

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB2001

<b>Project Name</b>	AJK-Community Infrastructure and Services Project (AJK-CISP) - Earthquake Additional Financing
<b>Region</b>	SOUTH ASIA
<b>Sector</b>	General water, sanitation and flood protection sector (50%);Sub-national government administration (20%);Other social services (15%);Roads and highways (10%);Health (5%)
<b>Project ID</b>	P099046
<b>Borrower(s)</b>	GOVERNMENT OF PAKISTAN
<b>Implementing Agency</b>	LOCAL GOVERNMENT RURAL DEVELOPMENT DEPARTMENT (LGRDD) Local Government and Rural Development Department Planning and Development Department AJK Public Works Department AJK Education Department AJK Revenue Department AJK
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	November 28, 2005
<b>Date of Appraisal Authorization</b>	November 17, 2005
<b>Date of Board Approval</b>	December 1, 2005

1. Country and Sector Background

Forty percent of Pakistan's population lives in conditions of absolute poverty, manifested by low levels of literacy, high incidence of malnutrition and diseases, and low labor force participation. Low income rural and urban communities live in unserved or underserved settlements with poor environmental conditions. Residents suffer from a range of diseases caused by polluted drinking water, poor sanitation, and inadequate provision of health care. Seasonal illnesses, like colds and flu, as well as malaria, diarrhea, and dysentery are common. A 1998 census shows that only 34.58 percent of the rural population has access to piped water supply (house connection) while more than 65 percent fetch water from communal sources. These indicators of poverty are particularly pronounced among women who suffer from deeply rooted cultural and institutional constraints that prevent them from attaining their full potential and in playing a significant role in community development. However, the Government has now realized the urgent need for a new policy approach and strategy to address this problem. Several positive actions have already been taken in this direction since the beginning of this decade, including the Government's recent effort to promote and /or improve women's education and place in the society.

**Poverty.** A Social Assessment study as part of the project preparation has reported the following characteristics of Azad Jammu and Kashmir (AJK). Around 88 percent of the territory's 2.9 million people live in rural areas and are dependent on forestry and agriculture for their livelihood. Reduced agricultural productivity has greatly affected the traditional lifestyle and stimulated an increase in outmigration for off-farm employment. Unemployment remains a major problem, ranging between 35 and 50 percent. Women have had to undertake many tasks previously performed by men and, in spite of external remittances, the average annual per capita income in AJK is only between US\$ 185 and 200, half

the average income of a Pakistani. With its mountainous terrain, its small scattered rural settlements (and hence the lack of major urban centers), poverty is widely and fairly evenly distributed across AJK, with only Mirpur district in slightly better socioeconomic conditions.

***Lack of basic infrastructure and services.*** Some progress in increasing access to basic infrastructure and services has been made in AJK in the last few years. The Rural Water Supply & Sanitation (RWSS) project in AJK has provided access to potable water to almost 35 percent of the population. This still leaves a significant deficit in water supply coverage. Moreover, deficiencies in sanitation, solid waste collection and disposal facilities, and drainage, which were not covered by the RWSS project, remain very high. Literacy has increased in some districts as evidenced by the 1998 census data which show a 48 percent literacy rate in four districts, a significant increase from only 10 percent in the last 20 years. Despite recent successes, however, much more remains to be done to improve existing low levels of infrastructure and services. More than 60 percent of the population still has no direct access to water supply. Most settlements have dirt roads which are impassable during the rainy season, thereby limiting economic opportunities, as well as access to market and other inputs. Residents are not able to obtain skills training and micro-credit, which are needed to help them improve their income. A declining number of students (particularly girls) in secondary education and the absence of girls' middle and high schools in most areas are major drawbacks in efforts to improve female education.

***Inadequate mechanisms for sustained infrastructure and service delivery.*** Local governments at the district and municipal levels lack the institutional, technical, and financial resources needed to address existing deficiencies in local infrastructure and services, let alone expand them to meet increasing demands. Faced with these constraints, they continue to depend on the Government of AJK (GoAJK) for their operational requirements. Where infrastructure exist, local governments fail to ensure their effective operations and maintenance (O&M), partly due to financial constraints, partly due to institutional weaknesses, and partly due to unwillingness on their part and on the part of communities to accept O&M responsibilities for works completed by higher levels of government.

