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

Report No.: PIDISDSA17814

Date Prepared/Updated:  16-Aug-2016

I. BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Pakistan</th>
<th>Project ID:</th>
<th>P156410</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Name</td>
<td>Governance and Policy Program for Khyber Pakhtunkhwa (KP) (P156410)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>SOUTH ASIA</td>
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<tr>
<td>Estimated Appraisal Date:</td>
<td>06-May-2016</td>
<td></td>
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<tr>
<td>Estimated Board Date:</td>
<td>31-Aug-2016</td>
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<td>Investment Project Financing</td>
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<td>Borrower(s):</td>
<td>Economic Affairs Division</td>
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<td>Implementing Agency:</td>
<td>Planning and Development Department, Khyber Pakhtunkhwa</td>
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<table>
<thead>
<tr>
<th>Financing (in USD Million)</th>
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<td>Financing Source</td>
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<tr>
<td>Borrowing Agency</td>
</tr>
<tr>
<td>MDTF for Crisi Affected Areas of NWFP/FATA/ Balochistan</td>
</tr>
<tr>
<td>Financing Gap</td>
</tr>
<tr>
<td>Total Project Cost</td>
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</tbody>
</table>

| Environmental Category: | C - Not Required |
| Appraisal Review Decision (from Decision Note): | |
| Other Decision: | |
| Is this a Repeater project? | No |

B. Introduction and Context
Country Context

1. Pakistan, the world’s sixth most populous country, is a lower-middle-income country with a 2015 per-capita gross national income of US$1,430. While Pakistan’s per capita income has almost doubled and the share of the population living in poverty has decreased by two-thirds over the last decade, the country’s recent gross domestic product (GDP) growth rates (estimated at 4.5 percent in 2016) have been slower than needed to provide for the level of jobs required for a young and growing population. Prospects for economic growth are beginning to improve, supported by increasing reserves, low inflation, and continuing strong remittances. Nevertheless, a weak private sector environment, public sector management, and implementation capacity will continue to hamper service delivery performance. As a result, human development indicators continue to lag. In fact, Pakistan did not meet the targets most of the Millennium Development Goals by 2015, including those related to education and health.

2. Khyber Pakhtunkhwa (KP) has faced a number of crises in the past decade. Due to its geographical proximity and community-level ties to Afghanistan, KP has suffered from the fallout of the conflict in Afghanistan, which has given rise to a precarious security situation as well as prolonged political and social instability. Related hostilities and extremist violence have caused far-reaching disruption to economic activity and inflicted extensive damage to private property, livelihoods, and public infrastructure.

3. KP is also one of Pakistan’s less developed regions, with some economic and social development indicators lagging the national averages. The province of KP accounts for an estimated 10.5 percent of the country’s GDP and about 14 percent of the population (approximately 27 million). Per capita income in KP is estimated to be 33 percent below the national average and 39 percent of households are estimated to live below the national poverty line. Another relevant indicator is household size, which is strongly correlated with poverty in Pakistan. KP households comprise 7.2 members on average, well above the national average of 6.3. Most of KP’s population (85 percent) also lives in rural areas, where access to public services and income generation opportunities is lower than in urban centers.

4. The province has also traditionally lagged in human development, especially education. Pakistan overall failed to meet the Millennium Development Goals (MDGs) for human development, and outcomes in KP are below the national averages. According to the 2013/2014 Pakistan Social and Living Standards survey (PSLM), the adult literacy rate in KP was 53 percent (30 percent for women) compared to a national average of 57 percent. Despite positive trends in recent years, large gender disparities remain. Almost half of the people over ten years of age in KP have never attended school (46 percent overall, 63 percent for women). Most health indicators have shown modest improvements in the past 15 years but fall far short of MDG targets.

Sectoral and institutional Context

Governance reforms to date

1. Following the 18th Amendment to the Constitution in 2010, like other provinces KP acquired increased competences. Under the 18th Amendment, provinces acquired exclusive competences in several areas including agriculture, education, and health. The 7th National Finance Commission (NFC) award of 2009 also increased provinces’ revenues in two ways: First, the 7th NFC award raised the provinces’ share of the divisible pool of revenues from 47.5 percent to 57.5 percent. Second, it expanded the provinces’ own source revenues, notably by assigning the Sales Tax on Services (STS) to the provincial level.

