- participatory planning, budgeting, spending, accounting and auditing, in the conflict context of FATA to transform perceptions of poor responsiveness and trust by engaging the civil society in processes for transparency and financial oversight.
- Involve communities in development work by introducing small community-based spending schemes to instill sense of ownership and possibly counter radicalization.
- Strengthen the representation and inclusion of civil society in the identification, planning, targeting, tendering, recruitment, procurement, implementation, and monitoring process of projects.
- Establish effective public grievance redress (PGR) mechanisms, supported by systems at community level which provide direct feedback to the FATA Secretariat about the quality of service delivery, and help to re-establish trust and confidence in the state. The development of mechanism to incorporate this feedback into planning, and the communication of this back to communities is critical.
- Facilitate creation of awareness and existence of avenues for dialogue, combined with citizens' ability to contribute usefully and the government's interest and openness in hearing them.
- Strengthen and further empower the Governor's Inspection Team to undertake investigations and audits of all tribal agencies.
- Assess regulatory reform and facilitating mechanisms to extend the jurisdiction of the Federal Ombudsman to FATA along with public information campaign to explain its functions and effectiveness.
- Convene all stakeholders' conference to: (a) agree on FATA Anti-Corruption Strategy; and (b) outline how to implement the Right to Information Act to increase transparency and accountability.
- Initiate consultations and facilitate discussions and dialogue with the PAs, FATA Secretariat, FATA Parliamentarians and FATA representative civil society individuals and organization on multiple reform issues, amongst others including: (a) lifting restriction on political parties' activity (b) build consensus on further FCR reform and status issues; (c) review the PA's power of arrest, detention, right to bail and exclusion of women and minors from collective responsibility under the law.
- Job specific and generic skill development across the FATA Secretariat and the field formations in the agencies through: (a) relevant country study visits for the senior management; (b) project design, contracting, monitoring, oversight and reconstruction policy management oriented skill development for the middle and senior management; (c) need based, out of country trainings for senior and middle management with the commitment to serve FATA Secretariat and / or the field formations for a minimum of three years; (d) fee re-imburement and required skill specific allowances for all in FATA Secretariat and field formations, encouraging own skill development in the required skills sets. The initiative will include full time, part time, online and distance learning programmes with the commitment to serve FATA Secretariat and / or the field formations for a minimum of three years; (e) strengthening operational capacity of the FATA Secretariat and the field formations through provision of required support tools, including computers, printers, scanners, photocopiers and other IT support; and (f) identify and address the institutional capacity development needs of the Political Agents Office (policy, regulations and human capacity) for medium term reform

**Annex 12: Project Preparation And Appraisal Team Members**

<b>Name</b>	<b>Title</b>	<b>Unit</b>
Naseer Ahmad Rana	Task Team Leader, Governance Advisor	SASGP
Sher Shah Khan	Senior Governance Specialist	SASGP
Puteri Watson	Governance Officer	SASGP
Satyendra Prasad	Senior Governance Specialist	SASGP
Robert Bou Jaoude	Program Manager - MDTF	SASPK
Rehan Hyder	Senior Procurement Specialist	SARPS
Waseem Kazmi	Financial Management Specialist	SARFM
Martin Serrano	Senior Counsel	LEGES
Mahwush Mushtaq Malik	Counsel	LEGES
Shafqat Manzoor Mirza	Program Assistant	SASEP



## **Annex 14: Documents In Project Files (To Be Updated)**

1. WB and ADB, 2009, Damage and Needs Assessment (DNA)
2. 2010 Post Crisis Needs Assessment Report (PCNA) – WB, ADB, EU, UN and Development Partners
3. Country Partnership Strategy 2010-2013 – WB
4. FATA Sustainable Development Plan 2006-2015 – Government of FATA
5. Khyber Pakhtunkhwa - Comprehensive Development Strategy (CDS) (2009-2015);
6. NWFP Economic Report (December 2005) – WB
7. Doing Business in Pakistan 2010 – WB
8. Khyber Pakhtunkhwa Investment Guide 2009/10 – SMEDA
9. Khyber Pakhtunkhwa, FATA and Balochistan MDTF – Administration Agreement 2010

