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Report No: PAD5353

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF JPY 28.984 BILLION
(US\$213 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR THE

INTEGRATED FLOOD RESILIENCE AND ADAPTATION PROJECT

May 12, 2023

Water Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2023)

Currency Unit = Pakistan Rupee (PKR)

PKR 283.700 = US\$1

US\$1 = JPY 136.075

FISCAL YEAR

July 1 – June 30

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ABBREVIATIONS AND ACRONYMS

| | |
|----------|---|
| 4RF | Resilient Recovery, Rehabilitation, and Reconstruction Framework |
| ADB | Asian Development Bank |
| AM | Accountability Mechanism |
| APPM | Accounting Policies and Procedures Manual |
| AWS | Automatic Weather Station |
| BIWRMDP | Balochistan Integrated Water Resources Management and Development Project |
| BLEP | Balochistan Livelihood and Entrepreneurship Project |
| CCDR | Country Climate Development Report |
| CERC | Contingent Emergency Response Component |
| CHS | Community Health and Safety |
| COVID-19 | Corona Virus Disease 2019 |
| CPF | Country Partnership Framework |
| CPS | Country Partnership Strategy |
| CWD | Communication and Works Department |
| DA | Designated Account |
| DG | Director General |
| E&S | Environment and Social |
| ECNEC | Executive Committee of the National Economic Council |
| EFF | Extended Fund Facility |
| ESCP | Environmental and Social Commitment Plan |
| ESMF | Environmental and Social Management Framework |
| ESMP | Environmental and Social Management Plan |
| ESS | Environmental and Social Standard |
| FA | Financing Agreement |
| FCV | Fragility, Conflict, and Violence |
| FM | Financial Management |
| FMS | Financial Management Specialist |
| FPMU | Federal Project Management Unit |
| FY | Fiscal Year |
| GBV | Gender-based Violence |

| | |
|---------|---|
| ICT | Information and Communications Technology |
| IDA | International Development Association |
| IFRAP | Integrated Flood Resilience and Adaptation Project |
| IMF | International Monetary Fund |
| IPF | Investment Project Financing |
| ISP | Implementation Support Plan |
| JICA | Japan International Cooperation Agency |
| JPY | Japanese Yen |
| KP | Khyber Pakhtunkhwa |
| M&E | Monitoring and Evaluation |
| ME3F | Monitoring, Evaluating and Following the Flow of Funds |
| MIS | Management Information System |
| MoPD&SI | Ministry of Planning, Development and Special Initiatives |
| NAM | New Accounting Model |
| NSER | National Socio-Economic Registry |
| O&M | Operations and Maintenance |
| OHS | Occupational Health and Safety |
| OP | Operational Policy |
| P&DD | Planning and Development Department |
| PBA | Performance Based Allocation |
| PC-1 | Planning Commission Form 1 |
| PCU | Provincial Coordination Unit |
| PDNA | Post-Disaster Needs Assessment |
| PDO | Project Development Objective |
| PIM | Project Implementation Manual |
| PIU | Project Implementing Unit |
| PKR | Pakistan Rupee |
| PMD | Pakistan Meteorological Department |
| PPSD | Project Procurement Strategy for Development |
| PSC | Project Steering Committee |
| PSIA | Project Supervision and Implementation Assistance |
| PV | Present Value |
| SAP | System Applications and Products in Data Processing |



| | |
|------|--|
| GCRF | Global Crisis Response Framework |
| GDP | Gross Domestic Product |
| GEMS | Geo-Enabling initiative for Monitoring and Supervision |
| GHG | Greenhouse Gas |
| GIS | Geographic Information System |
| GoB | Government of Balochistan |
| GoP | Government of Pakistan |
| GRM | Grievance Redress Mechanism |
| IBRD | International Bank for Reconstruction and Development |

| | |
|----------------------|---|
| SDFP | Sustainable Development Finance Policy |
| SDR | Special Drawing Right |
| SEA/SH | Sexual Exploitation and Abuse/Sexual Harassment |
| SEP | Stakeholder Engagement Plan |
| SoP | Series of Projects |
| SPC | Shadow Price of Carbon |
| tCO ₂ -eq | Tons of Carbon Dioxide Equivalent |
| UN | United Nations |
| WASH | Water, Sanitation, and Hygiene |
| WB | World Bank |
| WBG | World Bank Group |



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DATASHEET

BASIC INFORMATION

| | | | |
|--------------|--|--|---|
| Country(ies) | Project Name | | |
| Pakistan | Integrated Flood Resilience and Adaptation Project | | |
| Project ID | Financing Instrument | Environmental and Social Risk Classification | Process |
| P180323 | Investment Project Financing | Substantial | Urgent Need or Capacity Constraints (FCC) |

Financing & Implementation Modalities

| | |
|---|--|
| <input type="checkbox"/> Multiphase Programmatic Approach (MPA) | <input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC) |
| <input checked="" type="checkbox"/> Series of Projects (SOP) | <input type="checkbox"/> Fragile State(s) |
| <input type="checkbox"/> Performance-Based Conditions (PBCs) | <input type="checkbox"/> Small State(s) |
| <input type="checkbox"/> Financial Intermediaries (FI) | <input checked="" type="checkbox"/> Fragile within a non-fragile Country |
| <input type="checkbox"/> Project-Based Guarantee | <input type="checkbox"/> Conflict |
| <input type="checkbox"/> Deferred Drawdown | <input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster |
| <input type="checkbox"/> Alternate Procurement Arrangements (APA) | <input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS) |

| | |
|------------------------|-----------------------|
| Expected Approval Date | Expected Closing Date |
| 25-May-2023 | 31-Dec-2028 |
| Bank/IFC Collaboration | |
| No | |

Proposed Development Objective(s)

The project development objective (PDO) is to improve livelihoods and essential services and enhance flood risk protection in selected communities affected by the 2022 floods.

**Components**

| Component Name | Cost (US\$, millions) |
|---|-----------------------|
| Community infrastructure rehabilitation | 50.00 |
| Strengthening hydromet and climate services | 40.00 |
| Resilient housing reconstruction and restoration | 75.00 |
| Livelihood support and watershed management | 40.00 |
| Project management, technical assistance, and institutional strengthening | 8.00 |
| Contingent Emergency Response | 0.00 |

Organizations

Borrower: Islamic Republic of Pakistan

Implementing Agency: Ministry of Planning, Development and Special Initiatives

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

| | |
|--------------------|--------|
| Total Project Cost | 213.00 |
| Total Financing | 213.00 |
| of which IBRD/IDA | 213.00 |
| Financing Gap | 0.00 |

DETAILS**World Bank Group Financing**

| | |
|---|--------|
| International Development Association (IDA) | 213.00 |
| IDA Credit | 213.00 |

IDA Resources (in US\$, Millions)

| | Credit Amount | Grant Amount | SML Amount | Guarantee Amount | Total Amount |
|--|---------------|--------------|------------|------------------|--------------|
|--|---------------|--------------|------------|------------------|--------------|



| | | | | | |
|--|---------------|-------------|-------------|-------------|---------------|
| Pakistan | 213.00 | 0.00 | 0.00 | 0.00 | 213.00 |
| National Performance-Based Allocations (PBA) | 213.00 | 0.00 | 0.00 | 0.00 | 213.00 |
| Total | 213.00 | 0.00 | 0.00 | 0.00 | 213.00 |

Expected Disbursements (in US\$, Millions)

| WB Fiscal Year | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|-------------------|------|-------|--------|--------|--------|--------|--------|
| Annual | 1.00 | 35.00 | 65.00 | 70.00 | 30.00 | 10.00 | 2.00 |
| Cumulative | 1.00 | 36.00 | 101.00 | 171.00 | 201.00 | 211.00 | 213.00 |

INSTITUTIONAL DATA

Practice Area (Lead)

Water

Contributing Practice Areas

Agriculture and Food, Social Sustainability and Inclusion, Transport, Urban, Resilience and Land

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

| Risk Category | Rating |
|---|---------------|
| 1. Political and Governance | ● High |
| 2. Macroeconomic | ● High |
| 3. Sector Strategies and Policies | ● Substantial |
| 4. Technical Design of Project or Program | ● Substantial |
| 5. Institutional Capacity for Implementation and Sustainability | ● Substantial |
| 6. Fiduciary | ● Substantial |
| 7. Environment and Social | ● Substantial |
| 8. Stakeholders | ● High |



9. Other

● High

10. Overall

● High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☒ Yes ☐ No

Have these been approved by Bank management?

☐ Yes ☒ No

Is approval for any policy waiver sought from the Board?

☒ Yes ☐ No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

| E & S Standards | Relevance |
|---|------------------------|
| Assessment and Management of Environmental and Social Risks and Impacts | Relevant |
| Stakeholder Engagement and Information Disclosure | Relevant |
| Labor and Working Conditions | Relevant |
| Resource Efficiency and Pollution Prevention and Management | Relevant |
| Community Health and Safety | Relevant |
| Land Acquisition, Restrictions on Land Use and Involuntary Resettlement | Relevant |
| Biodiversity Conservation and Sustainable Management of Living Natural Resources | Relevant |
| Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities | Not Currently Relevant |
| Cultural Heritage | Relevant |
| Financial Intermediaries | Not Currently Relevant |

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Section I.A of the Schedule to the Financing Agreement (FA): The Recipient shall, at all times during the implementation of the Project establish, by not later than thirty (30) days after the Effective Date, Federal Project Management Unit ("FPMU") at the federal level.

Sections and Description

Section I.A of the Schedule to the FA: The Recipient shall establish or appoint, by not later than thirty (30) days after the Effective Date, Project Implementing Units ("PIUs"), each under BIWRMDP ("BIWRMDP PIU"), PMD ("PMD PIU"), and BLEP ("BLEP PIU"), to be responsible for the implementation of Part 1 ("BIWRMDP PIU"), Part 2 ("PMD PIU"), and Part 4 ("BLEP PIU").

Sections and Description

Section I.A of the Schedule to the FA: The Recipient shall establish a Provincial Coordinating Unit ("PCU") at the



provincial level.

Sections and Description

Section I.A of the Schedule to the FA: The Recipient shall maintain at all times during the implementation of the Project, a Project Steering Committee.

Sections and Description

Section I.B of the Schedule to the FA: The Recipient shall prepare and adopt, by not later than thirty (30) days after the Effective Date, a Project Implementation Manual, in form and substance satisfactory to the Association.

Conditions

| | | |
|----------------------|------------------------------|--|
| Type Disbursement | Financing source IBRD/IDA | Description Section III.B: No withdrawal shall be made for Housing Reconstruction Grants under Category (4) unless and until the Recipient has adopted a Housing Reconstruction Grants Manual acceptable to the Association. |
| Type Disbursement | Financing source IBRD/IDA | Description Section III.B: No withdrawal shall be made for Emergency Expenditures under Category (7), unless and until all of the following conditions have been met in respect of said expenditures: (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred and has furnished to the Association a request to withdraw Financing amount under Category (7); and (B) the Association has agreed with such determination, accepted such request and notified the Recipient thereof; and (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association. |



I. STRATEGIC CONTEXT

A. 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 toward 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 socioeconomic conditions, as human capital outcomes have remained poor and stagnant, with high levels of stunting at 38 percent and learning poverty at 75 percent. The deterioration of economic conditions, in combination with non-economic shocks such as the Corona Virus Disease 2019 (COVID-19) pandemic and the devastating floods of 2022, are expected to reduce household incomes and increase their vulnerability to falling below the national poverty line.
- Pakistan's economy is currently under severe stress with low foreign reserves, a depreciating currency, and high inflation.** Reflecting a consumption-driven growth model, with limited productivity-enhancing investment and exports, strong economic growth has often come at a cost of economic imbalances and frequent macroeconomic crises. Long-term growth of real gross domestic product (GDP) per capita has therefore been low, averaging only around 2.2 percent annually over 2000–22. With high public consumption, economic growth increased substantively above potential in fiscal year 2022 (FY22), which led to strong pressures on domestic prices, external and fiscal sectors, the exchange rate, and foreign reserves. These imbalances were exacerbated by the catastrophic flooding in 2022, surging world commodity prices, tightening global financing conditions, and domestic political uncertainty. Furthermore, distortive policy measures, including periods of informal exchange rate restrictions and import controls, delayed the International Monetary Fund (IMF) Extended Fund Facility (EFF) program, and contributed to creditworthiness downgrades, lower confidence, high yields and interest payments, and the loss of access to international capital markets.
- The 2022 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 affected and more than 13,000 km of roads were 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 Post-Disaster Needs Assessment (PDNA)¹ estimated that the need for rehabilitation and

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



reconstruction is at US\$16.3 billion, not including much-needed new investments to strengthen Pakistan's resilience to future shocks.