2. Within its expanded mandate, the KP Government has taken some bold steps towards citizen-centric governance. The province has strengthened citizens’ legal rights and established effective institutional mechanisms to enable them to assert these rights. KP was the first province
in Pakistan to adopt a far-reaching Right to Information Act in 2013 and so far the only province to have passed a Right to Public Services Act in 2014. More importantly, the relevant institutions, the RTI and the RTPS Commissions, became operational quickly and delivered rapid results in monitoring and enforcing compliance with the new laws. The province also established an independent anti-corruption agency with a strong mandate, the Ehtesab Commission, in 2014.

3. Several of these initiatives have received support from the Governance Support Project (GSP). The project, which has been the main instrument for the Bank’s support to governance in KP (2010-2016), has helped the province achieve some tangible results (Table 1).

Table 1: GSP results in KP

i) Grievance redress: The Peshawar High Court has introduced an e-citizen grievance redress system and has accelerated the resolution of complaints. The annual disposal rate increased from 53 percent in 2013 (3,031 cases out of a caseload of 5,702) to 95 percent in 2015 (2,867 cases out of 3,011 in 2014). The KP Ombudsman has also provided citizens with increased access to grievance redress: the number of cases resolved in increased from 345 complaints in 2012 to 509 in 2014. Furthermore, there is an increase in the number of complaints from 905 in 2012 to 1,253 in 2014, indicating increased citizen trust in the institution.

ii) Right to Information: Following the adoption of the KP Right to Information Act of 2013 (RTI), the KP RTI Commission has been monitoring the authorities’ compliance with the law. In 2015, the RTI Commission resolved 309 out of 419 complaints against non-compliance or inordinate delays in providing information.

iii) Right to Public Services: KP is the first province in Pakistan to adopt a Right to Public Services Act in 2014. Since its establishment in early 2015, the KP Right to Public Services (RTPS) Commission has established time standards for 19 public services. Monitoring of the standards to date shows signs of improved responsiveness in 19 out of 25 districts. Specifically, the average time decreased for the following services: issuance of domicile certificate from 14 to 9 days; issuance of fard (property registration title) from 5 to 3 days; issuance of construction permit from 32 to 30 days; registration of criminal incidence reports (FIR) by the police from 6 to 5 days; issuance of birth and death certificates from 7 to 2 days.

iv) M&E function: The GSP has assisted the M&E Directorate-General in the P&D in introducing systematic monitoring in the nine focus areas of the Post-Crisis Needs Assessment (PCNA) of 2010. The Directorate has produced two PCNA implementation reports and an impact evaluation of the PCNA in collaboration with local and international academic institutions. The GSP has also supported the Directorate-General to develop a monitoring system for public investment projects.

4. KP has also taken steps to decentralize service delivery functions and resources to local governments. The province adopted the Local Government Act (LGA) in 2013 and held local government elections in 2015. The LGA of KP differs from those of other provinces in four major respects. First, it mandates elections for all levels of local government, whereas in other provinces district-level governments consist of delegates from lower levels of government. Second, it assigns more service delivery functions to local governments. Compared to other provinces, KP districts have more extensive functions, which include education, health, agriculture, and rural roads. Town authorities are now responsible for waste management, and water supply and sanitation. Third, it guarantees local governments a minimum level of financing, equal to at least 30 percent of the province’s Annual Development Plan (ADP). Fourth, some competences have been decentralized to even a lower level than the Union Council to the village and neighborhood Councils, increasing the number to 3,300, including 1,000 Union Councils. The provincial Government is now working to build the capacity of local governments to take on
service delivery and manage public resources.