## Annex 15: Statement Of Loans And Credits )

### PAKISTAN MDTF - GOVERNANCE SUPPORT (GSP) PROJECT

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P125105	2011	Flood Emergency Cash Transfer	0.00	125.00	0.00	0.00	0.00	85.00	0.00	0.00
P121394	2011	KP and FATA Emergency Recovery	0.00	250.00	0.00	0.00	0.00	250.00	0.00	0.00
P125109	2011	Polio Eradication III - AF	0.00	41.00	0.00	0.00	0.00	41.00	0.00	0.00
P123914	2011	ERC for Flood Response	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00
P118177	2011	Skills Development	0.00	21.00	0.00	0.00	0.00	21.00	0.00	0.00
P124913	2011	Sindh Education sector	0.00	50.00	0.00	0.00	0.00	29.91	0.00	0.00
P122756	2011	Punjab Education Sector	0.00	50.00	0.00	0.00	0.00	8.82	0.00	0.00
P118779	2011	Tertiary Education Project	0.00	300.00	0.00	0.00	0.00	300.00	0.00	0.00
P123311	2011	Highways Rehabilitation AF	0.00	130.00	0.00	0.00	0.00	130.00	0.00	0.00
P112902	2011	Karachi Port Improvement Project	115.80	0.00	0.00	0.00	0.00	115.80	0.00	0.00
P122635	2011	PIFRA II Additional Financing	0.00	24.50	0.00	0.00	0.00	24.50	0.00	0.00
P096745	2011	Punjab Barrages Improvement II Project	145.60	0.00	0.00	0.00	0.00	140.24	0.00	0.00
P115638	2010	Social Safety Nets DPC	0.00	200.00	0.00	0.00	0.00	50.06	-158.91	0.00
P114508	2009	3rd Partnership for Polio Eradication	0.00	74.68	0.00	0.00	0.00	14.70	-18.14	0.00
P101684	2009	Second Trade and Transport Facilitation	0.00	25.00	0.00	0.00	0.00	24.48	-1.37	0.00
P107300	2009	SINDH EDUCATION SECTOR PROJECT (SEP)	0.00	300.00	0.00	0.00	0.00	113.83	19.44	0.00
P102608	2009	Punjab Education Sector Project	0.00	350.00	0.00	0.00	0.00	121.67	11.46	0.00
P105075	2009	PPAF III	0.00	250.00	0.00	0.00	0.00	218.16	-36.30	0.00
P103160	2009	Social Safety Net Technical Assistance	0.00	60.00	0.00	0.00	0.00	33.97	-20.61	0.00
P095982	2008	Electricity Distribution and Transmission	173.60	83.10	0.00	0.00	0.00	206.60	68.12	0.00
P089378	2008	Balochistan SSIP	0.00	25.00	0.00	0.00	0.00	19.78	10.68	0.00
P084302	2008	Sindh Water Sector Improvement Project	0.00	150.20	0.00	0.00	0.00	141.96	12.37	0.00
P110099	2008	Water Sector Capacity Building Project	0.00	38.00	0.00	0.00	0.00	31.54	3.95	0.00
P090501	2007	Land Records Mgmt & Information Systems	0.00	45.65	0.00	0.00	0.00	39.89	11.26	0.00
P099110	2006	Pakistan Earthquake ERC	0.00	400.00	0.00	0.00	0.00	13.75	-3.80	0.00
P076872	2006	PIFRA II	0.00	84.00	0.00	0.00	0.00	24.74	22.63	0.00
P083929	2006	Punjab Municipal Services Improvement	50.00	0.00	0.00	0.00	0.00	29.88	29.88	24.54
P094086	2006	Balochistan Education Support Project	0.00	22.00	0.00	0.00	0.00	12.77	8.73	0.00
P077306	2005	Tax Administration Reform Project	24.40	78.50	0.00	0.00	0.00	73.60	70.22	0.00
P082977	2004	Second Poverty Alleviation Fund Project	0.00	551.00	0.00	0.00	4.35	0.04	-329.14	-15.46
P078997	2004	Sindh On-Farm Water Management Project	0.00	111.14	0.00	0.00	0.00	40.63	-8.81	0.00
P010556	2004	HIGHWAYS REHAB	215.00	150.00	0.00	0.00	0.00	39.26	-137.29	3.03
P071454	2003	AJK Community Infrastructure & Services	0.00	50.00	0.00	0.00	1.43	6.85	-27.69	2.31
Total:			724.00	4,339.77	0.00	0.00	5.78	2,404.43	-	14.42
									473.32	

