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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 28-Apr-2023 | Report No: PIDA32505

**BASIC INFORMATION****A. Basic Project Data**

Country Pakistan	Project ID P176780	Project Name Khyber Pakhtunkhwa Rural Investment and Institutional Support Project	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 03-Apr-2023	Estimated Board Date 13-Jun-2023	Practice Area (Lead) Social Sustainability and Inclusion
Financing Instrument Investment Project Financing	Borrower(s) Islamic Republic of Pakistan	Implementing Agency Planning and Development Department, Public Health Engineering Department, Local Government , Elections and Rural Development Department, Irrigation Department, Agriculture Department, Communication and Works Department	

Proposed Development Objective(s)

The Project Development Objective is to strengthen state capabilities for delivery of basic services and climate resilient infrastructure in the project areas, including for the poor and vulnerable

Components

Multisectoral Investments and Improved Service Delivery
Institutional Development for Merged Areas
Emergency Flood Response
Project Management, M&E, and Technical Assistance
Contingent Emergency Response Component

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**



Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

- Over the past two decades, Pakistan significantly reduced poverty, but human development outcomes have lagged, and severe economic challenges put past gains at risk.** Pakistan made significant progress towards reducing poverty between 2001 and 2018 when the expansion of off-farm economic opportunities and increased inflow of remittances allowed over 47 million Pakistanis to rise out of poverty. However, this rapid poverty reduction has not fully translated into improved socio-economic conditions, as human capital outcomes have remained poor and stagnant, with high levels of stunting at 38 percent and learning poverty at 75 percent. Pakistan has also experienced frequent macroeconomic crises due to a growth model based on private and government consumption, with productivity-enhancing investment and exports contributing relatively little to growth. Growth of per capita gross domestic product (GDP) has been low and volatile, averaging under two percent in the last two decades. Recent unprecedented floods are likely to have serious impacts on poverty, human development outcomes, and economic growth.
- The recent floods have had enormous human and economic impacts.** Pakistan experienced heavy monsoon rains between June and September 2022, severely affecting millions of households, mainly in Sindh and Balochistan. Roughly 33 million people have been displaced, and more than 13,000 km of roads destroyed. The flooding has damaged 2.2 million houses, flooded around 9.4 million acres of



crops, and killed an estimated 1.2 million livestock, adversely affecting rural livelihoods. Limited access to input and output markets and temporary disruptions to supply chains have driven up food prices and added to existing price pressures resulting from reduced agricultural yields and the global rise of food prices. Due to significant crop and livestock losses, food shortages have intensified in the fall and winter, with food price inflation increasing to more than 50 percent. With the destruction of infrastructure and disrupted access to schools, medical facilities, and sanitation systems, the floods have negatively impacted health and education outcomes especially for rural areas, potentially affecting long-term human capital accumulation. Preliminary estimates suggest that the national poverty rate may increase by up to 4 percentage points as a direct consequence of the floods, potentially pushing around 9 million people into poverty. The recently completed Post-Disaster Needs Assessment (PDNA)¹ estimated need for rehabilitation and reconstruction is at US\$16.3 billion, not including much-needed new investments to strengthen Pakistan's resilience to future shocks.

3. **The recently published Country Climate Development Report² shows that Pakistan's high vulnerability to climate change is a risk multiplier, compounding its human and economic development challenges.** The country consistently ranks among the top ten countries worldwide most affected by climate change.³ Extreme weather events have increased in frequency and intensity, impacting ecosystems, people, settlements, and infrastructure. Heatwaves, heavy precipitation events, droughts, and cyclones are prevalent risks. Attribution research on the 2022 floods has shown that the 5-day maximum average rainfall of Balochistan and neighboring Sindh was around 75 percent more intense than it would have had the climate not warmed by 1.2 degrees.⁴ Climate projections have been predicting such a shifting trend for years. Historical records show that heavy rainfall has significantly increased in the region alongside the increase in greenhouse gas emissions, strongly suggesting climate change played a central role in the event. The floods came on the heels of a severe heatwave and saw temperatures continuously above 45°C, resulting in crop losses, power outages, and forest fires. These changes in climate and extreme events are likely to disproportionately affect the most disadvantaged groups, among these low-income businesses, those engaged in manual labor jobs, poorer farmers, women, and children