4. **At a national level, the PDNA shows that the housing, agriculture, water supply and sanitation, and irrigation sectors bear the brunt of the damage.** The provinces of Sindh and Balochistan account for approximately 50 percent and 15 percent of recovery and reconstruction needs, respectively. Table 1 shows the damage, loss, and needs² breakdown by region.

Table 1. Total Damage, Loss, and Needs in Pakistan

| Region | Damage | | Loss | | Needs | |
|--------------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | PKR billion | US\$ million | PKR billion | US\$ million | PKR billion | US\$ million |
| Balochistan | 349 | 1,625 | 541 | 2,516 | 491 | 2,286 |
| Khyber Pakhtunkhwa | 201 | 935 | 141 | 658 | 168 | 780 |
| Punjab | 111 | 515 | 122 | 566 | 160 | 746 |
| Sindh | 1,948 | 9,068 | 2,444 | 11,376 | 1,688 | 7,860 |
| Cross-Provincial* | 587 | 2,731 | 14 | 67 | 975 | 4,540 |
| Special Regions** | 7 | 32 | 11 | 49 | 10 | 48 |
| Grand Total | 3,202 | 14,906 | 3,272 | 15,233 | 3,493 | 16,261 |

Source: Government of Pakistan 2022.

Note: * Cross-provincial includes assets that affect more than one province or are calculated at the national level (e.g. railways, roads, telecommunications, etc.). The classification is in line with the public budget.

** Special regions include districts outside of the four main provinces affected by the floods and declared "calamity-hit."

5. **The economic impacts of flooding and the reconstruction needs will make it even harder for the government to stay on course with the much-needed economic adjustments to address the country's structural imbalances.** Economic growth is expected to slow and remain below potential in the medium term. Real GDP growth is expected to slow sharply to 0.4 percent in FY23, reflecting corrective tighter fiscal policy, flood impacts, high inflation, high energy prices, and import controls. Agricultural output is expected to contract for the first time in more than 20 years due to the floods. Industry output is also likely to shrink with supply chain disruptions, weakened confidence, higher borrowing costs and fuel prices, and heightened uncertainty. The lower activity is expected to spill over to the wholesale and transportation services sectors, weighing on services output growth. Predicated on the completion of the IMF program and sound macroeconomic management, output growth is expected to recover gradually in FY24 and FY25 but remain below potential as low foreign reserves and import controls continue to curtail growth. In response to weak labor markets and quickly rising inflation, the lower middle-income poverty rate is expected to increase to 37.2 percent in FY23.

6. **The government faces a difficult policy challenge in maintaining progress toward**

² **Damage** is defined as direct costs of destroyed or damaged physical assets. It is valued in monetary terms with costs estimated based on replacing or repairing physical assets and infrastructure, considering the replacement price prevailing before the crisis. **Loss** is defined as changes in economic flows resulting from the disaster and valued in monetary terms. Together, damage and loss constitute the effects of the crisis. Needs costing draws on the monetary value of damage and loss but is not equal to the sum of those estimates. Recovery and reconstruction needs are calculated in terms of replacement costs according to current prices and include a premium linked to building-back-better principles, and needs associated with the recovery of the sector. The reconstruction and recovery needs include short (up to 12 months) and intermediate to long-term (up to five years) activities.



macroeconomic stabilization. The economic outlook depends on the timely and full implementation of policy reforms, with very high downside risks. Implementing the macro-stabilization measures and structural reforms underpinned by the IMF-EFF program is necessary for unlocking much-needed external refinancing and new disbursements from regional partners. Maintaining stability and a sustained recovery will require the development, communication, and effective implementation of a bold reform strategy, including: (i) adherence to a flexible market-determined exchange rate and sound fiscal-monetary policies; (ii) increased domestic revenue mobilization; (iii) curtailing and improving the quality of public expenditures; (iv) structural reforms to improve investment, competitiveness, and productivity; and (v) urgent measures to restore the financial viability of the energy sector.

7. **The recently published Country Climate Development Report (CCDR)³ shows 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 10 countries worldwide most affected by climate change.⁴ Extreme weather events have increased in frequency and intensity, impacting people, ecosystems, and infrastructure. Heatwaves, heavy precipitation events, droughts, and cyclones are prevalent risks. Attribution research on the 2022 floods has shown that the five-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°C.⁵ 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 (GHG) 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. This increase in climate extremes is likely to disproportionately affect the most disadvantaged groups, especially those engaged in manual labor jobs, poorer farmers, women, and children.

8. **Pakistan is especially vulnerable to flooding—including riverine, flash, glacial lake outbursts, and coastal flooding—and the country regularly experiences large-scale flooding, most notably in 2010 and subsequently in June to September 2022.** Pakistan faces some of the highest disaster risk levels in the world, ranking 18 out of 191 countries according to the 2020 Inform Risk Index and eighth at risk of flooding. Despite a history of other disasters such as earthquakes, heatwaves, and droughts, floods remain the dominant hazard. Most of the country’s population lives along the Indus River system, which is prone to severe flooding during the monsoon season. The catastrophic 2010 rainfall flooded one-fifth of the country, affecting 20 million people and claiming 2,000 lives. The World Bank (WB) estimates that Pakistan loses, on average, US\$1 billion annually due to flooding.⁶ This figure will rise due to climate change and the unprecedented losses experienced during the 2022 floods, which have exceeded the scale of the 2010 monsoon flooding (previously the worst flooding in the country’s history). In addition, Pakistan’s climate vulnerability and uncertainty surrounding annual glacial melt, average precipitation, and extreme temperature changes highlight the need for ex-ante disaster preparedness and resilience building.

9. **The Ministry of Planning, Development and Special Initiatives (MoPD&SI) has developed the Resilient Recovery, Rehabilitation and Reconstruction Framework (4RF) to guide the government’s response to the 2022 floods based on the needs identified across the 17 sectors covered in the PDNA.**

³ World Bank Group. 2022. *Pakistan Country Climate and Development Report*. Washington, DC: World Bank.

⁴ Germanwatch, Global Climate Risk Index 2021. <https://www.germanwatch.org/en/19777>

⁵ *World Weather Attribution*, 2022. <https://www.worldweatherattribution.org/wp-content/uploads/Pakistan-floods-scientific-report.pdf>.

⁶ World Bank Climate Change Knowledge Portal (dataset).



The 4RF defines measures to ensure a resilient recovery and prevent multi-generational impacts that may manifest through reduced developmental gains. Through the 4RF, the Government of Pakistan (GoP) recognizes the importance of long-term resilience to flooding and is committed to consolidating ongoing efforts and undertaking new measures toward improved resilience. The proposed operation responds to immediate emergency recovery needs in Balochistan province while contributing to building flood resilience in Pakistan.

B. Situation of Urgent Need of Assistance or Capacity Constraints

10. **Since the onset of the flooding, the GoP has been engaged in emergency response and relief.** Of the PKR 70 billion (US\$319 million) earmarked to assist flood-affected people, the Benazir Income Support Programme has disbursed approximately PKR 65 billion (US\$296 million) to over 2.2 million flood-affected households as of October 15, 2022. Beyond financial support, the National Disaster Management Authority and the Provincial Disaster Management Authority have provided in-kind support such as tents, rations, mosquito nets, dewatering pumps, medicines, and drinking water; they have also established evacuation camps for displaced persons. Damage assessment teams have been deployed on the ground, and the country's armed forces have supported rescue and relief efforts. The GoP has established a National Flood Response and Coordination Centre, which includes representatives from the federal and provincial governments and the armed forces, to coordinate flood response, relief, and rehabilitation across the country. National and international organizations, and bilateral development partners have assisted affected populations by distributing food and non-food items and providing water, sanitation, and hygiene (WASH) as well as health services.

11. **The GoP requested technical and financial assistance through the Ministry of Economic Affairs on August 5, 2022.** The WB Board approved the first package of emergency response financing on December 19, 2022, for Sindh—the worst-affected province. Then, on January 4, 2023, the Executive Committee of the National Economic Council (ECNEC) approved a Planning Commission Form 1 (PC-1) for the proposed Integrated Flood Resilience and Adaptation Project (IFRAP), henceforth referred to as “the Project”. IFRAP is a federal-led project that aims to revive and enhance the livelihoods of communities affected by the 2022 floods and strengthen adaptive capacity to future extreme flooding events. The Project will primarily target the Balochistan province—the second worst-affected province. The Bank's support is coming almost eight months after the heavy rains because: (i) it took longer for flood waters to recede in many parts of the province, creating connectivity challenges that made it difficult to assess damages accurately; and (ii) the challenges of weaker institutional capacity in Balochistan led to protracted discussions on federal–provincial arrangements for delivering the required support. Balochistan has faced significant disruption of livelihoods and destruction of flood protection assets, and further action is needed to avoid more people being pushed into poverty and exposing vulnerable populations to more floods during the coming rainy seasons.

12. **Given the impact of the flooding and the need for funds and technical assistance, IFRAP is being processed under Condensed Procedures as per the Bank Procedure on the Preparation of Investment Project Financing (IPF) for Projects in Situations of Urgent Need of Assistance or Capacity Constraints.** The Project follows Paragraph 12 of Section III of the IPF Policy, which allows exceptions to the IPF policy requirements, including deferral of safeguards requirements, to enable the Bank to efficiently respond to the GoP's request for assistance.



C. Sectoral and Institutional Context

13. **Balochistan, located in Pakistan's southwestern region, is the largest (in terms of land area) and poorest province in Pakistan.** It spans over 347,000 km², making up 43.6 percent of the country's total land area. The 2017 National Census estimated Balochistan's population to be 12.3 million—less than 6 percent of Pakistan's population.⁷ Population density is only 35 people per km², significantly smaller than the national average of 236 persons per km². Most residents (72 percent) live in rural areas. Balochistan is the poorest and least developed of Pakistan's provinces, with an incidence of poverty above the national average at 70.2 percent⁸ and a stunting rate of 47.4 percent among children under five compared to the national rate of 37.6 percent.⁹ The backbone of its economy is the agricultural sector, where opportunities lie in large-scale fruit production and processing. The services sector—particularly construction, real estate, and transport—are fast-growing, and tourism and the development of the coastal belt and Gwadar Deep Sea Port are promising investment opportunities. The commercial industry is also growing with increasing intra- and inter-regional trade from Afghanistan and Iran. The province has also historically supported Pakistan's industrialization by supplying cheap natural gas to the economic hubs with flexible exploration licenses and the availability of raw materials for mineral production and processing.