Earthquake October 2005. The earthquake left in its wake widespread devastation particularly in parts of NWFP and AJK. Districts worst affected in AJK are Muzaffarabad, Bagh, Poonch (Rawalakot), and Sadhnoti. There was immense loss of life. Most household stock and infrastructure including road network, drinking water supply systems, health and education facilities, as well as other public and private buildings are estimated to have been destroyed completely or to have suffered serious damages. A joint World Bank and Asian Development Bank team, in partnership with other major donors has carried out a preliminary damage and needs assessment for the purposes of reconstruction and rehabilitation. The report will be available by November 15, 2005.

## 2. Objectives

The objective of the proposed AJK CISP project is to improve the well-being of unserved and underserved low income communities through the delivery of cost effective and sustainable community development schemes, and basic infrastructure and services, using participatory community-based approaches. This would be achieved by: (i) strengthening the role and capabilities of local governments at the district and lower levels to extend technical, financial, and management support to community-based organizations (CBOs); (ii) mobilizing and building the capacity of CBOs to increase their participation in development activities; and (iii) effective governance, transparency, and accountability through improvements in operational, monitoring and evaluation, and financial and budgetary procedures for project implementation.

The Project will support the development of a participative development framework to be implemented by the district and other lower levels of government working closely with communities and their community-based organizations (CBOs).

The main objective of the Category Z project, AJK ERP is to assist the GoAJK in implementing a program to restore vital economic and social infrastructure damaged and/or destroyed by the October 2005 earthquake. Performance of the project would be measured by how well GoAJK is able to restore the damaged infrastructure to stimulate a return of economic activity to normalcy.

### 3. Rationale for Bank Involvement

The Government is committed to work towards its goal of accelerating poverty reduction initiatives through a targeted program that will directly reach a substantial proportion of the poor. Taking advantage of Bankwide experience in similar operations, the Government has solicited the Bank's assistance in improving the operations of its own basic infrastructure provisions such as the Kushal Pakistan program. The Bank is best placed to support the Government's objective because of the good practices that have emerged from its funded projects (the RWSS, NRMP, CIP-NWFP, and the PPAF), and the confidence that the federal and provincial government officials in Pakistan has in the capacity of Bank to help them develop a successful countrywide program. The Bank, therefore, has a comparative advantage in encouraging institutional and capacity development, and in ensuring that mechanisms for the long term sustainability of investments will be in place. The proposed project would be fully consistent with the GoP's and GoAJK's objectives and would provide an appropriate and timely vehicle for the Bank to assist GoP in its devolution initiatives in ways that will have the most positive impact on the rural and urban poor.

The Bank's experience in supporting earthquake emergency rehabilitation operations comes from working with government across regions, more recently in Gujrat and Maharashtra in India, Turkey, Iran, Colombia and El Salvador to mention a few. The Bank's other comparative advantage is that it has past experience of working with GoAJK in implementing projects which have activities similar to the ones to be dealt with under this project.

### 4. Description

The AJK CISP Project will have three complementary components, briefly described as follows (see Annex 2 of the PAD for a detailed description of each):

- (a) **Decentralized planning and implementation assistance (US\$ 3.08 million).** This component will develop the capacity of the state, district, communities/CBOs through: (i) specialized services and training assistance in institutional strengthening through improved procedures for project implementation, monitoring and evaluation, and training and capacity building activities; (ii) project implementation support, through incremental staff cost for state, district and field staff; (iii) operating costs and recurrent cost; (iv) Pakistan and overseas cross visits; and (v) Studies on; (i) water quality testing and (ii) baseline/time savings study within the context of a knowledge attitude practice. This component will finance capacity building activities and services by consultants and other service providers (such as local consulting groups, private sector firms, NGOs, training and academic institutions).
- (b) **Community development (US\$ 2.133 million).** This component will include: (i) mobilization, organization, and capacity building through training and technical assistance in the development of Community Action Plans (CAP) as the basis for the active participation of communities in the planning,

implementation, and management of their development programs including systematic training on various parts of the scheme cycle including survey design, construction technologies and community initiatives, and field support activities; (ii) health and environmental sanitation awareness (HESA) program to reduce morbidity by generating demand for safe water, sanitation, and other basic infrastructure, and for the improvement of the overall environment; and (iii) support to women and children (SWC) in areas of health, skills and management training, economic/functional literacy, and livelihood improvement through linkages with economic and micro-credit facilities; A complementary economic literacy (or functional literacy) assistance will be provided for 10 to 15 percent of participating community households; emphasis will be on adult literacy and in activities to help combat other urban pathologies (youth violence) emerging in many urban low income areas. This component will finance mostly capacity building and training activities for the CBOs and their members, and related equipment as needed.