Public service delivery

5. Since the devolution, the province has sharply increased spending on public services, albeit with relatively modest results. The 7th NFC award of 2009 covering the period FY2010/11 ➢ FY2015/16 increased federal transfers to KP by 79 percent compared to the previous five years. Thanks to these additional resources, the province increased spending on health and education by almost five times in nominal terms during this period. This additional spending has produced visible results in expanding access to basic services. Quality issues however have dampened the impact of the increased spending. For example, public schools often lack essential facilities including water, sanitation, or boundary walls, which deter many families from sending their children, especially girls, to school. Staffing has increased, but most new hires have been in auxiliary roles rather than professional positions, which has done little to improve quality.

6. The provincial Public Financial Management (PFM) system that was found weak in most dimensions by the Public Expenditure and Financial Accountability Assessment (PEFA) 2007, is further strained by the increase of funds, following the 7th NFC Award. In particular given that for KP, the resource base was further expanded with the additional allocation of 1% of divisible pool to absorb the financial impact of the war on terror. Finally, the agreement between the federal and provincial government on hydel profit arrears further augmented the fiscal position. As a result, the resource envelope of the government increased approximately 2.5 times, in turn manifesting the need for a robust PFM for efficient and effective use of public resources.

7. To improve results, KP has introduced budget reforms and monitoring of service delivery outputs, and initiated a PEFA repeat assessment supported by the Bank. In particular, the province has introduced a three-year Medium Term Budget Framework (MTBF) to strengthen planning and taken steps towards output-based budgeting. In 2012, KP established a Public Procurement Regulatory Authority, which has introduced regulations to increase transparency and efficiency in procurement. In 2014, the province adopted a Law on Public-Private Partnerships (PPPs) and established a PPP Unit in the Planning and Development Department (P&DD) to build capacity to manage PPPs and concessions. With support from the Bank, the KP Government has also started monitoring service delivery facilities, tracking delivery timeframes for administrative services, and conducting citizen satisfaction surveys.

8. KP has applied some good practices and innovations to improve the effectiveness of public investment. Between 2009/10 and 2014/15, the provincial Government increased the size of the Annual Development Plan (ADP) by 96 percent in nominal terms in an effort to remedy the provinces’ infrastructure deficit, including in the social sectors. The MTBF has supported multi-annual planning in the preparation of the ADP, which gives priority to ongoing projects. In recent years, ongoing projects have accounted for around 60 percent of the ADP. The P&DD has also introduced the Development Planning Monitoring System (DPMS), a software tool developed with Bank support that helps the Government track project preparation, approval, and execution. Thanks to its link with the Treasury system, the DPMS provides real time data on financial progress, but does not track physical progress.

9. At the same time, several shortcomings erode the effectiveness of development spending. Perhaps the most important of these is the higher number of projects resulting in thin spreading of the ADP which in the last two years has continued to comprise of about 1500 projects, each year. This dispersion of resources undermines the quality of project preparation and appraisal, given the limited capacity of the public administration. It also leads to inefficiencies in procurement, and hinders effective monitoring of implementation. A review of the ADP suggests that there is much scope for consolidating similar small projects. Another issue is the under-provisioning for
operational and maintenance (O&M) costs, which risks deterioration of the infrastructure. The KP Public Expenditure Review (PER) published by the Bank in 2013 also notes that projects are often underfinanced in the outer years, which hinders timely completion and functionality. Other issues in ADP planning include the addition of new projects during the fiscal year and patterns of ADP over-execution and under-execution in particular sectors.

Revenue mobilization
10. The province’s ambition to rapidly bridge the gaps in service delivery and infrastructure has driven efforts to increase own source revenues. Without increasing own source revenues, it will be difficult for the KP Government to realize its ambitious plans for investments in schools and healthcare facilities as well as in energy, irrigation, and transport infrastructure. Based on the revenue assignments under the 7th NFC award, KP has introduced some tax reforms with encouraging results. At the start of FY13/14 the province established the KP Revenue Authority (KPRA), which took over STS collection from the Federal Board of Revenue (FBR). The province also passed the Khyber Pakhtunkhwa Finance Act (2013), which expanded the tax base by adding 37 services to the 11 that had already been subject to STS. These reforms increased STS revenues from PKR 3.4 billion in 2012/13 to PKR 6.2 billion in FY2014/15 and an estimated PKR 7.3 billion in FY2015/16. The number of active STS taxpayers also rose by 81 percent and the rate of tax filing rose from 30 to 45 percent. Furthermore, for 2016/17 five additional services have been added expanding the total number to 62 services, with a revenue target of PKR 10 billion.