14. **The Climate and Disaster Risk Screening revealed that Balochistan is particularly vulnerable to natural disasters due to its geographical location, socioeconomic background, and climate change.** These hazards include floods, droughts, extreme heatwaves, wildfires, cyclones, coastal erosion, and rising sea levels, which are likely to increase in frequency and intensity due to climate change. Recurring floods in 2010, 2011, and 2022 led to significant loss of life, livestock, and croplands, and caused critical infrastructure damage.¹⁰ The southern parts of Balochistan have always been prone to flash floods and landslides. The Turbat and Gwadar districts are most affected, with torrential rains during the monsoon season triggering inundations yearly. In addition, the severe heatwave that preceded the 2022 floods resulted in crop losses, power outages, and forest fires. Balochistan is also the country's driest province, receiving an average annual precipitation of only 210 mm.

15. **Balochistan has been disproportionately affected by the 2022 floods.** The floods have exacerbated socioeconomic challenges in the province, pushing the multidimensional poverty rate from 70.2 percent to 81.1 percent. Agriculture, which accounts for 52 percent of the provincial GDP and 67 percent of the labor force, is the hardest-hit sector.¹¹ The floods caused over 500,000 livestock casualties (63 percent of the national total), amounting to production losses of PKR 79,619 million. Livestock losses have negatively impacted livelihoods, as 70 percent of households depend on livestock. In addition, the harvest failure due to the floods during the Kharif season (April to September) resulted in production losses, compromising livelihoods and food security. Since June 2022, pre-flood commodity prices have significantly increased, with Balochistan reporting the country's highest food insecurity at 23.4 percent. The damage to 587 primary health facilities in Balochistan (305 fully destroyed, 282 partially damaged)

⁷ Government of Pakistan. 2017. National Census. <https://www.pbs.gov.pk/content/final-results-census-2017>.

⁸ Government of Pakistan. 2022. *Pakistan Floods 2022 Post-Disaster Needs Assessment: Supplemental Report*. Ministry of Planning Development & Special Initiatives. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_863195.pdf.

⁹ Government of Pakistan. 2019. *Pakistan Demographic and Health Survey 2017–18* (as per World Bank Balochistan Human Capital Investment Project (P166308)).

¹⁰ World Bank. 2010. *Pakistan Floods 2010: Preliminary Damage and Needs Assessment*.

¹¹ Government of Pakistan. 2022. *Pakistan Floods 2022: Post-Disaster Needs Assessment: Supplemental Report*. Ministry of Planning Development & Special Initiatives.



has further disrupted essential health services. As a result, the province currently has the highest proportion of people (59 percent) who lack access to health facilities. In addition, a multisectoral rapid needs assessment conducted in 515 villages across 10 districts of Balochistan found that approximately 2,000 classrooms have been damaged and destroyed, the recovery of which will cost over PKR 24.4 million. Flood water remained stagnant in Sohbatpur, Jhal Magsi, and Jaffarabad districts in Balochistan until March 2023.¹²

16. **Balochistan experienced widespread damage to critical infrastructure, especially housing, transport, and communications; WASH; and community-level facilities.** Specifically, the floods have caused damage to more than 190,000 housing units across the province, including nearly 69,000 units destroyed and more than 120,000 partially damaged. Infrastructure damage has caused the temporary isolation of most of Balochistan, with 2,222 km of roads and 43 bridges damaged, impeding people's ability to access healthcare, food markets, and other vital services, and restricting the delivery of aid to those who need it.¹³ Cellular networks have been disrupted for extended periods, further impeding the economy. Across the province, 456 flood protection/irrigation schemes were partially damaged or destroyed.¹⁴

17. **Considering the climatic vulnerability of the province, Balochistan could benefit from improved hydrometeorological (hydromet) and early warning services as well as disaster preparedness.** The limited preparedness of the provincial disaster management system and the inability of national weather forecasting agencies to correctly predict the scale of the rains resulted in significant loss of lives and damage to livelihoods and properties, which the province could have partially avoided. The 4RF recognizes the need to strengthen the capability of the Pakistan Meteorological Department (PMD) to collect, understand, and use hydromet data to facilitate disaster early warning and risk-informed decision-making.

18. **Women and girls in Balochistan lag in key socioeconomic outcomes, and these gaps are expected to widen in the wake of the 2022 floods.** About 98 percent of women do not own land or a house, and the few that own assets lack possession of property and identification documents.¹⁵ This renders women ineligible for post-disaster relief and reconstruction assistance.¹⁶ Only 26 percent of women in Balochistan aged 15 or above are literate, compared to 46 percent across Pakistan; and at around 12 percent, female labor force participation in the province is the lowest in the country.¹⁷ These disparities are expected to widen in the context of the 2022 floods as households engage in harmful coping mechanisms, such as rationing food for female family members, selling personal belongings (such as gold or jewelry), marrying off adolescent daughters, or pulling girls out of school to improve household economic security and offset the increased burden of domestic and caregiving work. The floods have also disproportionately impacted female informal home-based workers, those working in the livestock sub-

¹² According to United Nations Office for the Coordination of Humanitarian Affairs, flood water was still stagnant in parts of Balochistan up to March 2023. PAKISTAN: 2022 Monsoon Floods Situation Report No. 13, 14, 15.

¹³ UNICEF. 2022. Pakistan-Humanitarian Situation Report No. 6 (Floods) 14 November 2022.

¹⁴ Government of Pakistan. 2022. *Pakistan Floods: Post-Disaster Needs Assessment*. Ministry of Planning Development & Special Initiatives.

¹⁵ Government of Pakistan. 2019. *Pakistan Demographic and Health Survey 2017–18*. National Institute of Population Studies, Islamabad. <https://dhsprogram.com/pubs/pdf/FR354/FR354.pdf>.

¹⁶ Government of Pakistan. 2022. *Pakistan Floods 2022: Post-Disaster Needs Assessment Supplemental Report*. Ministry of Planning Development & Special Initiatives.

¹⁷ Government of Pakistan. 2020. *Pakistan Social and Living Standards Measurement Survey 2019–20*. Pakistan Bureau of Statistics, Islamabad. https://www.pbs.gov.pk/sites/default/files//pslm/publications/pslm_district_2019-20/PSLM_2019_20_District_Level.pdf.



sector, and those in on-farm and off-farm employment. This situation is particularly concerning as women in Balochistan are more concentrated in informal home-based enterprises and off-farm employment compared to other provinces of Pakistan. A post-flood needs assessment on key protection concerns identified by the communities included inter-communal disputes (10 percent), child marriages (9 percent), and gender-based violence (GBV) (7 percent), followed by violence against children, harassment, physical assault, and human trafficking.¹⁸

19. **Overall, the national PDNA report prepared by the MoPD&SI in close coordination with all provinces indicates that Balochistan requires PKR 491 billion (US\$2.3 billion) for recovery and reconstruction over the next five to seven years.** This estimate does not include investments to strengthen Balochistan's resilience to future climate shocks. The PDNA and 4RF suggest that cross-sector recovery requires short- and medium-term reconstruction and rehabilitation as well as long-term reforms to address resilience and build back better. Critical reforms include but are not limited to adequate water policy and law, climate data management, climate risks assessment, integration of climate risk into development planning processes, building capacity for effective risk management, and monitoring and evaluation (M&E). More importantly, there is a need for a more holistic approach to flood forecasting, preparedness, and protection. Against this backdrop, the GoP has requested the Bank to urgently support the immediate needs of Balochistan for flood recovery and reconstruction in core socioeconomic sectors to help restore livelihoods and essential services (including housing, WASH, transport, agriculture, and irrigation) while building a foundation for long-term flood resilience through strengthening institutions and information (including hydromet and early warning capacities).

D. Relevance to Higher Level Objectives

20. **The Project is consistent with the World Bank Group's (WBG) Country Partnership Strategy (CPS) FY15–19 for the Islamic Republic of Pakistan discussed by the WBG Board of Executive Directors on May 1, 2014 (Report No. 84645-PK).** The CPS was extended to FY20 by the corresponding Performance and Learning Review (Report No. 113574). The preparation of a new Country Partnership Framework (CPF) was deferred in FY21 due to the COVID-19 crisis and paused due to the unprecedented and catastrophic monsoon floods in 2022. A new CPF is expected to be delivered in the second half of FY24. Meanwhile, the focus areas and objectives of the CPS remain relevant and are reflected in the ongoing engagement in the country. This project contributes to CPS Outcome 3.2: "Reduced Vulnerability for Groups at Risk;" and Outcome 3.3: "Increased Resilience to Disasters in Targeted Regions." The Project is also consistent with the WBG Global Crisis Response Framework (GCRF), specifically Pillar 2: Protecting People and Preserving Jobs; Pillar 3: Strengthening Resilience; and Pillar 4: Strengthening Policies, Institutions, and Investments for Rebuilding Better.

21. **The Project also aligns with Pakistan's updated Nationally Determined Contribution 2021, policy frameworks, and plans on water resources management, disaster risk management, and climate resilience.** These include the National Water Policy (2018), the Framework for Implementation of the National Water Policy (2020), the National Disaster Management Act (2010), the National Disaster Risk Reduction Policy 2013, the Climate Change Policy (2021), the Climate Change Act (2017), and the National Flood Protection Plan IV (2017).

¹⁸ Government of Pakistan. 2022. *Pakistan Floods 2022: Post-Disaster Needs Assessment Supplemental Report*. Ministry of Planning Development & Special Initiatives.



22. **The Project is aligned with the recently published Pakistan CCDR (2022), as it contributes to the policy area of strengthening human capital through improving shock responsiveness.** Strengthening disaster resilience and rehabilitating affected populations will help achieve sustainable and equitable growth by ensuring Pakistan can withstand climate-related risks under different projected climate scenarios.

23. **Finally, the Project is consistent with the PDNA (2022) and supports the implementation of the GoP's 4RF in Balochistan.**¹⁹ The 4RF provides programmatic priorities, policy framework, institutional arrangements, financing strategy, and implementation arrangements for resilient recovery, rehabilitation, and reconstruction in the aftermath of the 2022 floods. It is a foundation on which the country will build and strengthen long-term resilience to natural hazards and climate change. Specifically, the Project contributes to the strategic recovery objectives of the 4RF, namely: (i) restoring and improving essential services and physical infrastructure in a resilient and sustainable manner; (ii) restoring livelihoods and economic opportunities; and (iii) ensuring social inclusion and participation.

24. **A waiver is requested from IDA Executive Directors to allow frontloading of up to 50 percent of Pakistan's FY24 IDA Performance Based Allocation (PBA), so as to deliver this project and Pakistan's remaining pipeline for FY23.** The FY23 PBA for Pakistan is SDR 922.7 million after a ten percent set-aside was applied under the Sustainable Development Finance Policy (SDFP). So far, the country has utilized most of its FY23 PBA for five flood response operations on December 19, 2022, supplemented with financing from the Crisis Response Window (US\$350 million) and the Regular Scale-Up Window (US\$194 million). The remaining FY23 PBA of SDR 27.9 million and the cancelations of SDR 22.9 million are insufficient to deliver Pakistan's remaining pipeline for the FY. Moreover, due to Pakistan's delayed compliance with Performance and Policy Actions agreed for FY22 under the SDFP, it lost the eligibility to frontload its PBA from FY24 to FY23. A waiver is hence requested to allow frontloading of up to 50 percent of its FY24 PBA to deliver its remaining FY23 notional pipeline, including this Project.

E. Series of Projects

25. **The Project is the first in a series of projects (SoP). The overarching development objectives of the SoP is to revive and enhance the livelihood of communities affected by the 2022 floods and strengthen their resilience to future floods.** The SoP approach is justified for several reasons. First, it allows the Bank to respond to the immediate recovery needs while building consensus on the interventions needed to strengthen community flood resilience in the long term. Second, the complex nature of the operation and its multisectoral scope warrant a phased approach to provide the opportunity to incorporate early lessons learned in the next project. Third, the SoP allows the GoP and the Government of Balochistan (GoB) to improve the technical and implementation readiness of complex infrastructure in the first project (SoP1) and have it implemented in the second project (SoP2).