(c) **Community infrastructure (US\$ 21.94 million).** This component will involve investments in basic infrastructure and services, with priorities to be established in partnership with the communities through their CBOs. This operation is designed in such a way that the actual locations of the proposed interventions are not identified at this stage since a demand-driven planning approach will be used during implementation. A menu of infrastructure to be provided includes: (i) water supply; (ii) community latrines; (iii) storm water drainage; (iv) street pavements; (v) street lighting; (vi) solid waste management; (vii) internal pathways; (viii) foot bridges; and (ix) tagging/numbering streets; and (x) trunk and other specialized infrastructure facilities will also be included to ensure that basic infrastructure function efficiently. Particular attention will be given to ensuring the integration of community programs, e.g., water supply and/or sanitation schemes with health and sanitation activities. The Project will finance civil works and related equipment, technical services for pre-feasibility studies and infrastructure design, and capacity building in supervision of works, operation and maintenance, project monitoring, etc.

Costs shown below are only indicative and will be agreed at the conclusion of negotiations.

Decentralized Planning and Implementation Assistance US\$ 3.08

Community Development US\$ 2.133

Community Infrastructure & Services US\$ 21.94

Under the Category Z, AJK ERP works will be carried out in all affected districts of AJK: Muzaffarabad, Poonch (Rawalakot), Bagh, and Sadhnoti. It is not possible to restore all reported damages with funds that would be available under this project. Consequently, work under selected sectors would be carried out and, furthermore, prioritization would be done within the sectors in each district.

The project would comprise the following three components:

(a) **Restoration of Economic and Social Infrastructure:** The component will include, but not be limited to, restoration and reconstruction of social and physical infrastructure such as roads, education and health facilities, water supply and sanitation systems, street pavement, foot bridges, etc.

(b) **Strengthening of the Safety Nets and Capacity Building:** This component would include two subcomponents: i Strengthening of safety nets, including among other things providing cash grants and in-kind assistance to the affected communities and households and capacity building/training in order to enable communities to reconstruct with improved standards and to better handle disasters in the future.

**Project Management and Implementation Support:** This component will finance project management and monitoring. It will provide support to provincial and district level governments by financing staff and consultant recruitment and incremental operating costs. This component will also finance third party inspection and validation.

## 5. Financing

### **AJK CISP**

#### **Source (Total ( US\$m))**

BORROWER (\$3.80)

IDA (\$20.00)

LOCAL COMMUNITIES (\$3.35)

**Total Project Cost: \$27.15**

### **AJK ERP**

#### **Source (Total ( US\$m))**

Reallocated IDA (\$10.00)

Additional Credit IDA (\$30.00)

**Total Project Cost: \$40.00**

Source:	(\$m.)
BORROWER/RECIPIENT	0
INTERNATIONAL DEVELOPMENT ASSOCIATION	40
Total	40

## 6. Implementation

### **AJK CISP**

***Institutional and implementation arrangements.*** The proposed project will utilize the existing institutional structure of Local Government Rural Development Department (LGRDD) -- its district offices (DOs) covering its rural wing, and municipal councils (MCs, i.e., municipal corporations, municipal committees or town councils) for urban activities -- without creating any add-on project implementation unit. The management of the project will be based on a decentralized, demand-responsive structure that will grant local DOs, MCs and participating CBOs as much decision-making authority as possible, and will promote community ownership of and responsibility for operation and maintenance of infrastructure investments. Details included in the Project Appraisal Document (PAD).

***Financial management arrangements.*** At project start up, appropriately qualified and experienced accounting and financial staff will be put in place at all levels of the project to ensure that requirements with regards to internal controls, accounting, financial reporting, procurement, and disbursements are met, and that independent audit issues and questions are resolved. Within the PS, a Deputy Director, who is experienced in IDA's reporting requirements, disbursement procedures, and the operation of the Special Account, will head the Finance and Administration.