Sectoral and Institutional Context

4. **In 2018, Pakistan passed its 25th Constitutional Amendment, integrating the former Federally Administered Tribal Areas (FATA) areas into the province of Khyber Pakhtunkhwa.** Bordering Afghanistan to the west, the roughly 27,200 square kilometer area belonging to the former Federally Administered Tribal Areas (FATA) is sparsely populated and mountainous, made up predominantly of Pushtun tribal groups. Until 2018, FATA consisted of seven tribal agencies-- Bajaur, Mohmand, Khyber, Kurram, Orakzai, North Waziristan, and South Waziristan—that were directly governed by the federal government through a special set of laws.⁵ The announcement of the merger into the neighboring province of Khyber Pakhtunkhwa came alongside a major reforms package to address the development

¹ Government of Pakistan. 2022. *Pakistan Floods 2022 Post-Disaster Needs Assessment*. Ministry of Planning Development & Special Initiatives.

² World Bank Group (2022). *Pakistan Country Climate Development Report*.

³ Germanwatch, Global Climate Risk Index 2021. <https://www.germanwatch.org/en/19777>

⁴ World Weather Attribution, 2022. <https://www.worldweatherattribution.org/wp-content/uploads/Pakistan-floods-scientific-report.pdf>

⁵ This British era Frontier Crimes Regulation persisted through the establishment of Pakistan and stipulated self-governance and justice through tribal councils (*jirgas*) and established a special set of rights of judicial appeal and due process outside of the country's judicial system.



discrepancies with the rest of the country. The merger was positioned to take place over a decade, with the extension of institutional and administrative systems, infrastructure development, socio-economic support, improved services and building of citizen-state relationships to fully integrate the former tribal areas into the rest of the province and the country. Nearly four years after the merger, the development needs of the area continue to be high in the Newly Merged Districts (NMD).

5. **Poverty rates in the newly merged districts are some of the highest in the country.**⁶ This indicates a structural disadvantage and lack of physical and human capital endowments of households. Pakistan's overall poverty rate is 21.9 percent, with an estimated rural poverty rate of 28.2 and urban poverty rates of 10.9 percent. KP has the second highest poverty rate in the country at 29.5 percent, following Balochistan (42.7 %) and followed by Sindh (24.1%) and finally Punjab (16.2%). However, within KP, the estimated poverty rate for just the NMD is 47 percent, the highest poverty rates in the country. Educational outcomes are particularly low in the NMD and extremely gendered, suggesting extreme deprivations in growth and development opportunities for children and youth, especially for girls. For example, in North Waziristan district, primary education completion for boys is 65.4 percent, while only 3.4 percent for girls. Overall, the NMDs are among the poorest performing districts in KP and Pakistan in terms of living standards, measured against a diverse set of variables.

6. **Poor infrastructure provision contributes to poverty and low human capital outcomes and limits economic prospects and opportunities in the NMD.** Around 97 percent of the population lives in rural areas and is heavily dependent on subsistence agriculture and livestock as a source of livelihoods. Most households have small landholdings, and more than half of the cultivated land is rainfed. Poor transportation and connectivity are cited as key factors to food insecurity and significant seasonal hunger in the merged areas, with limited opportunities for market exchanges. Around 85.5 percent of the population of the NMD has access to improved water sources⁷ and 28 percent have access to improved sanitation, well below the KP average of nearly 70 percent. Open defecation continues to persist, resulting in the contamination of various drinking water sources with fecal matter.⁸ At 48 percent, the NMDs of KP exhibit high rates of stunting of children under five years of age,⁹ which has implications for physical and cognitive capacity of children, leading to losses in earnings, human capital, and ultimately economic growth at the national level. At the time of the merger, the NMDs had only one health care facility for every 4,200 people and one doctor for every 7,800 people and presented some of the lowest socio-economic development outcomes in the country.

7. **The 2022 floods have placed additional fiscal constraints on the KP Province to manage the development needs in the merged areas and the province.** KP is especially vulnerable to climate related weather shocks, flash floods and extreme weather events.¹⁰ A total of 17 of 36 districts in KP were impacted by the floods in 2022, affecting an estimated 4.35 million people, and pushing around 720,000 people into poverty. In addition to the direct impact on monetary poverty, losses to human capital and

⁶ World Bank, Pakistan Poverty and Equity Team (2022): KP's Newly Merged Districts – A spatial analysis of living standards, access to utilities and services, and climate risks. *Mimeo*.

