

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED  
SAFEGUARDS DATA SHEET (PID/ISDS)  
APPRAISAL STAGE**

**Report No.:** PIDISDSA17891

**Date Prepared/Updated:** 06-Jun-2016

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Pakistan	<b>Project ID:</b>	P156412
		<b>Parent Project ID (if any):</b>	
<b>Project Name:</b>	Federally Administered Tribal Areas (FATA) Governance and Policy Program (P156412)		
<b>Region:</b>	SOUTH ASIA		
<b>Estimated Appraisal Date:</b>	30-May-2016	<b>Estimated Board Date:</b>	30-Jun-2016
<b>Practice Area (Lead):</b>	Governance	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Sub-national government administration (90%), Law and justice (10%)		
<b>Theme(s):</b>	Public expenditure, financial management and procurement (70%), Judicial and other dispute resolution mechanisms (10%), Other public sector governance (20%)		
<b>Borrower(s):</b>	Economic Affairs Division		
<b>Implementing Agency:</b>	Planning and Development Department, FATA		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>	<b>Amount</b>	
	Borrower	0.00	
	MDTF for Crisi Affected Areas of NWFP/FATA/ Balochistan	14.00	
	Total Project Cost	14.00	
<b>Environmental Category:</b>	C - Not Required		
<b>Appraisal Review Decision (from Decision Note):</b>			
<b>Other Decision:</b>			
<b>Is this a</b>	No		

<b>Repeater project?</b>	
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## B. Introduction and Context

### Country Context

1. Pakistan, the world's sixth most populous country, is a lower-middle-income country with a 2014 per-capita gross national income of US\$1,420. Growth, although on a declining trend, has been pro-poor in Pakistan over the past decade. Poverty has declined substantially in the past decade. Real per capita consumption growth of the bottom 40 percent of the population also exceeded that of the top 60 percent in the same period – indicating an increase in shared prosperity. There are however significant downside risks arising from the global economic slowdown, which may affect Pakistan through lower remittances, reduced demand for exports, and lower FDI inflows.
2. Located on the northwestern border of Pakistan, the Federally Administered Tribal Areas (FATA) constitute the country's poorest and most conflict-affected region. FATA is a mountainous, and geographically isolated region with an estimated population of around 4 million. The region has a long legacy of economic under-development and remains much poorer than the rest of Pakistan. The people of FATA have traditionally had few income-generation opportunities other than subsistence agriculture and informal cross-border trade with Afghanistan.
3. FATA has borne the brunt of the spillover from the Afghanistan conflicts, including in the past five years. The escalation of hostilities that seems to have peaked in 2014 has caused large-scale inflow of displaced persons from Afghanistan as well as internal displacement within FATA. The region had had more than 700,000 registered displaced persons in 2014 – mostly people temporarily displaced from their homes within FATA. About a third of them have been able to return to their homes following a recent improvement in the security situation. The region however continues to be vulnerable to multiple risks, notably a potential resurgence of hostilities or extremist violence as well as natural disasters (earthquakes and floods).
4. The legal status of FATA as a tribal area follows on the region's long history of limited government presence. Compared to the rest of Pakistan, in FATA state institutions have had a more limited role in enforcing law and order, building infrastructure, and delivering services. FATA remains a tribal-based, largely nomadic society that is not subject to federal laws, unless explicitly extended to the region. Until the establishment of FATA Tribunal as an independent institution in 2011, the region had no judicial system. The region's governing body, the FATA Secretariat, is appointed by the federal center, which also finances the region's entire budget. Until recently, however, precarious security, combined with the local society's traditional mistrust of state institutions, effectively prevented the delivery of basic services in many parts of FATA.
5. The chronic under-provision of basic services is reflected in human development outcomes and acute gender disparities in FATA. Overall adult literacy stands at 28 percent and only 8 percent for women, though it has risen to 44 percent among young people aged 15 to 24. Health indicators also fall below the national and provincial averages. Only 34 percent of children under two years old are fully immunized, compared to 57 percent across Pakistan. Maternal mortality is the highest in the country – 395 per 100,000 births.
6. In recent years, Government efforts to make a positive impact on the lives of people in FATA have delivered some results in an environment that remains very difficult. Some promising results notwithstanding (such as the increase in literacy rates), the effective delivery of public services and investments in economic development remain very difficult. It is therefore

imperative to deliver tangible improvements to gain citizens' trust in state institutions.

### **Sectoral and institutional Context**

7. Security risks, uncertainties about federal financing, financial management constraints, and low capacity across sectors have kept public service provision below national levels. Even though population estimates are not reliable, it appears that per capita financing of public services in FATA is substantially lower than in other regions of Pakistan. Difficulties in attracting qualified professionals and monitoring service delivery in much of FATA suggest that there is large scope to improve quality and increase citizens' access to service, especially for women whose mobility is restricted. Many communities in FATA – especially those in remote areas – continue to lack access to basic services, including education, healthcare, and justice.