**PAKISTAN**  
**STATEMENT OF IFC's**  
**Held and Disbursed Portfolio**  
**In Millions of US Dollars**

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	ABAMCO FUND	0.00	3.46	0.00	0.00	0.00	3.46	0.00	0.00
1995	AES Lal Pir	12.42	9.50	0.00	0.00	12.42	9.50	0.00	0.00
1996	AES Pak Gen	9.20	9.50	0.00	5.37	9.20	9.50	0.00	5.37
1995	Abamco Mgmt	0.00	0.29	0.00	0.00	0.00	0.29	0.00	0.00
1991	BRRIM	0.00	0.23	0.00	0.00	0.00	0.23	0.00	0.00
1993	Crescent Bahuman	0.00	0.31	0.00	0.00	0.00	0.31	0.00	0.00
1997	Crescent Bahuman	0.00	0.20	0.00	0.00	0.00	0.20	0.00	0.00
2001	Crescent Bahuman	2.72	0.00	2.50	1.50	2.72	0.00	2.40	1.50
2006	Dewan Petroleum	15.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00
2004	Dewan SME	0.00	0.98	0.00	0.00	0.00	0.00	0.00	0.00
2003	Dewan Salman	25.00	0.00	5.00	0.00	25.00	0.00	4.00	0.00
1991	Engro Chemical	0.00	1.95	0.00	0.00	0.00	1.95	0.00	0.00
2006	Engro Chemical	0.00	0.64	0.00	0.00	0.00	0.64	0.00	0.00
2001	Eni Pakistan	12.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00
1990	FIIB	0.00	0.27	0.00	0.00	0.00	0.27	0.00	0.00
1992	FIIB	0.00	0.40	0.00	0.00	0.00	0.40	0.00	0.00
2004	First UDL	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GTFP Metropolitana	2.54	0.00	0.00	0.00	2.08	0.00	0.00	0.00
1996	Gul Ahmed	8.10	4.10	0.00	5.22	8.10	4.10	0.00	5.22
2006	Habib Bank Ltd.	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00
2003	KCT	6.46	0.00	1.50	0.00	6.46	0.00	1.50	0.00
1995	Kohinoor	6.25	6.30	0.00	2.03	6.25	6.30	0.00	2.03
2002	Micro Bank	0.00	2.43	0.00	0.00	0.00	2.43	0.00	0.00
2004	NBFI Credit	6.50	0.00	0.00	0.00	6.50	0.00	0.00	0.00
	Orix Finance	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Orix Leasing	17.00	0.00	0.00	0.00	17.00	0.00	0.00	0.00
2005	PICT	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
2006	PICT	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1983	PPL	0.00	1.33	0.00	0.00	0.00	1.33	0.00	0.00
2002	PPL	0.00	5.63	0.00	0.00	0.00	5.63	0.00	0.00
1965	Packages	0.00	0.05	0.00	0.00	0.00	0.05	0.00	0.00
1987	Packages	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1991	Packages	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1994	Packages	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00
1995	Packages	0.00	0.26	0.00	0.00	0.00	0.26	0.00	0.00
2005	Packages	25.00	5.43	0.00	0.00	0.00	1.47	0.00	0.00
2006	Paktel 2005	35.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001	Sarah Textiles	1.12	0.00	0.00	0.00	1.12	0.00	0.00	0.00
2004	TRG Pakistan	0.00	4.16	0.00	0.00	0.00	4.16	0.00	0.00
2007	TRG Pakistan	0.00	2.50	0.00	0.00	0.00	2.50	0.00	0.00

2006	Tameer Bank	0.00	1.01	0.00	0.00	0.00	1.01	0.00	0.00
1996	Uch Power	29.60	0.00	0.00	0.00	19.68	0.00	0.00	0.00
Total portfolio:		239.91	72.98	59.00	14.12	134.53	56.04	7.90	14.12

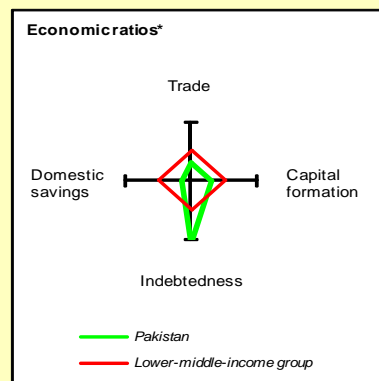
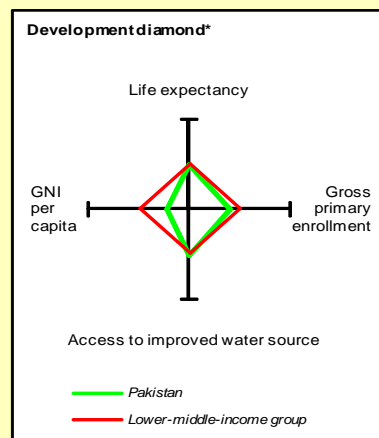
		<b>Approvals Pending Commitment</b>			
<b>FY Approval</b>	<b>Company</b>	<b>Loan</b>	<b>Equity</b>	<b>Quasi</b>	<b>Partic.</b>
2004	CSIBL	0.04	0.00	0.00	0.00
2006	IHFL II	0.01	0.00	0.00	0.00
2004	Dewan SME	0.00	0.00	0.00	0.00
2006	JSPE Fund	0.00	0.02	0.00	0.00
2006	Habib Bank	0.00	0.05	0.00	0.00
2006	Paktel 2005	0.00	0.00	0.00	0.03
2006	Orix SME OLP	0.02	0.00	0.00	0.00
2006	Tameer Bank	0.00	0.00	0.00	0.00
2006	Dewan Petroleum	0.00	0.00	0.00	0.03
Total pending commitment:		0.07	0.07	0.00	0.06