26. **The SoP duration is estimated at seven years, consisting of two five-year projects with an indicative overlapping period of three years.** SoP1 will focus on improving livelihoods and reestablishing critical services while laying the groundwork for community resilience to floods and preparing the institutional capacity of the GoP and GoB to support it. SoP1 will include: (i) investments in housing reconstruction; (ii) irrigation, flood protection, and water supply infrastructure with improved resilience standards; (iii) hydromet observation system and services; (iv) rehabilitation/reconstruction of roads and

¹⁹ Government of Pakistan. 2022. Resilient Recovery, Rehabilitation, and Reconstruction Framework. https://www.pc.gov.pk/uploads/downloads/Final_4RF.pdf.



bridges that provide critical connectivity to the hardest-hit and far-flung communities; and (v) assistance to the flood-affected population for enhancing their livelihoods. SoP2 will adopt an integrated area-based development approach for strengthening community flood resilience²⁰ based on a thorough participatory process and an in-depth spatial analysis to promote infrastructure resilience.

27. **The SoP approach recognizes the importance of strengthening institutional capacity and knowledge for long-term development while delivering immediate benefits to the flood-affected population.** The overlapping structure will allow the preparation and launch of SoP2 before the completion of SoP1. In this way, the GoP and GoB will incorporate lessons learned in SoP1 into SoP2. SoP1 will also provide funding and technical assistance for feasibility studies and related preparation activities to expedite the development of a pipeline of investments to be supported under SoP2. SoP2 will be contingent on meeting readiness conditions, including: (i) satisfactory progress of SoP1 toward the achievement of its development objectives; (ii) commitment of the GoB to the resilience agenda as reflected through the development of community flood resilience plans; (iii) the preparation of tender documents for at least 30 percent of the activities requiring procurement; and (iv) the Project implementing units (PIUs)/partners should be adequately staffed to support implementation. The proposed overlapping period of three years is indicative and actual timing will depend on progress made under SoP1 and meeting of SoP2 readiness criteria.

II. PROJECT DESCRIPTION

A. Project Development Objective

28. **The project development objective (PDO) is to improve livelihoods and essential services and enhance flood risk protection in selected communities affected by the 2022 floods.** The PDO outcome indicators are:

- Households with improved livelihoods (of which female-headed households and households with vulnerable women)²¹ (Number).
- People regaining access to at least one essential service (of which are females) (Number).
- People with enhanced protection to flood risk (of which are females) (Number).
- Increase in weather forecast lead time of PMD (Days).

29. For this project, **improved livelihoods** means an increase in income or increase in assets. **Essential services** include shelter, irrigation, water supply and sanitation, and transport. **Enhanced flood risk protection** means increased coverage of flood protection infrastructure, reliable flood forecasting, and early warning systems. Reliable forecasting means a longer lead time for weather forecasting.

²⁰ Agrawal, A., Mearns, R., Perrin, N., & Kononen, M. (2011). Area-Based Development, Local Institutions and Climate Adaptation. World Bank.

²¹ Households with vulnerable women include those that have disadvantaged women, such as female informal workers, (e.g., home-based workers, on- and off-farm workers, dairy and livestock workers), pregnant/lactating women, widows, single women, women with disabilities, women whose husbands have disabilities, elderly women, minority women, etc.



B. Project Components

30. **The project scope consists of six components.** These are: (i) community infrastructure rehabilitation; (ii) strengthening hydromet and climate services; (iii) resilient housing reconstruction and restoration; (iv) livelihood support and watershed management; and (v) project management, technical assistance, and institutional strengthening. The Project also includes a contingent emergency response component (CERC) to allow flexibility to reallocate funds in case of an eligible emergency during project implementation. Below is a brief description of the activities under each component.

Component 1: Community Infrastructure Rehabilitation (US\$50 million equivalent)

31. This component will finance the rehabilitation of priority community infrastructure damaged by floods, including irrigation and flood protection infrastructure, water supply schemes, roads, bridges, and small community facilities located in calamity-declared districts of Balochistan. The GoB has developed a framework for the selection and appraisal of infrastructure investments (see Annex 1). The guiding principle is to build back better with improved infrastructure based on climate risks, improved engineering design standards, and improved construction and maintenance to enhance resilience. The component will also include the technical assistance needed for the design and supervision of the works and for the development of operation and maintenance (O&M) of the infrastructure.

32. **Sub-component 1.1: Rehabilitation of Irrigation and Flood Control Infrastructure (US\$25 million – GCRF Pillar 3).** This sub-component will support the rehabilitation and reconstruction of priority irrigation, drainage, and flood protection infrastructure to restore agricultural production and protect the population and their assets against future floods. The rehabilitation will restore the damaged infrastructure with added climate resilience through improved engineering designs and the integration of nature-based solutions (such as wetland restoration and vegetative riverbank protection, which also help sequester carbon from the atmosphere, as well as other watershed protection measures) to reduce flood peaks and increase infiltration. This sub-component will only consider small dams and water retention infrastructure and no large dam²² will be included.

33. **Sub-component 1.2: Restoration of Water Supply Schemes (US\$10 million – GCRF Pillar 3).** This sub-component will support the rehabilitation of selected community-level water supply infrastructure affected by the floods, particularly in areas where flood protection infrastructure is rehabilitated. The climate adaptation capacity of households and resilience to flooding events will also be improved through these measures by: (i) ensuring that the rehabilitated water supply schemes follow the resilience practices; (ii) creating safe passage for rain and flood waters, accounting for higher precipitation levels in the future so that retention of water in human settlements is reduced; and (iii) mitigate against the mixing of fecal or solid waste with flood water so that water resources and public health are protected.

34. **Sub-component 1.3: Reconstruction and Rehabilitation of Roads and Bridges (US\$10 million – GCRF Pillar 3).** Under SoP1, this sub-component will finance: (i) reconstruction and/or rehabilitation of damaged roads and bridges; (ii) provision of technical assistance to strengthen the capacity of the Communication and Works Department (CWD) of Balochistan; and (iii) carrying out of feasibility studies and technical design of roads and bridges.²³ The selection of priority damaged roads will follow geospatial

²² Large dams are those with height of 15 m or greater from the lowest foundation to the crest or dams between 5 m and 15 m with impounding more than 3 million m³.

²³ The indicative timeline for completing these studies is 18–24 months. These studies will support the preparation of SoP2.



criteria considering the impact on the accessibility to schools, health facilities, markets, and connectivity within communities and major roads in the province in affected districts. The redesign of the damaged road infrastructure will consider investments that aim to deliver triple benefits: (i) reduce flood and other damages to roads; (ii) reduce land degradation; and (iii) improve the beneficial use of water to enhance community resilience.²⁴

35. Improvement of road infrastructure would also include improvement of road safety, the geometry of roads and bridges, the raising of embankments, provision of adequate drainage systems, re-vegetation, enhanced slope protection, adoption of design enhanced standards for pavements adapted to the harsh climate of the province and reflecting a higher level of climate resilience. In addition, selected roads may include ducts for optic fiber.

36. This sub-component will also include increasing the capacity of the CWD to adopt a modern maintenance regime by establishing a Road Asset Management System and procurement of necessary road/pavement condition testing equipment, which will enable the CWD to prioritize investments for O&M. This sub-component will further assist the CWD in upgrading its design and implementation capacity, including adopting modern standards for building climate-resilient infrastructure.

37. **Sub-component 1.4: Restoration of Small Community Facilities (US\$5 million – GCRF Pillar 3).** This sub-component will finance the restoration of small community facilities, including food silos, health, education and community-water storage facilities. The selection of facilities will be demand-driven and result from consultation with the communities and consider potential low-carbon (e.g., employ renewable energy sources) and climate-resilient design features (e.g., adequate drainage or rain harvesting systems) as appropriate. The selection of facilities related to health and education will also prioritize those for women and girls.

Component 2: Strengthening Hydromet and Climate Services (US\$40 million equivalent)

38. This component will improve the capability of the PMD to generate and utilize hydromet information for decision-making. Currently, the PMD has minimal coverage for the western part of the country, which includes much of Balochistan. This component will thus benefit not only Balochistan but also all of Pakistan by improving climate and flood forecasting capabilities, including early warning systems to mitigate the impacts of climate hazards, by expanding networks throughout the country with updated technological interventions.

39. **Sub-component 2.1: Modernization of the Observation Infrastructure, Data Management, and Forecasting Systems (US\$30 million – GCRF Pillar 4).** Activities include: (i) technical modernization of the observation networks; (ii) modernization of PMD data management, information and communication technology (ICT) systems; (iii) improvement of the weather forecasting process, including numerical weather prediction system; (iv) assessment and design of an optimum composite observation network and forecasting and service delivery processes (weather, climate, and hydrological); (v) enhancement of PMD climate services delivery and sustainability, solarization of PMD facilities; and (vi) outreach and public education, awareness raising, and marketing. This sub-component aims to upgrade and expand the

²⁴ van Steenberg, Frank, Fatima Arroyo-Arroyo, Kulwinder Rao, Taye Alemayehu Hulluka, Kifle Woldearegay, and Anastasia Deligianni. 2021. *Green Roads for Water: Guidelines for Road Infrastructure in Support of Water Management and Climate Resilience*. International Development in Focus. Washington, DC: World Bank.



meteorological and hydrological observation networks and support good performance and interoperability.

40. **Sub-component 2.2: Provision of Technical Assistance, Institutional Strengthening, and Capacity Building (US\$10 million – GCRF Pillar 4).** This sub-component will support the PMD in four main areas to improve climate and flood forecasting capabilities, including: (i) provide technical assistance and capacity building and O&M of equipment; (ii) support enhancement of the PMD's various operational facilities, including upgrading the Institute of Meteorology and Geophysics and of the Meteorology Workshop in Karachi; (iii) provide technical assistance and cover operational costs for implementation including staffing, and M&E associated with the component; and (iv) support dialogue for the preparation of a national hydromet policy.

Component 3: Resilient Housing Reconstruction and Restoration (US\$75 million equivalent)

41. This component will finance: (i) resilient housing reconstruction grants to beneficiaries for the reconstruction of core housing units damaged by floods; and (ii) institutional strengthening and technical assistance for the reconstruction. This component will be implemented through an area-based approach wherein the most affected districts will be selected for housing grants support in close coordination with other development partners. Considering the vulnerability of Balochistan to multiple types of disasters—including floods, droughts, and earthquakes—the reconstruction and restoration will be multi-hazard resistant.

42. **Sub-component 3.1: Beneficiary-driven Housing Reconstruction Grants (US\$60 million – GCRF Pillar 3).** This sub-component will finance the provision of Housing Reconstruction Grants to homeowners for the reconstruction or restoration of damaged houses, including: (i) replacement of a destroyed house with new multi-hazard resilient core unit; and (ii) restoration and strengthening of a damaged house to an acceptable resilience standard, including a basic rainwater harvesting system and twin pit latrine to improve WASH access. The Project will finance two types of grants: (i) reconstruction grants for all houses with structural damage beyond economic repair; and (ii) rehabilitation and strengthening grants for all houses with repairable structural damage. Housing units with non-structural damage will not be eligible for any compensation.