***Procurement.*** Management of procurement would be decentralized according to the type of contracts, and would involve the DOs/MCs and the CBOs. The DOs responsible for Rrural and MCs responsible for urban and peri- urban programs, with assistance from consultants and with formal training in the World Bank's guidelines, will carry out procurement and contract administration envisaged under the Project. Both the DOs and MCs shall engage a procurement consultant (one each for rural and urban) for at least the first year of the project to serve as the focal point for all procurement matters related to their respective schemes, and to provide comprehensive procurement support, including procurement planning and monitoring, preparation of bidding documents, evaluation of bids and contracts, and overall guidance in complying with the project's overall procurement procedures. Smaller community infrastructure work

would be contracted by the CBO and larger ones by the DOs/MCs in partnership with the CBOs. (see Annex 6 of the PAD for details on procurement arrangements).

***Monitoring and evaluation arrangements.*** A participatory and flexible M&E system for the Project based on the model already established in the RWSS project has been designed and field tested. The system relies largely on beneficiary input with quality control provided by Project staff. The system will serve: (a) as a tool for capacity building at the local level; and (b) as a tool for project decision-makers to use in monitoring project implementation. Performance indicators, an internal Management Information System (MIS), and guidelines for yearly assessments of beneficiary impact have been established, and will be utilized and refined with continuous feedback. In addition, independent baseline surveys with mid-term and end-of-phase follow-up will be carried out to evaluate impacts on the socioeconomic (poverty reduction) and environmental conditions, as well as institutional capacity of beneficiary communities.

## **AJK ERP**

***Institutional and Implementation Arrangements.*** A Project Steering Committee (PSC), headed by the Additional Chief Secretary (ACS), Planning and Development Department (P&DD), would oversee the project. GoAJK will appoint a full-time Project Coordinator (PC), who will head a Project Coordination and Monitoring Unit (PCMU) based in P&DD, which would be responsible primarily for coordination of department and district activities.

Respective line departments would be the implementing agencies for this project. These include but are not limited to Public Works Department (PWD), Local Government and Rural Development Department (LGRDD), Education Department, and Revenue Department. A District Coordination Committee (DCC), headed by the Deputy Commissioner who would be the District Project Coordination Officer (DPCO), and with district representatives of all concerned line departments would be established in each district to oversee the implementation of the project.

***Fiduciary Arrangements.*** Consistent with the implementation arrangements, detailed procurement and financial arrangements have been prepared for this project. For details refer to Annex 2 and Annex 3 of the Project Paper..

***Monitoring and Supervision.*** The state government and respective line departments would monitor and supervise implementation of project activities through a system of reporting. Besides regular monitoring by government agencies, monitoring through third party inspection/validation will be conducted to ensure that infrastructure reconstructed is according to standards and cash grants go to the affectees in most need. The third party inspection/validation will be managed by the PCMU under the guidance of the PSC.

## **7. Sustainability**

The sustainability of the project will depend on strong leadership and commitment by all key stakeholders. Its success will also depend on how effective the participatory mechanisms for infrastructure and services delivery at the district and community levels are operationalized. In AJK, there is a strong support for the proposed project from the highest to the lowest levels of government. With considerable resources directed at institutional strengthening, and assured technical, financial, and institutional support to local administration from AJK, a stronger capacity will be built within district and municipal governments. At the community level, sustainability will depend on the degree to which community beneficiaries have ownership of their CD and CI schemes. The contributions and obligations

required from them under the Project will help achieve this sense of ownership. A high level of participation in project planning and implementation by the communities also helps in building this sense of ownership, and will therefore support the sustainability of community investments.

## 8. Lessons Learned from Past Operations in the Country/Sector

The ICR of the completed AJK-RWSS has the following key lessons learnt: (i) project rules need to ensure exclusion of political interference in scheme selection; (ii) response to the needs of low income communities requires an integrated approach to infrastructure and services delivery offering a menu of complementary interventions from which they can choose according to their priorities and affordability; and (iii) local schemes of which communities share the costs, based on the concept of component sharing, promote community ownership and project sustainability.

The Bank has extensive experience supporting restoration of damage due to natural (flood and drought) calamities in Pakistan. It has so far supported five such emergency operations – four of them relating to flood damage restoration and one to drought emergency relief assistance (DERA). These projects were successful in meeting their objectives of restoring infrastructure and assisting in economic recovery. Factors contributing to successful implementation were: (i) flexible and demand driven designs; (ii) regular high level oversight by local/provincial and federal authorities; (iii) early fielding of supervisory and implementation assistance consultants; (iv) enforcement of performance based criteria for eligibility of implementing agencies to undertake incremental work; (v) enforcement of discipline in procurement planning and contract management; and (vi) mid-term reviews with flexibility to introduce required changes.