8. The legal status of FATA complicates the region's fiscal management. While FATA is exempt from federal taxation, it has no explicit legal authority to raise own source revenues. Actual revenues collected in the region (e.g. permit fees) are not properly recorded and are estimated to be very low. The region's budget is therefore entirely financed by a federal grant. Unlike fiscal transfers to provinces, the federal grant to FATA is an ordinary budget appropriation rather than a formula-based transfer. As a result, federal financing for FATA has been more variable compared to fiscal transfers to the provinces. Unpredictability of funds releases by the federal Treasury due to cash management considerations at the federal level have eroded budget credibility in FATA.

9. The requirement for federal approval of the FATA budget and the significant share of donor funds in the region's expenditure also complicate budget preparation and execution. The region receives two one-line allocations from the federal budget, one for current expenditure and one for development expenditure. Based on these allocations, the FATA Secretariat then prepares the draft ADP in consultation with agencies, frontier regions and Members of National Assembly from FATA, and submits it to the Governor of KP province. This does not allow the FATA Secretariat to make adequate budgetary provision for current expenditures related to the operationalization and maintenance of development projects. Budget planning is also complicated by the large share of donor funds in public investment, which in FY2013/14 accounted for 10 percent of total public expenditure in FATA.

10. These uncertainties and complications have been a key factor for the large divergences between budget appropriations and actual expenditure in FATA. A recent assessment based on the Public Expenditure and Financial Accountability (PEFA) points to divergences of more than 15 percent between budget appropriations and actual expenditure in the past three years – on the side of budget over-execution, as unbudgeted grants become available during the fiscal year.

11. Budget execution in FATA is also fraught with additional challenges related to low institutional capacity. The allocation of funds within FATA across areas, which consist of seven agencies and six frontier regions, is based on a formula that takes into account population and area size. Transparency and accountability for public spending at the level of agencies and frontier regions however remains very low, especially as allocations from the federal budget are supplemented by political agents' revenues which are not officially recorded. Public procurement is not adequately regulated by law or administrative orders. This results in inconsistencies, excessive discretion in procurement processes.

12. Public investment remains a major challenge both in the formulation and execution of the budget. As elsewhere in Pakistan, the FATA budget remains divided into two separate parts, the current and the development budget. The recurrent budget is prepared by the FATA Secretariat's Finance Department (FD) and development budget (ADP) by the Planning and Development Department (P&DD). This practice tends to hinder effective public investment management (PIM) by detaching infrastructure operational and maintenance (O&M) costs, which

are part of the current budget, from capital investment, which are part of the development budget. FATA does not engage in multi-annual budget planning, which complicates financing for projects whose completion stretches over more than one fiscal year. P&DD appraisal is required for projects to be included in the ADP, but most line departments and agencies do not have adequate capacity to provide necessary information for project appraisal, such as expected results and economic analysis.

13. Likewise, systems for internal financial control and audit are still in their infancy. Internal audit has been introduced on a pilot basis with support from the Governance Support Project, but covers only a sub-set of public expenditures. FATA finances are subject to external audit by the Auditor General of Pakistan (AGP), though in practice security concerns have limited the AGP's ability to conduct audits. Moreover, in the absence of a FATA regional legislature, and in view of the practice whereby FATA appears as a single line item in the federal budget, means that there is no effective parliamentary scrutiny of the FATA budget, although budget execution is reviewed by the Public Accounts Committee in the National Assembly.

### C. Proposed Development Objective(s)

#### Development Objective(s)

The Project Development Objective (PDO) is to increase transparency and effectiveness in public resource management and strengthen accountability of public service delivery in the agriculture sector.

#### Key Results

The results of the GPP will be measured by the following PDO indicators:

- (i) Improved reporting of transactions through the extension of the NFMIS at the level of the agencies and frontier regions;
- (ii) Timely disclosure of key budget documentation and dissemination through public hearings;
- (iii) Increased share of procurements conducted through competitive selection and published notices;
- (iv) Increased number of cases resolved by the FATA Tribunal; and
- (v) Increased citizen engagement through regular collection of citizen feedback and direct engagement of citizens in monitoring the service delivery in the agriculture sector (number of agencies and frontier regions where citizens are involved in monitoring service delivery and/or citizens' feedback on service delivery is regularly collected with at least 30% women feedback providers and monitors).