11. KP has much scope to further increase its own source revenues and reduce its dependency on federal transfers. In FY2013/14, total federal transfers accounted for 88.5 percent of the KP’s total revenues, and the province’s own source revenues accounted for 6.4 percent; the remainder came from capital gains and foreign aid. Own source tax revenues contributed only 3.4 percent of the budget. In FY2013/14, the tax revenue collected by KP was estimated at around 0.5 percent of provincial GDP, compared to around 0.8 percent for Sindh and 1.3 percent for Punjab. The STS is the main source of own tax revenue in 2013/14 (54 percent), followed by land taxes, and the motor vehicle tax. Preliminary assessments point to a large tax gap, especially for the STS. KP also has substantial scope to increase non-tax revenues, notably from the hydropower (hydel) generation, subject to better governance in the Public Sector Entities (PSEs) active in this sector.

Government program for the next few years
12. The Government’s program places strong emphasis on better governance. The KP Integrated Development Strategy (IDS, 2014-2018) prioritizes increased coverage and quality of basic services (education, health, and water and sanitation), and the development of the energy, agriculture, and mining sectors as the main drivers of growth and job creation. The IDS states that governance reforms are embedded in all government priorities, driving sectoral strategies for economic and social development. The document provides problem diagnostics as well as planned actions, timeframes, budget allocations, and Key Performance Indicators for each sector.

13. Narrowing gender gaps and promoting citizen engagement are part of the IDS vision for better governance. To reduce gender gaps, the IDS envisions the development and systematic collection of gender disaggregated indicators, and the use of these data in policy planning and budgeting. The IDS also includes provisions for building the capacity of local governments and engaging local communities in overseeing service delivery and managing local infrastructure. It also commits the Government to collecting and analyzing citizens’ feedback on public
The IDS also sets the goal of expanding fiscal space for financing the social sectors, with measures on both the revenue and expenditure sides. On the revenue side, the IDS focuses on investing in the capacity of the KPRA, including through ICT systems, and on establishing taxpayer facilitation centers. On the expenditure side, the IDS expresses commitment to participatory, results-oriented budgeting. It also provides for strengthened internal controls and the implementation of the Financial Accounting and Budgeting System (FABS) at the district level.

The Government has also adopted a Long-Term Governance Action Plan (2015-2025), which outlines reform actions. The Action Plan covers the following areas: (i) citizen-centric governance, including grievance redress mechanisms and regular collection of citizen feedback; (ii) ICT tools for transparency, accountability, and citizen facilitation, including e-procurement, taxpayer facilitation centers, and systems for monitoring service delivery in education and health; (iii) local government capacity development; (iv) public financial management, including public consultations; (v) anti-corruption; (vi) security, justice, and human rights; and (vii) monitoring of service delivery in education, health, and agriculture.

Furthermore, the Government has also formulated the Growth Strategy (2015-16) which envisages a growth rate of 7.5 percent of the provincial GDP in the medium term. This Strategy focuses on the priority sectors of: industry, agriculture; mining; tourism; and energy. To improve the investment climate, it also focuses on reducing the cost of doing business, governance, rule of law, and e-government. In-order to make the growth inclusive and spread its benefits to larger segment of the population, the Strategy targets health, education and skills development. This overall framework is planned to ensure sustainable growth at the end of its implementation.

Moreover, in an effort to identify priority areas for PFM reform to mitigate the potential fiduciary risks emerging from the increased public revenues and expenditure, the Government of Khyber Pakhtunkhwa requested the World Bank for a revised assessment of provincial PFM performance since PEFA 2007. The variety of changes, at the provincial level, resulting from the 18th Amendment, require that all line departments and public sector entities established and controlled by the provincial government, improve the, allocative efficiency, fiscal discipline, and service delivery.