43. **Sub-component 3.2: Technical Assistance and Institutional Strengthening (US\$15 million – GCRF Pillar 4).** This sub-component will finance the provision of detailed damage assessment and eligibility verification surveys as well as technical assistance for the formulation of strategies for resilient reconstruction of buildings. It will: (i) categorize the level of damage to each housing unit; (ii) establish the status of land ownership; (iii) establish lists of eligible beneficiaries and vulnerable individuals/households that are unable to prove their identity/property ownership; (iv) develop a geographic information system (GIS) enabled Management Information System (MIS) to facilitate the transparent implementation of the housing reconstruction²⁵ and employ flood hazard mapping/spatial planning and analysis for reconstruction purposes; (v) promote community mobilization to collectively support vulnerable people in rebuilding their houses; (vi) provide training and capacity building for multi-hazard resilient construction and retrofitting; (vii) promote use of local material; and (viii) develop housing reconstruction

²⁵ While the reconstruction grant will be provided for approximately 35,100 housing units, the technical assistance, particularly the geo-enabled MIS, will be applied to the overall housing reconstruction program estimated at 150,000 households.



standards and train reconstruction artisans.²⁶

Component 4: Livelihood Support and Watershed Management (US\$40 million equivalent – GCRF Pillar 2)

44. This component will finance the provision of Livelihood Grants to smallholder farmers and agribusinesses for enhancing agricultural and livestock-based livelihoods and to communities for watershed restoration. These grants will help restore and enhance productive, inclusive, and resilient natural resource-based livelihoods while restoring degraded watersheds for flood resilience. The component aims to promote climate-smart agriculture, support value chain development, and promote livelihoods. This component will support two complementary grant schemes: (i) matching grants for enhancing agriculture and livestock-based livelihoods; and (ii) community grants for watershed restoration.

45. **Matching Grants for Enhancing Agricultural and Livestock-based Livelihoods.** These grants will enable cash-constrained farming communities to restore and diversify agriculture and livestock production, add value, and enhance market access. Support will be provided to demand-driven activities identified through community consultation that seek to promote climate-smart agriculture practices. Agricultural activities to be supported will include support for efficient water use. Eligibility criteria will be developed to prioritize the inclusion of female-headed households and women in households with high dependency ratios, women informal workers, especially home-based workers. Beneficiaries will include smallholder farmers and agribusinesses, selected using National Socio-Economic Registry (NSER) data. Details of the grant mechanism will be provided in the Project Implementation Manual (PIM).

46. **Community Grants for Watershed Restoration.** These grants will enable the restoration of degraded watersheds. Specific interventions will include soil and water conservation, vegetative stream and riverbank protection, agro-forestry and reforestation, farmer-managed natural regeneration, and rehabilitation of degraded rangelands. Details of the grant scheme will be provided in the PIM.

Component 5: Project Management, Technical Assistance, and Institutional Strengthening (US\$8 million – GCRF Pillar 4)

47. This component will finance provision of support for: (i) Project management for the Federal Project Management Unit (FPMU) and the Provincial PIUs, provision of a pool of technical experts to support PIUs; (ii) technical assistance for monitoring and evaluation, Project Supervision and Implementation Assistance (PSIA), preparation of SoP2, including river basin planning studies, basin-level flood modeling and resilient infrastructure planning and design, dam safety studies and preparation of community flood resilience plans; and (iii) institutional strengthening, including an internship program, capacity building and the preparation of a draft Water Act.

Component 6: Contingent Emergency Response (US\$0 million)

48. **This component facilitates provision of immediate response to an Eligible Crisis or Emergency, as needed.** Following an adverse natural event that causes a major disaster or emergency, the GoP may request the Bank to reallocate project funds to support response and reconstruction. Resources will be allocated to this component as needed during implementation. A CERC Operations Manual will be prepared by the GoP and will provide detailed guidelines and instructions on how to trigger the CERC and

²⁶ To keep the reconstruction affordable, climate friendly local material will be promoted, subject to meeting safety standards.



use funds (including activation criteria, eligible expenditures, and specific implementation arrangements).

C. Project Beneficiaries

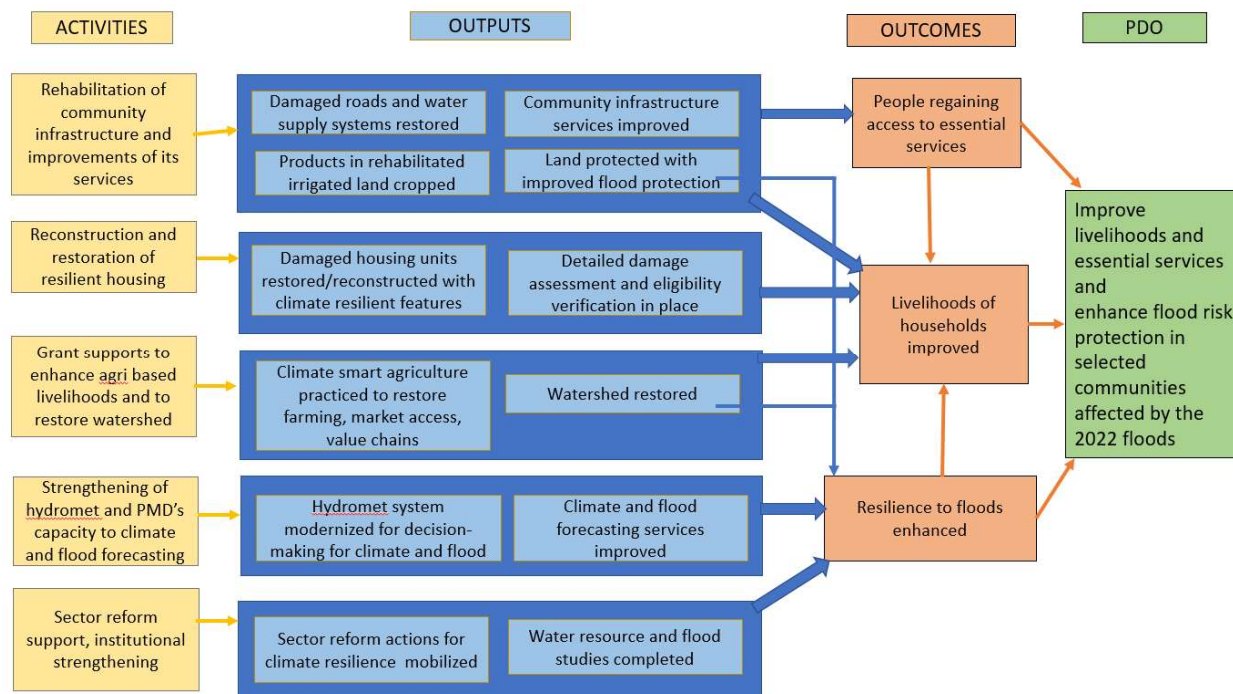
49. **The Project will benefit approximately 2.7 million people in selected communities affected by the 2022 floods in calamity-declared districts across Balochistan province.** Direct beneficiaries include communities in the most affected districts that will benefit from the restoration and resilient reconstruction of critical infrastructure under Component 1 (flood protection, irrigation, water supply, roads, and other community facilities)—estimated at 1.8 million inhabitants, of whom approximately 50 percent are women. Component 2 will benefit at least 80,000 households, representing about 640,000 people. Component 3 will benefit at least 35,100 flood-affected households, amounting to 280,000 people (many of whom are among the poorest), through the provision of grants. Around 190,000 households will benefit from the technical assistance under this component, representing approximately 1.5 million people. Component 4 will benefit about 80,000 households, representing approximately 640,000 people.

D. Results Chain

50. **The Project focuses on three complementary results areas: improve livelihoods, improve essential services, and enhance protection against flood risks.** The Project will improve livelihoods through grant support, capacity building, and enabling productive infrastructure such as irrigation and roads for market access. Similarly, the Project will improve essential services through investments in rehabilitating damaged community infrastructure and facilities such as water supply, irrigation, schools, and health facilities. Finally, the Project will mitigate flood risks through a combination of resilient flood protection infrastructure, enhancing flood early warning systems, restoring degraded watersheds, and strengthening institutional capacity at the provincial and local level. Figure 1 illustrates the Project's theory of change.



Figure 1. Theory of Change



E. Rationale for Bank Involvement and Role of Partners

51. **The WBG's continued engagement is critical in the wake of the floods and COVID-19.** The WB has leveraged its existing portfolio to respond to immediate relief and rehabilitation needs for the 2022 floods, in line with the CPS objectives 3.2: Reduced Vulnerability for Groups at Risk and 3.3: Increased Resilience to Disasters in Targeted Regions. This includes the activation of CERCs in several operations and the restructuring or repurposing of active projects for the provision of cash transfers and procurement of necessary goods and services for the emergency response and initial rehabilitation. New operations have also been prepared under emergency procedures to rebuild infrastructure damaged by floods, including roads, flood protection infrastructure, irrigation systems, water supply and sanitation, houses, livelihood support, and agriculture productivity restoration.²⁷ These operations focus on Sindh province which, along with Balochistan, has been the most impacted by the floods with the largest number of people affected. The scope and design of pipeline operations already under preparation have also been revisited to provide increased support for post-floods rehabilitation and reconstruction, including restoring health services and rebuilding schools. A rural investment operation is under preparation in Khyber Pakhtunkhwa (KP) province, which will include post-floods rehabilitation investments. The proposed IFRAP operation will support reconstruction and rehabilitation, particularly in Balochistan, and strengthen hydromet and climate services at the national level. Pipeline and ongoing operations in Punjab are also expected to

²⁷ In addition to IFRAP, the operations include Sindh Water and Agriculture Transformation Project (SWAT) (P167596); Sindh Flood Emergency Rehabilitation Project (P179981); Sindh Flood Emergency Housing Reconstruction Project (P180008).



support rehabilitation needs in the three affected districts in the southern part of the province. The planned Bank support is reflective of the needs estimated in the PDNA.

52. **The Bank has accumulated substantial regional and national level experiences in supporting post-disaster recovery and reconstruction as well as improving resilience to climate change impacts.** At the regional level, the Bank is supporting the South Asia Regional Climate Adaptation and Resilience Partnership (P170027) and the South Asia Regional Hydromet, Early Warning and Climate Services Program (P171154), which aim at enabling a transformational shift toward climate-resilient policies, planning, and investments through regional cooperation, knowledge exchange, and capacity building. At the national level, the Bank was the leading development partner in providing technical assistance to the GoP in the development of the PDNA and 4RF, which established the framework for resilient recovery and reconstruction from the 2022 floods.

53. **The Project will create synergies and increase impact of other active WB-supported operations that aim to help build resilience to climate and disaster risks in Balochistan.** These operations include the Balochistan Integrated Water Resources Management & Development Project (BIWRMDP, P154255), the Balochistan Livelihoods and Entrepreneurship Project (BLEP, P159292), and the upcoming Balochistan Water Security and Productivity Improvement Project (BWSPIP, P179227). These ongoing and upcoming operations provide a solid foundation for the Bank to learn from its implementation experience, deepen existing policy and strategic engagement, and tailor activities that are suitable to the local context for recovering from the 2022 flood emergency and promoting long-term resilience to climate-related shocks.

54. **The Project also complements efforts by development partners to support the country's flood response.** The European Union is providing emergency support in agriculture, livestock, and food security in Sindh. The Asian Development Bank (ADB) is helping provide emergency food supplies and preparing operations for the rehabilitation and reconstruction of provincial and district roads, as well as sections of a national highway in Sindh. The ADB is also preparing interventions for livelihood restoration in Balochistan and irrigation investments in KP and Balochistan. The Japan International Cooperation Agency (JICA) is supporting livelihood improvement activities for farmers affected by the floods in Balochistan. The ADB and JICA are also updating the National Flood Protection Plan IV and the National Disaster Management Plan, respectively. Advice and guidance on the progress of implementing the 4RF will also be provided by the International Partners Support Group established by the GoP, comprising key government stakeholders and development partners, and whose secretariat is supported by the United Nations Development Programme.

F. Lessons Learned

55. **Emergency operations have a higher chance of success if they remain focused and avoid overambitious development objectives and targets.** The design of emergency recovery and reconstruction operations should be relatively simple and flexible, while also reflecting the priorities of the affected areas and communities, including the specific needs of women, the elderly, and other vulnerable groups. These lessons are reflected in the project design by aligning project objectives directly on areas relevant to recovery and resilience.