### D. Project Description

Grant amount and project duration: The proposed instrument is Investment Project Financing (IPF). A results-based instrument was also considered, but the risks associated with the uncertainty regarding the release of funds from the federal budget made it impractical. Project financing will be US\$14 million, which provided by under the second phase of the MDTF. The project will have an implementation period of four years, which corresponds with the duration of the MDTF (2016-2020). The FATA Secretariat has agreed to provide parallel financing equal to at least 20 percent of grant proceeds (around US\$2.5 million). This will support the project's objectives (PIM in the agriculture sector, FATA Tribunal) as part of the region's ADP, thereby contributing to the sustainability of project results beyond its completion. The FATA Secretariat will also contribute to the costs of the OSU and GRSU (e.g., office space).

The proposed project will comprise three components:

Component 1: Increasing transparency and accountability in the use of public resources. This component aims to support priority PFM reforms based on the findings of the recent PEFA assessment. More specifically, it aims to improve budget transparency and accountability (subcomponent 1.1) and public procurement (subcomponent 1.2).

Subcomponent 1.1 Budget credibility, transparency, and accountability. The subcomponent will technical support and training for public financial management, including the following activities:

- (i) Developing regulations to clarify the authority and responsibilities of FATA institutions in budget formulation and execution;
- (ii) Extending the National FMIS system to agencies and frontier regions to enable accurate and timely recording of transactions, accounting, and reporting of budget execution;
- (iii) Establishing the internal audit function based on experience of the GSP pilot; and
- (iv) Increasing transparency by disseminating accurate budgetary information, and institutionalizing pre-budget consultations and public hearings on budget execution.
- (v) Other PFM activities to strengthen fiduciary management of the region's finances.

Subcomponent 1.2: Strengthening public procurement. The subcomponent will finance the technical assistance and training for the following activities:

- (i) Developing regulations and implementation guidelines for consistent procurement practices;
- (ii) Establishing a cadre of certified procurement officers; and
- (iii) Establishing a Management Information System (MIS) for tracking the procurement process and e-procurement modules for publishing and receiving tender documentation.

Component 2: Improving public investment management and service delivery. The objective of this component is to strengthen and institutionalize mechanisms for systematic performance monitoring, citizen facilitation and engagement in improving public services, private sector participation in service delivery, and effective grievance redress with a focus on agricultural services (including extension, irrigation and veterinary services).

Subcomponent 2.1: Strengthening public investment management. The objective of this subcomponent is to improve the management of the ADP and improve the quality of information on public investment in the agriculture, irrigation, and livestock sectors. The subcomponent will finance the following activities:

- (i) An assessment of current government capacity with reference to the World Bank framework for public investment management and development of a PIM action plan targeting the main issues identified by the assessment;
- (ii) Technical assistance and training for implementing the PIM action plan, which would cover the following areas: (i) processes and tools for the identification, preparation and appraisal of capital projects; (ii) self-assessments of PIM systems in the agriculture and livestock sector; (iii) execution of capital projects, including procurement, contract management, progress monitoring, and completion verification; and (iv) establishment of an asset management function supported by GIS mapping to ensure adequate maintenance of infrastructure (in agriculture, livestock, and irrigation); and
- (iii) Revised methodology for measuring infrastructure gaps for the purpose of the formula-

based calculation for development budget allocations to agencies and frontier regions.

**Subcomponent 2.2: Improving service delivery through citizen engagement and performance management.** The objective of this subcomponent is to help the Government strengthen accountability and expand access to services in the agriculture (including irrigation) and livestock sector. The subcomponent will finance technical assistance, training, and ICT equipment in following areas:

- (i) Using monitoring and evaluation (M&E), including ICT tools such as management dashboards to improve the performance of agricultural services in partnership with academic and research institutes;
- (ii) Improving the regulatory framework to encourage private sector providers to engage in delivering agricultural services in FATA;
- (iii) Systematically gathering and analyzing citizen feedback and engaging citizens in improving service delivery using ICT technologies (e.g. GIS, smart phones etc.);
- (iv) Expanding access to grievance redress and accountability mechanisms (such as the FATA Tribunal and the Government's Inspection Team), expanding their outreach at the local level (e.g. through mobile complaint registration units), and raising people's awareness of these mechanisms with a focus on women; and
- (v) Developing core competences of public officials through certification courses for public officials, notably in financial management, procurement, internal audit, project management, and M&E in collaboration with international and local institutions. This activity may also finance other learning activities such as knowledge sharing with other provinces and countries in reforms similar to those being undertaken with GPP support.

**Component 3: Ensuring effective support for the coordination of governance reforms and the operational management of the GPP.** The objective of this component is to support the Government's capacity to coordinate governance reforms and implement GPP-financed activities. The component will finance the following activities:

- (i) **Coordination support for governance reforms:** This activity will finance a small Governance Reform Support Unit (GRSU) to be housed in the Planning and Development Department (P&DD) that will coordinate technical support and monitor the implementation and results of the Long-Term Governance Action Plan; and
- (ii) **Implementation support for the GPP:** This activity will finance an Operations Support Unit (OSU) that will report to the Director-General for Projects, P&DD. The OSU will support procurement and contract management, financial management, internal audit (firm), M&E, project communications, gender mainstreaming, learning activities, agriculture specialist, and ICT support for project interventions.