Other development partners

Several development partners are engaged in initiatives supporting better governance in KP. Relevant projects include the following: the GIZ Support to Good Governance Program (SGGP); the DFID Subnational Governance (SNG) Project; the USAID Small Grants and Ambassador’s Fund Program, and KP Governance Project; the EU District Governance and Community Development Program; and the AusAID Citizens’ Empowerment for Social Services Delivery Project. These donors also contribute to a Multi-Donor Trust Fund (MDTF) that has financed the World Bank-managed GSP and is due to finance the GPP. One of the activities of the GSP was support to the KP Government’s coordination of donor assistance in all areas covered by the Post-Conflict Needs Assessment (PCNA) of 2010. In this context, the Government established the KP Development Partners Forum that has been meeting on a quarterly basis. The Government has also developed a Strategic Development Partnership Framework (SDPF), which reflects IDS priorities, to guide cooperation with development partners. These coordination mechanisms have helped the Bank team to minimize overlap with activities supported by other development partners.
C. Proposed Development Objective(s)

Development Objective(s)

The Project Development Objective (PDO) is to strengthen the capacity for Sales Tax on Services collection, and improve public investment management and accountability of public service delivery in the water sector in Khyber Pakhtunkhwa.

Key Results

The proposed project would have the following PDO indicators:

a) PDO indicator #1: Increased collection of the Sales Tax on Services (STS);

b) PDO indicator #2: Increased average size of per project appropriation in the water sector included in the ADP;

c) PDO indicator #3: Increased citizen engagement through regular collection of citizen feedback and direct engagement of citizens (at least 50 percent women) engaged in monitoring the service delivery in the water supply and sanitation sector; and

d) PDO indicator #4: Improved skills of public officials (gender disaggregated) measured by the number of officials with certification in financial management, procurement, project management, and M&E.

D. Project Description

1. Component 1 ➞ (Increasing capacity for revenue mobilization and the public financial management (US$ 5.25 of which US$3.75 million is from Grant proceeds with US$2.75 million under the IPF modality and US$1 million to be disbursed under DLI 1): The objectives of this component are the following: (i) to develop capacity for own source revenue collection with a focus on the STS; and (ii) strengthen public financial management. The component comprises two subcomponents:

2. Subcomponent 1.1 ➞ (Increasing capacity for STS collection: This component will finance capacity building activities, including the following:

a) An assessment of the province’s revenue potential followed by technical assistance for developing a revenue mobilization plan;

b) Technical assistance for establishing a tax policy unit in the Finance Department; and

c) Technical assistance and training for STS administration including the following areas: (i) taxpayer registration and tracking of tax returns; (ii) revenue forecasting; (iii) human resource management in the KPRA; (v) tax assessment techniques using business intelligence; (vi) taxpayer facilitation; (vii) risk-based audit; and (viii) taxpayer awareness campaign.

3. Subcomponent 1.2 ➞ (Strengthening public financial management (PFM) and accountability: This subcomponent support PFM activities, including in the following areas: (i) PFM reform strategy; (ii) internal audit; (iii) capacity development of the Public Accounts Committee in the Provincial Assembly to scrutinize the execution of the budget; and (iv) fiscal transfers to local governments.

4. Component 2 ➞ (Improving public investment management and accountability in public services (US$ 5.25 of which US$3.75 million is from Grant proceeds with US$2.75 million under the IPF modality and US$1 million to be disbursed under DLI 2): This component will help the Government improve the effectiveness of public spending on infrastructure and strengthen accountability in public services through two subcomponents.