## 9. Safeguard Policies (including public consultation)

**Issues** : The project is expected to contribute to the improvement of environmental conditions in rural, and urban areas in AJK by providing and expanding basic infrastructures. For instance, some of the main environmental health improvements expected under the water supply and sanitation component include: (i) time and energy savings for women and children by bringing sources of water closer to the home; (ii) increased water supply for bathing, washing, and cleaning; (iii) improvements in hygiene and sanitation practices; and (iv) reduced bacterial contamination due to controlled disposal of human waste.

Typical investment components are expected to include: (i) water supply; (ii) latrines and public toilets; (iii) drainage; (iv) low-cost sewerage; (v) internal pathways and footbridges; (vi) street paving; (vii) street lighting and sweeping; (viii) primary solid waste collection; and (ix) community centers and meeting rooms. These small-scale infrastructure are not expected to generate major negative environmental effects. However, a number of adverse impacts could occur if the investments are not properly planned, sited, designed, constructed, and operated and maintained.

Typical negative impacts that may arise include: (i) impacts from excavation, fill and disposal of materials; (ii) disturbance and safety hazards during construction; and (iii) induced erosion caused by construction activities and improper drainage. For water supply and sanitation schemes negative impacts may include: (i) contamination of the spring source during water supply development and construction; (ii) hydraulic interference between existing and new well sources; (iii) inadequate drainage and wastewater disposal causing cross-contamination of water supplies as well as mosquito breeding; and (iv) inadequate protection of water sources from bacteriological and chemical contamination. Environmental issues at policy and implementation levels include: (a) water quality testing and monitoring, and institutional measures to ensure that safe water is available to the community, including village-based

water quality control programs, (b) sustainability of yield from water sources and potential for conflict with existing and/or downstream users; and (c) catchment protection, watershed management, and promotion of integrated management of local water resources.

To address the above issues, an Environmental Management Framework has been designed as part of project preparation activities. The main objectives of the Environmental Management Framework (EMF) are to: (i) ensure project compliance with environmental safeguards; and (ii) enhance the design of community infrastructure plans and sub-schemes. To this end, special emphasis was placed on "mainstreaming" environmental considerations by taking the following actions:

- ⌚ To ensure ownership, the EMF was developed by GoAJK, using its own capacity and resources, to promote continuous dialogue on environmental issues during project preparation and implementation. The Head of the EPA, GoAJK, has been made a full member of the Project Management and Coordination Committee (PMCC);
- ⌚ Environmental capacity within both LGRDD and the Municipal Corporations (including Muzaffarabad, Mirpur, Kotli) will be created to support project design, implementation, and monitoring; a training program and materials will be developed (for use by staff and communities);
- ⌚ CISP will connect with ongoing and future environmental activities by GoAJK and will build upon them (e.g., water quality survey, environmental awareness program, solid waste management program, etc.);
- ⌚ CISP will gradually introduce systematic water quality testing and monitoring (which is not currently performed in AJK); and
- ⌚ The community development component of CISP will include hygiene and environmental sanitation awareness programs.

**Disputed Areas:** The proposed project will be carried out in AJK, an area over which India and Pakistan have been in dispute since 1947. By financing the proposed Credit, IDA, does not intend to make any judgment as to the legal or other status of any disputed territories or to prejudice the final determination of the parties' claims.

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
<a href="#">Environmental Assessment (OP/BP/GP 4.01)</a>	[X]	[ ]
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	[ ]	[X]
Pest Management ( <a href="#">OP 4.09</a> )	[ ]	[X]
Cultural Property ( <a href="#">OPN 11.03</a> , being revised as OP 4.11)	[ ]	[X]
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	[ ]	[X]
Indigenous Peoples ( <a href="#">OD 4.20</a> , being revised as OP 4.10)	[ ]	[X]
Forests ( <a href="#">OP/BP 4.36</a> )	[ ]	[X]
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	[ ]	[X]
Projects in Disputed Areas ( <a href="#">OP/BP/GP 7.60</a> )*	[ ]	[X]
Projects on International Waterways ( <a href="#">OP/BP/GP 7.50</a> )	[X]	[ ]

## 10. List of Factual Technical Documents

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

None.

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