### **Component Name**

Improving transparency and accountability in the use of public resources

### **Comments (optional)**

This component aims to support priority PFM reforms based on the findings of the recent PEFA assessment. More specifically, it aims to improve budget transparency and accountability (subcomponent 1.1) and public procurement (subcomponent 1.2).

### **Component Name**

Improving public investment management and service delivery

**Comments (optional)**

The objective of this component is to strengthen and institutionalize mechanisms for systematic performance monitoring, citizen facilitation and engagement in improving public services, private sector participation in service delivery, and effective grievance redress with a focus on agriculture services.

**Component Name**

Ensuring effective support for the coordination of governance reforms and the operational management of the GPP

**Comments (optional)**

The objective of this component is to support the Government's capacity to coordinate governance reforms and implement GPP-financed activities.

**E. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

Project activities will take place in the Federally Administered Tribal Areas (FATA), Pakistan.

**F. Environmental and Social Safeguards Specialists**

Salma Omar (GSU06)

**II. Implementation**

**Institutional and Implementation Arrangements**

The Project Steering Committee (PSC) will provide high-level guidance for and regular oversight of GPP activities. The PSC is led by the Additional Chief Secretary and is required to meet at least twice a year. To ensure regular oversight by the PSC, the review of the GPP will be combined with the quarterly review of the Annual Development Plan (ADP) Review. The PSC will review implementation progress and provide guidance for moving forward.

Implementation support for the GPP will be provided by two units – an Operations Support Unit (OSU) and a Governance Reforms Support Unit (GRSU). Based on the recommendation of an evaluation of the Implementation Support Unit (ISU) of the GSP, it is proposed to divide the functions of the ISU under the GSP between two units, as follows:

- (i) Governance Reform Support Unit (GRSU): This Unit will be housed in the Department of Planning and Development (P&DD). The unit will coordinate and monitor governance reforms supported by the GPP and other donor projects to ensure timely project support for the governance reforms identified in the Long-Term Governance Action Plan. The GRSU will comprise three advisors that will report to the Director-General Projects in the P&DD.
- (ii) Operations Support Unit (OSU): This Unit will be led by a Coordinator who will report to the Director-General for Projects, P&DD. As under the GSP, the OSU (part of the previously ISU) will be housed in the P&DD. The OSU will manage cross-cutting support to all GPP activities: financial management; procurement; internal audit; M&E; project communications; and learning activities.

**III. Safeguard Policies that might apply**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

#### **IV. Key Safeguard Policy Issues and Their Management**

##### ***A. Summary of Key Safeguard Issues***

<b>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</b>
The activities of the proposed project do not trigger any social or environmental safeguard policies. The environmental and social risks are however rated as significant on account of the risk of disruption of economic and social activities that could be triggered by natural disasters (floods, earthquakes), or by a deterioration in the security situation. These risk drivers are beyond the control of the project.
<b>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</b>
<b>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</b>
<b>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</b>
<b>5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.</b>

##### ***B. Disclosure Requirements***

**If the project triggers the Pest Management and/or Physical Cultural Resources policies, the**



<b>respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.</b>
<b>If in-country disclosure of any of the above documents is not expected, please explain why:</b>

### *C. Compliance Monitoring Indicators at the Corporate Level*

<b>The World Bank Policy on Disclosure of Information</b>			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
<b>All Safeguard Policies</b>			
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ <input type="checkbox"/> ]	No [ <input type="checkbox"/> ]	NA [ <input type="checkbox"/> ]

### **V. Contact point**

#### **World Bank**

Contact: Clelia Kalliopi Helena Rontoyanni

Title: Senior Public Sector Specialis

Contact: Sher Shah Khan

Title: Senior Public Sector Specialis

#### **Borrower/Client/Recipient**

Name: Economic Affairs Division

Contact: Mr. Tariq Bajwa

Title: Secretary

Email: secretary@ead.gov.pk

#### **Implementing Agencies**

Name: Planning and Development Department, FATA

Contact: Mr. Shakeel Qadir Khan

Title: Secretary

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**VI. For more information contact:**

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**VII. Approval**

Task Team Leader(s):	Name: Clelia Kalliopi Helena Rontoyanni, Sher Shah Khan	
<b><i>Approved By</i></b>		
Practice Manager/ Manager:	Name: Alexandre Arrobbio (PMGR)	Date: 27-Jun-2016
Country Director:	Name: Anthony Cholst (CD)	Date: 30-Jun-2016