56. **Developing and agreeing with governments on criteria for the selection of infrastructure investments helps ensure that the project will focus on its development objectives.** Because emergency projects need to respond to urgent needs of vulnerable populations, framework approaches are often



used to prepare these operations on an expedited basis. As experienced under the operations developed in Sindh, incorporating clear criteria can improve transparency and ensure the project targets the most critical infrastructure. In line with this best practice, IFRAP has developed specific framework for various components as described in Annex 1.

57. **The Project focuses on strengthening institutional and systemic capacities to prepare for and manage climate and disaster risks.** According to the 2022 PDNA, the 2010 floods catalyzed the development of long-term disaster management and flood protection plans, but implementation was constrained due to lack of financing and limited capacity to utilize risk information in infrastructure and land use planning. The PDNA also points to poor water resource management, lack of infrastructure maintenance systems, and limited disaster risk reduction capacity as factors that amplified the damages from the 2022 floods. Technical assistance activities in the proposed project, such as river basin management studies and flood modeling for hill torrents, are intended to enhance institutional capacities for risk-informed planning.

58. **The Project incorporates lessons from the Bank's extensive global experience in post-disaster housing reconstruction, including experience from the Pakistan and Nepal earthquake emergency recovery credits, and post-disaster projects in India, Sri Lanka, and Madagascar.** Key lessons learned include: (i) a homeowner-driven approach, coupled with necessary technical assistance, fosters ownership of the Project among participants and leads to strong results; (ii) providing special assistance to more vulnerable groups, such as female-headed households and seniors, reduces the risk of disparities during the construction process; and (iii) ensuring common standards and procedures for implementation in disaster recovery projects is critical for success. Allowing varying approaches in implementation by different players in the same reconstruction project can contribute to unequal distribution of benefits among those affected by the disaster, as well as varying quality of results. Experience from other emergency housing reconstruction operations has shown that a credible and empowered institutional arrangement that relies on reputable partner organizations for execution and monitoring of the reconstruction effort is essential. This project will also rely on a reputable partner organization (to be engaged by MoPD&SI on terms acceptable to the Bank) for the execution and monitoring of the housing reconstruction grant scheme.

59. **The use of technology to support implementation is critical for transparency and efficiency, particularly for large-scale interventions.** Disaster reconstruction projects delivered by the Bank have significantly benefitted from integrated solutions, such as MIS, for efficient information collection, dissemination, and decision-making. Such well-designed systems can also minimize discretion in the process flow which is critical for transparency. In addition, the project monitoring and implementation is expected to be supported by the Geo-Enabling initiative for Monitoring and Supervision (GEMS) launched by the Fragility, Conflict, and Violence (FCV) Group of the Bank to enhance M&E and supervision in FCV settings.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

60. **A Project Steering Committee (PSC), co-chaired by the Federal Minister MoPD&SI and Chief Minister GoB, has been established to provide overall project oversight.** The PSC include the following



as members: Secretary, MoPD&SI; Secretary, Ministry of Economic Affairs; Secretary, Ministry of Water Resources; Chief Secretary or Additional Chief Secretary, GoB; Chief Economist, MoPD&SI; Relevant Members/Chiefs of Sections, MoPD&SI; and Representative of the Prime Minister's Office. The PSC shall be authorized to co-opt any member on a needs basis. The PSC shall provide policy guidance and monitor overall project implementation and outcomes for federal and provincial level activities. It shall meet quarterly or more regularly on a needs basis. The roles and responsibilities of the PSC will be detailed in the PIM. The Member of the Planning Commission responsible for the Social Sector and Devolution will be the Secretary of the PSC.

61. **The MoPD&SI will be responsible for overall project coordination and M&E through the FPMU.** The Balochistan Provincial Planning and Development Department (P&DD) will be responsible for project coordination through the Provincial Coordination Unit (PCU) for provincially implemented components. Table 2 summarizes implementation arrangements for each project component.

62. **BIWRMDP PIU and BLEP PIU will implement Components 1 and 4, respectively.** These PIUs will be progressively strengthened through the use of technical assistance services. Following the closing of the BIWRMDP and BLEP, the PIUs will become regular PIUs of IFRAP. Necessary staffing will be maintained, and fiduciary and other arrangements will be continued until the completion of IFRAP.

63. **PMD will implement Component 2.** A separate PIU will be established at the PMD to manage this component at the federal level. The PMD PIU will report directly to the FPMU.

64. **FPMU will implement Component 3.** It will be responsible for the planning, implementation, and monitoring of this project and provide technical assistance for the post-flood housing reconstruction program of the province. In addition, the FPMU will engage competent partner organizations with a strong track record in housing reconstruction using eligibility criteria cleared by the Bank.

65. **MoPD&SI (through the FPMU) will be responsible for implementing Component 5** and will ensure overall project management, coordination, and third-party verification; the carrying out of strategic studies crucial for resilience; and the preparation of SoP2. In addition, FPMU will use a PSIA consultant and a pool of experts in different fields to support project management.

Table 2. Institutional Mapping of Project Components

| Project Component | Implementing Units/Entity²⁸ |
|--|---|
| Component 1: Community Infrastructure Rehabilitation | BIWRMDP PIU under the Balochistan Irrigation Department |
| Component 2: Strengthening Hydromet and Climate Services | PMD PIU |
| Component 3: Resilient Housing Reconstruction and Restoration | FPMU, under MoPD&SI |
| Component 4: Livelihood Support and Watershed Management | BLEP PIU under the P&DD |
| Component 5: Project Management, Technical Assistance, and Institutional Strengthening | FPMU, under MoPD&SI |

²⁸ This connotes both FPMU and PIUs.



66. **Management Information System:** To strengthen the multisectoral and integrated implementation of the Project, GIS-based MIS will be established to serve as the backbone of project M&E and decision-making. All assets created will be mandatorily geo-tagged and critical processes will be time-stamped. The MIS will include a data management system to process all information related to beneficiaries, disbursements, verification, and monitoring. Under a cascade information flow approach, the field staff and beneficiaries will directly upload data to the MIS through their smartphones, which will then be consolidated and verified centrally by relevant staff at the PIUs.

67. The Project will develop two separate but interoperable MIS. The first MIS will be for housing reconstruction. It will first serve for reverification and establishing beneficiaries' eligibility. It will have multiple components, including but not limited to: (i) damage assessment/reverification data; (ii) gender and disability desegregated household demographic information; (iii) locational details, including coordinates; (iv) structural details for houses; (v) banking details; and (vi) livestock loss information. Meanwhile, a second MIS will be developed to include other project components.

68. **Project Implementation Manual:** The Project will be implemented according to the guidelines and procedures outlined in the PIM, which will be adopted within 30 days of project effectiveness and reviewed periodically. The PIM will lay out the roles and responsibilities of different stakeholders and provide details of project processes in line with the Financing Agreement.

B. Results Monitoring and Evaluation Arrangements

69. **The FPMU will be responsible for overall project M&E and regular reporting to the WB.** It will be supported in this task by an M&E consultancy and a third-party verification agent. The FPMU will: (i) collect and report on project performance data (including physical and financial progress); and (ii) provide periodic information on intermediate project results and progress toward higher-level outcomes. In addition, relevant PIUs will assist the FPMU by providing pertinent information. The Project will also finance the gathering of baseline data. The PIUs will prepare bi-annual progress reports throughout project implementation using the indicators defined in the Results Framework.

70. The third-party verification agent will improve transparency by conducting periodic sample-based verification of infrastructure activities, the flow of funds to beneficiaries, and environmental and social (E&S) safeguards compliance. The Project will use GEMS to build capacity among clients and partners and to leverage field-appropriate technology for digital data collection and analysis. GEMS will be instrumental for remote supervision, real-time safeguards monitoring, and portfolio mapping for coordination across projects and partners. These tools and methods will also help enhance the transparency and accuracy of M&E. At the same time, the Project will establish a MIS system, initially for the housing component where the need is most prominent. A separate MIS will be developed for the other components. However, the two MIS systems will be designed for easy interoperability. The Project will also benefit from a proposed multi-donor platform, the Monitoring, Evaluating, and Following the Flow of Funds (ME3F), housed at the WB. The ME3F is expected to be launched in FY24 and will include: (i) an M&E dashboard and an open-data portal to monitor the implementation of all reconstruction activities; (ii) ME3F analytical tools that will assess the targeting effectiveness of reconstruction, its implementation quality, and the flow of funds; and (iii) operational monitoring support to improve the ability of project teams to monitor implementation and undertake value-for-money assessments of



selected interventions.

C. Sustainability

71. **The Project adopts a “build back better” approach to enhance sustainability.** The Project will support multi-hazard-resilient measures when designing and implementing infrastructure. The Project will also enhance the technical and institutional capacity of implementing agencies (including communities) to mainstream climate considerations into planning, implementation, and operational maintenance processes.

72. **The Project has strong buy-in from the GoP and the GoB considering the scale and impact of the 2022 floods.** Experience from previous and ongoing Bank projects reinforces the well-recognized principle that integration with existing government institutions and processes can increase political commitment and help leverage the project’s influence. The implementation arrangements for the Project will follow government mandates and institutional responsibilities.

73. **For the hydromet infrastructure and data systems, the Project will focus on ensuring the long-term sustainability of the investments, particularly for the O&M of the equipment procured.** Similarly, O&M procedures will be developed for infrastructures under Component 1 to promote sustainability. The Project will also support the solarization of PMD facilities, which will significantly mitigate the lifetime energy costs associated with operations of the procured equipment, particularly for the power intensive weather radars and high-performance computers.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic, and Financial Analysis

(a) Technical Analysis

74. **A build back better approach:** The GoB has developed a framework for the selection and appraisal of infrastructure investments under the Project. The Bank has reviewed the framework and found it satisfactory for the Project. The guiding principle is to build back better based on changing climate risks, improved engineering design standards, adapted construction materials, and regular procedures for maintenance to enhance resilience.

75. **Readiness of implementing agencies:** The Project builds upon existing implementation arrangements of Bank-funded projects in Balochistan, where activities like those proposed under the project have been previously implemented. For example, the BIWRMDP has successfully rehabilitated several irrigation schemes, flood protection, and water supply schemes. Sufficient capacity, therefore, exists in public sector institutions and the private sector (engineering and construction) to support the project. Similarly, climate-smart agriculture improvement activities have been conducted in the province under BLEP and other donor-funded projects.²⁹ The recruitment of FPMU staff is underway, starting with the Project Director. Finally, ECNEC approved the main PC-1 of the Project in January 2023, and the sub-

²⁹ Examples include the Balochistan Water Resources Development Sector Project funded by the ADB. <https://www.adb.org/projects/48098-002/main>.



PC-1s for Component 1 (sub-component 1.1 and 1.3), one for Component 2, and one for Component 4 were approved on April 19, 2023, by the Provincial Development Working Party.

76. **Technical support integrated into the project design:** The Project relies on a multipronged approach consisting of: (i) PSIA consultancy to support day-to-day project implementation; (ii) a pool of experts to provide highly specialized expertise on a needs basis; and (iii) an M&E consultancy to ensure the monitoring of project results and learning. Further, the Project will rely on a robust GIS-enabled MIS covering Component 3 on resilient housing reconstruction and then extended to all other project components.