⁷ In addition, an estimated 80 percent of households do not treat their water for drinking/cooking use, resulting in over 60 percent of households' drinking water to be contaminated with E.coli (against a Pakistan wide average of 31 percent) (2016 estimates)

⁸ Government of Pakistan. National Nutrition Survey 2018: Key Findings Report. Islamabad, Pakistan: Ministry of Health Services, Regulations and Coordination, Nutrition Wing.

⁹ Compare this to 40 percent nationwide (see Government of Pakistan. National Nutrition Survey 2018: Key Findings Report. Islamabad, Pakistan: Ministry of Health Services, Regulations and Coordination, Nutrition Wing)

¹⁰ Khyber Pakhtunkhwa Climate Change Financing Framework. Rep. Islamabad: Government of Khyber Pakhtunkhwa, 2018. Print.



loss of land productivity could set in motion more durable declines in welfare and will require specific attention. Estimated damages sustained to infrastructure in the province were severe, with significant damages to public infrastructure, including irrigation canals, roads and bridges, power generation equipment and transmission, schools, and water supply and sanitation. The Post Disaster Needs Assessment estimates that Khyber Pakhtunkhwa sustained around PKR 201 billion (US\$935 million) in damages, PKR 141 billion (US\$658 million) in losses, with an estimated PKR168 billion (US\$780 million) in financial needs to address the floods. The province will require significant funding to address the recovery and reconstruction needs. The dual financial requirements of both addressing recovery from the floods and sustaining the continued investments in the merged areas is significant. The GoKP, through the P&DD has prepared a Flood Response Plan. The FRP 2022 identifies additional medium-term initiatives to strengthen climate resilience in the province. P&DD continues to coordinate multi-sectoral development for the merged areas as well as for the flood response.

8. **The Government of Khyber Pakhtunkhwa (GoKP) initiated an ambitious development plan for the NMD that is summarized in a ten-year Tribal Decade Strategy (2020-2030).** As a first step, the TDS highlights the need to extend state systems for service delivery as a critical pre-requisite for improving development outcomes, and to ensure grassroots development to strengthen the relationship between citizens and the state and improve public service delivery. The overall estimated budget requirements to fulfill development needs in the NMD is estimated at PKR1.33 trillion (US\$6.63 billion) over the next decade (2020-2030), which is expected to be financed through GoKP expenditures, federal government contributions, and donors and development partners. To date, the GoKP has allocated substantial amounts towards this through its Annual Development Plan (ADP) and an Accelerated Implementation Program (AIP) that focuses specifically on the NMD.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective is to strengthen state capabilities for delivery of basic services and climate resilient infrastructure in the project areas, including for the poor and vulnerable

Key Results

The following key results are expected from the project:

- Village councils with strengthened capacity for needs-based planning (Number)
- Beneficiaries that feel critical public services investments meet their needs (Percentage, by gender)
- Households with improved access to climate resilient public services (Number)
- Beneficiaries of climate resilient flood protection infrastructure (Number)

D. Project Description

9. **Project Approach.** The project is the first phase of a Multiphase Programmatic Approach, covering two phases over a nine-year implementation period. The Program Development Objective (PrDO) is to increase access to resilient and reliable basic services for households living in the Newly Merged Areas of Khyber Pakhtunkhwa. The total financing envelope for the MPA is US\$300 million, with the first phase of \$200 million over a 6-year implementation period. Phase 1 is positioned to address two critical priorities for the GoKP. First, the project responds to foundational investments in the merged areas as outlined in the GoKP's TDS (2020-2030). This includes strengthening state responsiveness in the merged areas and to facilitating citizen driven service delivery.



Second, the project supports a critical priority for the GoKP in responding to and building resilience of the province for climate related extreme weather events. These priorities are summarized in the 2022 Flood Response Plan. Taken together, the project components support objectives of (i) investing in the provision of critical citizen-centric public services in underserved areas of the province; (ii) strengthening state responsiveness to citizens; and (iii) supporting recovery and resilience to floods and climate related weather events in the affected areas of the province. Most of the project interventions targets the eight (8) newly merged districts (NMD) and six (6) frontier regions (FRs), where the development gap is largest. Support provided through the emergency flood recovery component will target all flood impacted districts in the province. The project has five components.