5. Subcomponent 2.1 -- Strengthening public investment management: The objective of this subcomponent is to improve the quality of public investment. The subcomponent will capacity
building activities, including the following:

a) An assessment of current government capacity with reference to the eight must-have features of a well-functioning public investment system and development of a PIM action plan to address the main issues identified by the assessment with a focus on the water sector (hydropower, water and sanitation);

b) Technical assistance and training for implementing the PIM action plan, including in the following areas: (i) processes and tools for preparing and appraising projects; (ii) self-assessment of PIM systems to increase the productivity of investments in the water sector; (iii) project implementation, including procurement, contract management, monitoring of progress, and verification as fit for purpose; (iv) asset management, including monitoring the condition of infrastructure assets and adequate operational and maintenance; and

c) Technical assistance for developing and implementing an integrated water resources management strategic plan for the productive utilization of public assets. The strategic plan would be based on an analysis of the revenue potential and economic benefits of potential investments with a view to mobilizing financing from the public and private sectors.

6. Subcomponent 2.2 -- Improving accountability in public services: This subcomponent will finance technical assistance and training in the following areas:

a) Building government capacity for using monitoring and evaluation (M&E), and engaging citizens in monitoring service delivery, to improve the management of public services in partnership with research institutes with a focus on the water supply and sanitation sector;

b) Increasing the effectiveness of grievance redress mechanisms, notably the following: (i) Right to Public Services Commission and KP Ombudsman; and (ii) civil society organizations (CSOs) engaged in raising awareness and helping citizens, especially women, to access grievance redress mechanisms.

7. Component 3: Providing effective support for the coordination of governance reforms and operational management (US$2.5 million is from Grant proceeds): The objectives of this subcomponent is to strengthen Government capacity to track reform implementation, coordinate external support, and prepare and implement development projects. The component will include the following activities:

a) Support to the Governance Reform Support Unit (GRSU) to be housed in the P&DD. This small unit will help the Government to monitor the progress of the KP Long-Term Governance Action Plan and coordinate external support to relevant line departments and public sector entities (LD & PSEs). The GRSU will comprise three advisors who will report to the Director-General of the PCNA Development Unit in the P&DD.

b) Support to the Operations Support Unit (OSU) that will be housed at the P & DD, and will report to the Director General of the PCNA Development Unit, P&DD. The Director General coordinate all activities of the PCNA program. This unit will provide operational support to GPP activities in the following areas: procurement, contract management, financial management, internal audit (firm), M&E, strategic communications, information and communication technology, and learning and gender activities.

c) Skills development for government officials, especially those from departments that participate in project activities. This will include training and knowledge sharing with other provinces and countries. Training will comprise certification courses in financial management, procurement, project management, and M&E as well as trainings in development planning and leadership development. The courses will be delivered by local institutes and in a few cases international institutions for specific skills and technical needs to ensure sustainable training capacity.
Component Name
Component 1: Increasing capacity for revenue mobilization and public financial management
Comments (optional)

Component Name
Component 2: Improving public investment management and accountability in public services
Comments (optional)

Component Name
Component 3: Providing effective support for the coordination of governance reforms and operational management
Comments (optional)

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

F. Environmental and Social Safeguards Specialists

II. Implementation

Institutional and Implementation Arrangements
1. The P&DD of Khyber Pakhtunkhwa will be the lead Implementing Agency, which will be responsible for the implementation of Components 2 and 3. The Finance Department will be responsible for Component 1. Other beneficiaries will include the following organizations: Departments of Public Health, Local Government, and Energy and Power, as well as the Khyber Pakhtunkhwa Revenue Authority (KPRA), and the KP Ombudsman.
2. Implementation support for the GPP will be provided by two units: an Operations Support Unit (OSU) and a Governance Reforms Support Unit (GRSU) as follows:
   a) The OSU will be housed in the P&DD and will be led by a Coordinator who will report to the Director General of the PCNA Unit. The OSU will support GPP activities with financial management, procurement, internal audit, M&E, strategic communications, information and communication technology, and learning and gender initiatives. An advisor will be hired for each of these functions, except internal audit which will be conducted through a firm.
   b) The GRSU will support technical coordination of governance reforms in areas supported by the GPP. The Unit will also assist the M&E Directorate in monitoring the progress of the Governance Action Plan. The GRSU will comprise of three advisors that will report to the DG PCNA, namely, governance specialist, citizen engagement specialist, and public private partnership specialist.
3. The Project Steering Committee (PSC) will provide high-level guidance and regular oversight of GPP activities. The PSC is led by the Additional Chief Secretary of KP. To ensure timely oversight by the PSC, will meet bi-annually. The PSC will review implementation progress
and provide guidance for moving forward, including to revise the Operational Manual.