77. **Retroactive financing:** The Project may retroactively finance up to 20 percent of the credit amount. The retroactive financing would be allowed under the following conditions: (i) the activities financed are included in the project description; (ii) the payments are for items procured in a manner consistent with Sections I, II, and III of the World Bank Regulations for Borrowers, applicable under streamlined procurement processes; and (iii) the payments were made by the Recipient not more than 12 months before the signing of the project legal agreement but on or after July 1, 2022. Environmental and social (E&S) risks will further be accounted through E&S audits. Relevant and appropriate E&S documentation (e.g., E&S checklists, Environmental and Social Management Plan [ESMP]) will be prepared by the Balochistan Irrigation Department for each of these retroactively financed activities, commensurate to the risk magnitude. An E&S Audit will be conducted, and corrective actions will be suggested if required. Regarding capacity, the PIUs have adequate knowledge and capacity on E&S, and the P&DD will closely work with the PIUs to leverage expertise and augment existing capacity. For financial management (FM), a strong audit system is already in place including an internal audit firm, Director General (DG) Audit, and Accountant General's transactions Audit (see Annex 1). Additional due diligence will be exercised while making payments of retroactive financing and the Bank will review these cases in detail. The Bank may engage an internal audit firm for retroactive expenditures verification and check for the eligibility of these expenditures before making payments. Expenditures that do not qualify for retroactive financing will not be reimbursed.

(b) Economic Analysis

78. **The Project will generate multiple benefits.** The Project will result in the restoration of livelihoods, provision of shelter, improved and resilient infrastructure, reduced income inequality, skilled human resources to manage disasters, better road connectivity, reduced risk of deaths and injuries in the future, and restoration of economic activity. The expected benefits are categorized into five types:

- a. Type 1: The Project aims at rehabilitation of irrigation and flood control infrastructure, restoration and upgradation of roads network, and restoration of water supply and sanitation schemes. These interventions will restore social and economic activities, the benefits of which will be observed in the years to come. More specifically, the benefits of infrastructure rehabilitation and reconstruction will be observed in terms of less damages to crops, livestock, houses, public buildings, land, and societal infrastructure after such disasters in future. Investment in water supply schemes will make safe water available for different uses, especially for drinking. Road reconstruction will generate an immediate effect on economic activity through work opportunities and boosting the local economy. Improvement in irrigation systems and watershed management will improve crop and fruit yield. Furthermore, the project



interventions are expected to enhance disaster resilience, which will save lives and prevent injuries in the future, the benefits of which are estimated using Value of Statistical Life and Value of Statistical Injury. Using reasonable assumptions (detailed methodology is in the project files), estimates of the present value (PV) of these future benefits for 10 years, on average, are expected to be worth US\$157.63 million.

- b. Type 2: The Project will improve the capability of the PMD to generate and utilize hydromet information for better decision-making. The improved capability will result in more accurate flood forecasting, data management, and ICT systems. Existing empirical literature show that such interventions in early warning systems in different countries resulted in damage reduction by 40 percent (on average). Similarly, the average benefit–cost ratio for investment in early warning systems is estimated at 16:1, on average. For IFRAP, conservative estimates have been used for damage reduction and benefit–cost ratio. The PV of overall benefits of strengthening hydromet and climate services is estimated to be US\$284.48 million over a period of 10 years.
- c. Type 3: The Project will provide multi-hazard resilient housing to a significant proportion of affected population (35,100 housing units are to be reconstructed or rehabilitated, of which a significant proportion will be female-headed households). The Project is also expected to deliver externality benefits by showing adequate model of disaster resilient houses. Moreover, the reconstruction activity will boost the local economy as reconstruction is planned to be undertaken with available local material and labor. This will have a multiplier effect on the local economy and will support the livelihoods of a significant proportion of people. Assuming a conservative multiplier for Pakistan’s economy, the benefits of expanded economic activity are estimated at US\$187.50 million. Moreover, through reconstruction of damaged houses, the Project will provide shelter to a significant proportion of the affected population. The benefits of this can be estimated through increased utility of families owning reconstructed houses. This will also add to their lifetime labor productivity, which can be evaluated at estimated labor earnings. However, due to data limitations, these benefits are difficult to estimate.
- d. Type 4: The Project aims to provide matching grants for enhancing agriculture and livestock-based livelihoods and community grants for watershed restoration. These interventions will restore livelihoods through relaxing the financial constraints of farmers to purchase seeds and livestock and enhancing per hectare yield of crops through better watershed management. The benefits of this intervention are estimated through increased crop yield and the multiplier effect is then estimated for the increased income of farmers. The PV of benefits of this intervention is expected to be US\$53.73 million over a period of 10 years. In addition to this, improved watershed management will provide ecosystem goods and services, which are essential to social, economic, and environmental well-being. Watersheds with intact natural land cover and soil resources can sequester carbon and therefore reduce GHG emissions. Watershed restoration has the potential to double the amount of carbon stored in the soil, estimated at net emissions of -57,145 tons of carbon dioxide equivalent (tCO₂-eq) per year and a cumulative -1,142,908 tCO₂-eq across the Project’s economic lifetime under Component 4. This project aims to benefit 20,000 ha of land through watershed management. In the economic analysis, it is assumed that 50 percent of this area would be grassland, while the remaining half would be tropical dry forests. Using these assumptions and the standard shadow price of carbon (SPC) for



the period, the benefits of less carbon emissions due to watershed restoration are estimated, and then discounted. The PV of benefits are found to be in the range US\$37.20 million to US\$74.41 million, with an average value of US\$55.81 million.

- e. Type 5: The Project aims at institutional strengthening and financing project management. The benefits of institutional strengthening are estimated using reduced losses due to more skilled human resource available to deal with natural disasters such as floods. The benefits of financing project management are based on the multiplier effect of expenditure. The estimated PV of benefits of these interventions is approximately US\$29.3 million.

79. **The cumulative net present value of all these benefits, without and (with) SPC, is estimated in the range of US\$496.59 (US\$533.79) to US\$502.68 (US\$577.09) million, with an average value of US\$499.64 (US\$555.44) million. The calculation of the net present value estimated over 10 years is based on a discount rate of 5 percent representing the historical GDP growth rate plus real interest rate.** As the cost of the Project is US\$213 million, the expected benefit–cost ratio (without SPC) is estimated in the range 3.33 to 3.36, with an average value of 3.35. With SPC, the benefit–cost ratio ranges from 3.51 to 3.71, with an average value of 3.61. The expected range of benefit–cost ratio shows is economically viable. See Table 3 for further details.

Table 3. Benefit–Cost Analysis of IFRAP

| | | Lower Limit (US\$ millions) | Upper Limit (US\$ millions) | Average (US\$ millions) |
|--------|---|--------------------------------|--------------------------------|----------------------------|
| Type 1 | Crops saved | 26.06 | 26.06 | 26.06 |
| | Livestock saved | 6.50 | 6.50 | 6.50 |
| | Water Supply Scheme Rehabilitation | 35.20 | 38.93 | 37.07 |
| | Houses saved | 0.93 | 0.93 | 0.93 |
| | Benefits of road | 13.15 | 13.15 | 13.15 |
| | Public infrastructure saved | 3.02 | 3.02 | 3.02 |
| | Increased Agriculture Production (Irrigation) | 68.05 | 68.05 | 68.05 |
| | Value of Statistical (saved) Lives | 1.67 | 4.03 | 2.85 |
| | Value of Statistical (saved) Injuries | 0.001 | 0.005 | 0.003 |
| Type 2 | Improvement in Hydromet and Climate Services | 284.48 | 284.48 | 284.48 |
| Type 3 | House Reconstruction and Rehabilitation | 187.50 | 187.50 | 187.50 |
| Type 4 | Livelihood Restoration (Agriculture and Livestock) | 26.51 | 26.51 | 26.51 |
| | Livelihood Restoration (Watershed) | 27.22 | 27.22 | 27.22 |
| Type 5 | Project Management and Institutional Strengthening | 29.30 | 29.30 | 29.30 |
| | PV of Benefits | 709.59 | 715.68 | 712.64 |
| | Cost of the Project | 213 | 213 | 213 |
| | Benefit of Less Carbon Emission (Watershed Restoration) | 37.20 | 74.41 | 55.81 |
| | NPV of the Project (Without SPC) | 496.59 | 502.68 | 499.64 |
| | NPV of the Project (With SPC) | 533.79 | 577.09 | 555.44 |
| | Benefit–Cost Ratio (Without SPC) | 3.33 | 3.36 | 3.35 |
| | Benefit–Cost Ratio (With SPC) | 3.51 | 3.71 | 3.61 |



B. Fiduciary

(a) Financial Management

80. **The Project FM arrangements are adequate and meet the requirements of the Bank Policy for IPF, revised in December 2021.** The FPMU under the MoPD&SI will be responsible for the FM activities of the federal government and will ensure coordination between federal and provincial components of the Project. The federal-level PIU to be set up under the PMD will also have a dedicated FM function. Each of the two existing PIUs of Balochistan (managed by the BIWRMDP and BLEP) will also establish separate FM units. With the addition of these units, the BIWRMDP and BLEP PIUs will have sufficient capacity to handle the FM activities of IFRAP. These PIUs will ensure the availability of a dedicated FM function with the required capacity by employing qualified and experienced staff to perform FM activities. Funds flow will be into the dedicated designated accounts (DAs). The Project will open two DAs for federal components and two DAs for provincial components under the FPMU and PIUs. FM will rely on existing country systems and the GoP's budgeting processes will apply. The Project's budget will be a part of the government's annual budget and will be reflected in the Annual Development Plan. The New Accounting Model (NAM), including the Chart of Accounts prescribed by the Auditor General of Pakistan, will be used for the Project. External audit of the Project will be conducted by the DG Federal Audit and the DG Audit Balochistan for the federal and Balochistan components of the Project, respectively. The audit report will be submitted to the Bank within six months of the close of the financial year, i.e., before December of each year. The external audit will be performed by the department of Auditor General of Pakistan through its subsidiary office Director General Federal Audit and will issue one project-wide audit report covering federal and Balochistan components.

(b) Procurement

81. **Procurement activities will be carried out following the World Bank's Procurement Regulations for IPF Borrowers (Procurement in Investment Project Financing, Goods, Works, Non-Consulting and Consulting Services – Fourth Edition, November 2020).** Some of the procurement activities may follow the provincial procurement procedures (national market approach) subject to conditions specified in the procurement plan approved by the Bank. The Project will be subject to the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development Loans and International Development Association Credits and Grants (revised as of July 1, 2016, Anti-Corruption Guidelines).

82. **A Simplified Framework Project Procurement Strategy for Development (PPSD) will be developed collaboratively by all PIUs with the Bank's support.** However, its finalization has been deferred as per flexibility allowed under streamlined procurement approaches for emergency operations. The PPCSD would outline the fit-for-purpose procurement arrangements that suit the situation and most efficiently achieve the PDO. Specifically, during the first year of implementation, the Project will use streamlined procurement methods and arrangements, including unlimited threshold for requests for quotations for goods, works, and non-consulting services; "Selection Based on Consultant's Qualifications" for consulting services; reduced bid preparation period; suspension of standstill period; use of Bid Securing Declaration rather than bid security; up to 40 percent advance payment against



unconditional bank guarantee; using United Nations (UN) agencies (such as the UN High Commissioner for Refugees, the UN Children's Fund, the World Food Programme, and the UN Office for Project Services); and waivers for performance security in the case of small contracts for works or supply of goods. Based on these streamlined procurement methods and arrangements, the most appropriate procurement arrangement will be designed for each of the contracts, when available, and included in the procurement plan for approval by the Bank. A brief explanation of the agreed procurement method and market approach shall be recorded. Some damaged flood protection schemes, construction of water retention structures, rural roads, municipal and farm-to-market roads, and damaged water supply and sanitation infrastructure have already been identified and will be included in the initial procurement plan. These streamlined procedures will be available for the first year of project implementation, after which the procurements will revert to the prevailing country thresholds of the Bank. Exceptions may be allowed on a case-by-case basis where justified.

83. The procurement arrangements at implementing entities are already in place and have been determined as effective. The PIUs have experience with implementing procurement under WB-financed projects in the past, through implementing the BIWRMDP and BLEP. The procurement structure along with specialists (officers) is in place.