## Annex 16: Country At A Glance

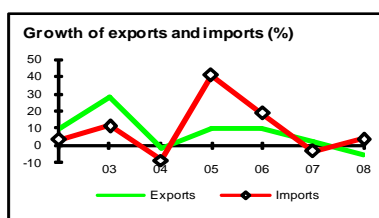
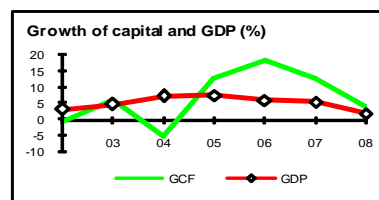
# Pakistan at a glance

12/9/09

POVERTY and SOCIAL	Pakistan	South Asia	Lower-middle-income		
<b>2008</b>					
Population, mid-year (millions)	166.1	1,543	3,702		
GNI per capita (Atlas method, US\$)	950	986	2,078		
GNI (Atlas method, US\$ billions)	157.3	1,522	7,692		
<b>Average annual growth, 2002-08</b>					
Population (%)	2.3	1.5	1.2		
Labor force (%)	4.1	2.2	1.6		
<b>Most recent estimate (latest year available, 2002-08)</b>					
Poverty (% of population below national poverty line)	..	..	..		
Urban population (% of total population)	35	30	41		
Life expectancy at birth (years)	67	65	68		
Infant mortality (per 1000 live births)	72	59	46		
Child malnutrition (% of children under 5)	..	41	26		
Access to an improved water source (% of population)	90	87	86		
Literacy (% of population age 15+)	54	63	83		
Gross primary enrollment (% of school-age population)	85	108	109		
Male	93	111	112		
Female	77	104	106		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	<b>1988</b>	<b>1998</b>	<b>2007</b>	<b>2008</b>	
GDP (US\$ billions)	38.5	62.2	143.2	164.5	
Gross capital formation/GDP	18.0	17.7	22.5	22.0	
Exports of goods and services/GDP	13.6	16.5	14.2	12.8	
Gross domestic savings/GDP	9.9	16.7	15.4	11.0	
Gross national savings/GDP	21.5	21.3	24.6	20.0	
Current account balance/GDP	-3.0	-2.7	-4.8	-8.3	
Interest payments/GDP	1.8	1.4	0.8	0.6	
Total debt/GDP	44.4	51.9	28.4	30.0	
Total debt service/exports	25.3	19.8	9.3	9.3	
Present value of debt/GDP	..	..	22.9	21.9	
Present value of debt/exports	..	..	17.8	13.2	
	<b>1988-98</b>	<b>1998-08</b>	<b>2007</b>	<b>2008</b>	<b>2008-12</b>
(average annual growth)					
GDP	4.2	5.0	5.7	2.0	3.5
GDP per capita	1.7	2.6	3.4	-0.2	1.2
Exports of goods and services	5.2	9.3	2.3	-5.3	0.2



STRUCTURE of the ECONOMY	1988	1998	2007	2008
(% of GDP)				
Agriculture	26.0	27.3	20.5	20.4
Industry	24.4	23.8	26.9	26.9
Manufacturing	16.8	15.8	19.0	19.7
Services	49.6	48.9	52.6	52.7
Household final consumption expenditure	74.6	72.1	75.5	76.6
General gov't final consumption expenditure	15.5	11.3	9.2	12.4
Imports of goods and services	21.7	17.5	21.3	23.8
	<b>1988-98</b>	<b>1998-08</b>	<b>2007</b>	<b>2008</b>
(average annual growth)				
Agriculture	4.5	3.1	4.1	1.1
Industry	4.7	6.6	8.8	1.7
Manufacturing	4.2	8.5	8.3	4.8
Services	4.7	5.7	7.0	6.6
Household final consumption expenditure	4.7	4.0	4.7	-1.3
General gov't final consumption expenditure	1.2	8.0	-9.6	39.0
Gross capital formation	3.7	5.2	12.9	3.9
Imports of goods and services	4.4	6.7	-3.5	3.6



Note: 2008 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

**Annex 17: Maps (To Be Requested – IBRD 38103)**