10. **Component A: Multisectoral Investments and Improved Service Delivery (US\$90 million).** The objective of this component is to extend state systems to the merged areas, by focusing both on investments in infrastructure as well as the missing delivery systems that hinder effective service delivery. The component will finance multisectoral infrastructure investments in water supply and sanitation, rural roads, and agriculture and irrigation infrastructure sectors with a view to invest in high priority and critical infrastructure to improve connectivity, economic productivity, and human capital outcomes. All facilities will be designed to incorporate measures to improve energy efficiency, sustainability principles and green designs and will use design principles that enhance citizen inclusion. The component will also finance the costs associated with consulting services for feasibility studies, surveys, designs, environment and social assessments, preparation of site-specific environment and social plans, labor management plans, and construction supervision and support services for all infrastructure investments.

11. **Component B: Institutional Development of Merged Areas (US\$55 million)** This component will finance investments to bolster state responsiveness to citizens, focusing on lower tiers of government and service delivery. It will include (B1) institutional strengthening and capacity building of village councils and communities for participatory planning, budgeting, monitoring, strengthening social accountability systems, and community development and behavioral change outreach; (B2) conditional grants to village councils to finance local infrastructure priorities in line with community preferences; and (B3) local public service delivery centers at the *tehsil* level to facilitate access to services, especially of civil and vital records. The project will finance the deployment of social mobilizers and engineering support to village councils to support village level sub-projects from a positive menu of options including water supply, sanitation, footpaths, boundary walls, rehabilitation and construction of small-scale irrigation canals, and community halls/VC offices. Selected sub-projects will be financed through conditional grants to VCs based on the fulfillment of basic access conditions. The component will finance the establishment or improvement of public service delivery centers at the *tehsil* level.

12. **Component C: Emergency Flood Response (US\$50 million).** The objective of this component is to support the GoKP in flood recovery and reconstruction efforts as well as to improve climate resilience in the province. The component will finance the rehabilitation and reconstruction of critical flood protection infrastructure through the Irrigation Department that was damaged by the 2022 floods. This can include infrastructure in the MA or the settled districts. This component will also support the Irrigation Department to conduct master planning of the merged areas, focusing on integrated water resources management and flood protection, and addressing climate resilience. Based on the master plan, 2-3 high priority schemes in the merged areas would be selected. Additional funds will be utilized through interventions in the agriculture department for small scale flood protection works in the merged areas.

13. **Component D: Project Coordination, M&E and Technical Assistance (US\$5 million).** This component will support the GoKP to effectively implement the project, and to coordinate all project related activities, monitoring, technical assistance, and training. It will include (D1) establishment of a Project Coordination and



Management Unit (PCMU) under Planning and Development Department, to help intensive coordination and monitoring of the Project activities implemented by line departments and Village Councils. The component will also include (D2) monitoring and evaluation, including the development of a digital M&E system and real time updates via a dashboard system; and (D3) technical assistance, training, and strategic studies.

14. **Component E: Contingent Emergency Response Component (US\$0 million).** Following an adverse natural event that causes a major natural disaster, the GoKP may request the World Bank to re-allocate project funds to support response and reconstruction. This component could also be used to channel additional funds should they become available because of the emergency.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

15. Overall, the Project will have positive environmental and social benefits through improved climate resilient infrastructure, provision of basic services, and flood rehabilitation. Given this is an MPA, E&S risks will be reviewed and revised for phase 2 as implementation progresses, and Board approval will be sought if E&S risks for subsequent phase/s are High or Substantial.