4. The details of the implementation arrangements of the GPP 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. The Operations Manual will be developed by the Project Implementing Entity within three months of effectiveness satisfactory to the World Bank.

5. In view of the limited technical capacity of government departments, the project envisages enhanced implementation support by the Bank. This would involve frequent implementation support missions to advise the beneficiary departments in planning project activities and ensure that implementation problems are resolved in a timely manner. In addition, the Bank team will share knowledge from other countries by engaging external or Bank experts in specialized areas such as sales tax administration and public investment management.

### III. Safeguard Policies that might apply

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<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>No</td>
<td>The project will not finance any infrastructure nor any feasibility studies or other project preparation documents for infrastructure investments. TA to be provided under the Public Investment Management component will include support for investment prioritization based on an Integrated Water Resource Management Strategy as well as for the development of processes for the appraisal and implementation monitoring of capital projects. The proposed project is rated as category C for environmental safeguards purposes.</td>
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<tr>
<td>Natural Habitats OP/BP 4.04</td>
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<td>Forests OP/BP 4.36</td>
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<td>Pest Management OP 4.09</td>
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<td>Physical Cultural Resources OP/BP 4.11</td>
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<td>Involuntary Resettlement OP/ BP 4.12</td>
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<td>Safety of Dams OP/BP 4.37</td>
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<td>Projects on International Waterways OP/BP 7.50</td>
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<td>Projects in Disputed Areas OP/ BP 7.60</td>
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### IV. Key Safeguard Policy Issues and Their Management

#### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

   The activities of the proposed project do not trigger any social or environment safeguard policies.
The social risks are rated as ‘significant’ on account of the risk for social disruption related to the security situation and the region’s vulnerability to natural disasters.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

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.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level

<table>
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<tr>
<th>The World Bank Policy on Disclosure of Information</th>
<th>Yes [ ] No [ ] NA [ × ]</th>
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<tr>
<td>Have relevant safeguard policies documents been sent to the World Bank’s Infoshop?</td>
<td>Yes [ ] No [ ] NA [ × ]</td>
</tr>
<tr>
<td>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?</td>
<td>Yes [ ] No [ ] NA [ × ]</td>
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</table>

All Safeguard Policies

| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes [ ] No [ ] NA [ × ] |
| Have costs related to safeguard policy measures been included in the project cost? | Yes [ ] No [ ] NA [ × ] |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes [ ] No [ ] NA [ × ] |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes [ ] No [ ] NA [ × ] |

V. Contact point
World Bank
Contact: Sher Shah Khan  
Title: Senior Public Sector Specialis

Contact: Clelia Kalliopi Helena Rontoyanni  
Title: Senior Public Sector Specialis

**Borrower/Client/Recipient**  
Name: Economic Affairs Division  
Contact: Omar Hamid Khan  
Title: Additional Secretary  
Email: homar363@gmail.com

**Implementing Agencies**  
Name: Planning and Development Department, Khyber Pakhtunkhwa  
Contact: Zafar Ali Shah  
Title: Secretary  
Email: zalishah@hotmail.com

**VI. For more information contact:**  
The InfoShop  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-4500  
Fax: (202) 522-1500  
Web: http://www.worldbank.org/infoshop

**VII. Approval**

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Name: Sher Shah Khan, Clelia Kalliopi Helena Rontoyanni</th>
</tr>
</thead>
</table>
| Approved By          | Name: Immanuel Frank Steinhilper (PMGR)  
                      | Date: 16-Aug-2016 |
| Practice Manager/    | Name: Anthony Cholst (CD)  
Manager:              | Date: 06-Sep-2016 |
| Country Director:    | Name: Immanuel Frank Steinhilper (PMGR)  
                      | Date: 16-Aug-2016 |