16. The environmental risks for the Project are rated as **moderate** while the social risks are rated as **substantial**, giving an **overall E&S risk rating of Substantial**. The environmental risks are mainly associated with civil works which include small to medium scale multiple investments whose impacts are anticipated to be reversible, localized, and temporary in nature and can be easily mitigated through appropriate E&S instruments. These impacts may include localized air and noise pollution, limited vegetation clearance, soil erosion and sedimentation during civil works, wastewater in case of poor septic tank designs, water pollution in case of waste run off into waterways, community health and safety risks due to investments expected to be located in rural or suburban areas. Social risks are mainly related to potential social exclusion and access, especially of vulnerable and disadvantaged groups, safety and security of project staff in NMDs, and the capacity of implementing departments in working through a participatory paradigm. Land in NMDs is mostly communally owned, and project districts have not undergone land settlement. Though there is a moderate risk of small-scale land acquisition and removal of informal settlers from public lands, land issues will need careful handling given the potential for disputes which can cause social unrest and delays. A Resettlement Policy Framework (RPF) has been prepared to guide these processes in accordance with ESS5. The Project does not include major civil works, hence there will not be large-scale labor influx. The SEA/SH Risk Screening Tool rates the SEA/SH risk of the project as Low but given gender gaps and extremely limited access to response services, the risk for SEA/SH is proposed as **moderate**.



17. The project districts are predominantly rural and sub-project locations are planned in and around village areas. The size and complexity of the schemes will be determined based on risks identified against Environment and Social Screening Checklist prepared as part of Environment and Social Management Framework (ESMF). The screening criteria excludes sites located in critical habitats (including protected areas or other sensitive habitats) and will ensure selection of sub projects with low and moderate risks. ESMF will include guidance on exclusion of projects in critical habitats including legally protected areas and projects with significant impact on Critical habitat and natural habitats. A chance find procedure is included in ESMF to guide handling of previously unknown cultural heritage encountered during project activities. Environment and Social Management Plans (ESMPs) will be prepared for moderate risk sub projects and E & S screening and monitoring checklists with mitigation measures will be prepared for low-risk sub projects. The institutional arrangements incorporate adequate E&S staff at each tier of implementation and budget for preparation of E&S instruments and capacity building measures.

18. The Borrower has prepared and disclosed a Preliminary ESMF (with RPF as a substantial chapter), a draft Labor Management Procedures (LMP), and a preliminary Stakeholder Engagement Plan (SEP) on December 13, 2022. These will be updated with required data and feedback from consultations in flood affected districts, as per timelines stipulated in the Environment and Social Commitment Plan (ESCP), and re-disclosed.

19. The current E&S instruments are applicable to MPA1 only and will be revisited for MPA2 after assessing the experience of MPA1 implementation and risk profile of investments in MPA2.

E. Implementation

Institutional and Implementation Arrangements

20. **Project Coordination and Monitoring.** P&DD will play a critical role in monitoring and oversight of project activities through its Project Coordination Management Unit (PCMU). The PCMU would be established with a dedicated Project Coordinator/Director for the project, along with technical staff including a procurement specialist, financial management specialist, social specialist, environmental specialist, M&E specialist, and technical staff. The unit would help in intensive monitoring and coordination for P&DD and the Steering Committee.

21. **Line Departments (C&W, PHED, LG, Irrigation and Agriculture).** Project activities would be implemented by the respective line departments who would be responsible for procurement, contract signing and management and financial management for all activities to be implemented by them and for delivering results against the agreed activity outcomes. For that each line department would have a dedicated team, a focal person for the project (Project Director) alongside procurement and financial management staff, as well as environment and social staff.

22. **Design and Supervision/Consultant Support.** Line departments will be supported with the services of Design and Supervision Consultants (Firm)—with one to support the Communication and Works (C&W) department for building complexes and link roads, and a second to support Public Health Engineering Department (PHED) and Irrigation Department jointly for water supply and irrigation schemes-- who would be designated as the “Engineer/Project Manager” for the construction design and supervision for civil works. The D&S Consultant will be responsible for finalizing any needs assessments, coordination with line departments, detailed designs or design reviews (in case the designs are already



prepared), site-specific environment and social management plans, construction supervision, and contract management support.

23. **Village Council Institutional Support.** The Local Government Department (LGD) will recruit a Consultant (Firm) to assist in the institutional Strengthening and Systems Building for newly elected VC/NC in the merged areas. The Consultants would provide hands on support to VC/NC to engage citizens through participatory planning, develop budgets and implementation plans, build overall development governance capacity, strengthen oversight and reporting systems, and improve citizen monitoring of public services provision. The Consultants would also provide engineering oversight for design and supervision of selected schemes.

24. **M&E Consultants.** P&DD will recruit M&E Consultants who will be responsible for establishing a digital monitoring dashboard for project activities. M&E consultants will also provide certification and oversight over activities in the agriculture department.

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