84. The key procurement-related risks include: (i) frequent turnover of procurement staff; (ii) challenge in attracting qualified consultants/suppliers/contractor/service providers; (iii) inadequate capacity of various audit entities to understand the procurement requirements and identify deviations and violations that are not referenced to the correct legal requirement; and (iv) risk of fraud and corruption in public procurement as duly documented by the National Accountability Bureau and Transparency International. To mitigate these risks, the following measures have been agreed with the project implementing entities: (i) notice period of resignation of project staff shall be increased to three months; (ii) inclusion of qualification requirements for necessary experience with environment, social, and health and safety management into procurement documents, and familiarization of prospective consultants and bidders in pre-proposal conference and pre-bid meetings about environmental, social, and health and safety risks; (iii) all key procurement documents will clearly refer to procurement arrangements stated in legal agreements and there will be Joint Procurement Clinics with the decision-making staff of the PIUs to contextualize the legal application of procurement regulations; and (iv) for the fraud and corruption risks, the following measures will be instituted:

- Procurement clinics will be held with a focus on detecting red flags.
- Mandatory training of relevant fiduciary staff on the Bank's procurement regulations and contract management practices.
- Selection of Procurement Specialist, Financial Management Specialist (FMS), and Contract Management Specialist (if required) will be subject to the Bank's prior review.
- Market outreach will be undertaken for large value and complex procurements. Event information will be disseminated through electronic and print media on various forums to ensure that all interested parties are given the opportunity to exchange ideas with the procuring agency. An Overview Document for the market outreach event shall be prepared, which will broadly



explain the technical requirements, bidding process, and expectation of qualifications, and shall be made accessible to all concerned and interested parties/firms.

- Every procurement publication will have a link to the applicable complaint/grievance redress portal.
- For enhanced transparency, the pre-bid/pre-proposal conferences, technical proposal submission meeting, financial proposals, and bid opening meetings shall be video recorded and proceedings uploaded on the project's website within 60 minutes of the conclusion of such meetings.
- Minutes of bid opening, technical proposal submission, and financial proposal opening shall be uploaded on project's website on a real-time basis.
- Detailed guidance will be provided in the PIM regarding conflict of interest and transparency measures. In terms of code of ethics, measures will be provided in the PIM that will consider willful deviations from procurement processes.
- Monitoring of critical civil works stages by project supervision and implementation assistance consultants through drone cameras, the images of which will be uploaded on the project website.
- Assessment of indicators of fraud and corruption and Integrity Vice Presidency's red flags during implementation support missions.
- Information on beneficial ownership shall be solicited.
- Conflict of interest undertaking by all staff of the PIUs/FPMU.
- Internal audit will be independent of the PIUs/FPMU.

85. **Oversight and monitoring:** The Bank team will conduct annual (or ad hoc as needed) procurement post review in addition to prior review as required in the procurement plan and regular implementation support missions. External oversight will be undertaken by the Auditor General of Pakistan, Competition Commission, Federal Investigation Agency, National Accountability Bureau, Public Accounts Committee, and the Public Procurement and Regulatory Authority. These entities have national and subnational mandates and are directly and indirectly associated with various stages of procurement and contract management. Internally, the PIUs are required to follow delegation of financial powers whereby procurement transactions from planning, bidding, award, and payments follow a defined hierarchy culminating at principal accounting officer. These mechanisms are designed for adequate internal and external oversight of procurement that provides timely and regular feedback, for example through procurement audits and reviews.

C. Legal Operational Policies

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

86. **Projects on International Waterways (OP 7.50).** This policy is triggered since the Project will rely on water from the Indus River, the Dasht River, the Helmand River, and the Rakshan/Hamun-i-Mashkel



system, which are considered international waterways as defined in paragraph 1 of the Policy. Project activities will finance water resources surveys and feasibility studies, and infrastructure rehabilitation or reconstruction to improve the functioning of existing flood control and irrigation schemes in areas prone to flash flooding. These structures will reduce runoff, increase recharge, mitigate the impact of flash floods, and improve livelihoods. The activities are not expected to increase water abstraction or pollute the listed international waterways. As works are limited to rehabilitation and do not cause appreciable harm and as the terms of reference for any relevant studies will include an assessment of riparian issues, the exception to the notification requirement under paragraphs 7 (a) and (b) applies. The South Asia Regional Vice President approved the exception to the notification requirement on March 13, 2023.

D. Environmental and Social

87. **Environmental:** The Project interventions have positive impacts by improving livelihoods and essential services in flood-affected communities and will help strengthen their resilience to floods. However, the potential environmental risks anticipated from the Project investments are deemed substantial due to the nature of the project design prepared in an emergency, limited knowledge about the exact scale, design, and locations of project investments, security, relatively complex implementing arrangements and institutional capacity, and general implementation challenges. Component 1 will support a range of community infrastructure including irrigation channels and flood protection, rehabilitation and restoration of water retention structures, water supply schemes, district connecting roads, drainage and rehabilitation of community facilities for which moderate to large-scale construction/civil works-related environmental risks and impacts are anticipated, such as pollution and nuisance (dust, noise, visual degradation of landscapes, debris, and other solid waste generation, potential ground/surface water contamination, community nuisance and safety concerns due to traffic increase), worker occupational health and safety (OHS), and concerns related to community health and safety (CHS). Dam safety risks and related OHS risks are also associated with rehabilitation and restoration works at dam sites. Other environmental risks are associated with Component 3, including civil works-related environmental risks and risks related to the lack of capacity of the owner-builders. Component 4 will support livestock and watershed management and livelihood activities that are moderate to small-scale and not anticipated to have any major environmental risks and impacts. Considering the scale and geographic spread of the Project, multisectoral investments with extensive civil works that could have potential environmental risks and impacts and the limited institutional capacity of implementing agencies on E&S aspects, the environmental risk of the Project is assessed as substantial.

88. **Social:** The Project will have positive social impacts by improving the livelihoods of flood-affected communities, restoring essential services, and enhancing protection from future floods. The primary social risk is related to the potential misidentification of potential beneficiaries. Incomplete or poorly designed surveying and poor records management can result in the most vulnerable segments of communities being overlooked during the targeting phase, excluding them from receiving benefits from the Project and leading to disturbances in community dynamics, increased inequality, and further marginalization of already marginalized groups. Given that the specific information on exact locations and the scale of project investments are unknown at this stage, there are social risks associated with labor and labor-related OHS risks and CHS. A comprehensive social assessment will be conducted to promote a robust targeting of beneficiaries, mitigate labor risks, and support CHS. The risks under Component 4 on livelihoods include potential GBV, sexual exploitation and abuse (SEA)/sexual harassment (SEA/SH) risks,



exclusion, and elite capture. These risks will be mitigated by paying increased attention to the survey design, establishing a GIS-enabled MIS system from the very onset of the Project, and engaging in a robust awareness campaign. The SEA/SH risk has been assessed as substantial in case of housing reconstruction under Component 3 and livelihood assistance under Component 4. SEA/SH risks associated with civil works (Components 1 and 3) are also substantial as women and children (especially of minorities) are significantly exposed to exploitation especially those residing in insecure living environments with limited access to privacy or safe toilet facilities. Other social risks of the Project are associated with construction activities under Component 1, including OHS risks to community workers and project labor, traffic safety issues, temporary displacement of people, and impacts on cultural heritage. Reconstruction of small water retention structures and flood control works also carry CHS risks, for which design safety measures will be ensured by qualified engineers in accordance with Good International Industry Practice. For risks associated with land, land use, and potential economic and/or physical displacement, mitigation measures will be put in place per Environmental and Social Standard (ESS) 5 requirements outlined in the Resettlement Policy Framework. Based on the above, social risk is rated Substantial.

89. **E&S management instruments:** ESS1, ESS2, ESS3, ESS4, ESS5, ESS6, ESS8, and ESS10 are relevant to the Project. All the E&S instruments will be prepared and adopted in accordance with the timelines set out in the Environmental and Social Commitment Plan (ESCP)³⁰. The ESCP has been prepared and will be negotiated with implementing agencies detailing commitments with timeframes of E&S instrument preparation, adequate organizational structure, and capacity-building measures. Since the Project will be implemented across Balochistan in SoP1 and the exact location of the activities supported by the Project is not precisely known, a framework approach will be adopted, and the Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework will be prepared within 60 days of project effectiveness. The ESMF will include clear exclusion criteria for any high-risk type subprojects (e.g., major resettlements, significant damage to natural/critical habitats, etc.) and working on large dams. The Recipient will arrange for one or more independent dam specialists to meet the requirements under Annex 1. Safety of Dams under ESS4 will be applied for existing dams. The relevant requirements on OHS, CHS, GBV and SEA/SH mitigation, waste management, and pollution prevention plans will be included in the ESMF. The Recipient will also prepare Labor Management Procedures under ESS2 within 60 days of project effectiveness. In addition, since the SEA/SH rating is substantial, a standalone SEA/SH (GBV) Action Plan will be prepared within the same timeframe, containing details for Codes of Conduct for workers, behavioral standards for project actors, sensitization and trainings for implementing agencies, awareness raising for community members on SEA/SH, recruiting of a GBV service provider, and a grievance redress mechanism (GRM) responsive to SEA/SH complaints. The respective PIUs will prepare and implement site-specific instruments (ESMP/checklists) prior to the commencement of any civil works and/or procurement.

90. **Citizen engagement:** Citizen engagement mechanisms will form an integral part of the Project to enable effective two-way interactions with citizens, including community and beneficiary consultations at all project stages. This will be done primarily through annual local flood resilience roundtables (either virtual or face-to-face) to share with citizens up-to-date information on the local investments, and to disseminate and discuss the results of collected feedback (and inform citizens of which actions have been taken based on their feedback). A preliminary Stakeholder Engagement Plan (SEP) has been prepared to

³⁰ ESCP and SEP were disclosed by Government of Balochistan on April 19, 2023 on the following websites: <https://blepgob.org.pk/> and <http://www.biwrmdp.org.pk/ifrap/>; by World Bank website on April 12, 2023: <https://documents.worldbank.org/en/publication/documents-reports/documentlist?qterm=P180323>



guide citizen engagement and will be updated during project implementation. The SEP defines appropriate mechanisms to engage with affected parties and vulnerable groups, based on a communication strategy and engagement methods suitable to each stakeholder category. Moreover, a beneficiary feedback indicator focusing on grievance redressal has been added to the Results Framework, which will be measured periodically. The Project will involve local communities in the enhancement/establishment and decision-making of flood early warning systems and services (Component 2), for example through training and mobilization of community facilitators ("early warning messengers"); institutionalizing a robust, accessible, socially inclusive and transparent Grievance Redress and Beneficiary Feedback Mechanism for the Housing Reconstruction Grants (Component 3); and ensuring a socially inclusive, participatory planning, and local monitoring mechanisms for the matching grants and community grants (Component 4). As described in the SEP, a project-level GRM will be established as part of the inclusive approach.

91. **Gender and social inclusion:** The Project responds to the gap in access to post-disaster reconstruction assistance faced by women, people with disabilities, and other vulnerable households/individuals, as observed in the recent Social Impact Assessment conducted in the aftermath of the 2022 floods. Several underlying constraints are addressed through project activities, as follows:

- (i) **Under Component 1, the Project supports reconstruction and rehabilitation of infrastructure in and around girls' primary and secondary schools.** In-school infrastructure improvements will be designed to minimize risks of school-based violence and abuse against female students, for example by providing adequate lighting in classrooms and sanitation facilities, as well as lockable stalls in toilets.³¹ GBV within the wider community will also be addressed through community sensitization and behavior change interventions to prevent GBV, early marriages, and other gender-inequitable coping mechanisms in the aftermath of the floods. In addition, critical road links to and from schools will be earmarked for reconstruction/rehabilitation by communities, using rapid participatory tools.
- (ii) **Under Component 3, the Project enhances women's property ownership and access to housing reconstruction grants.** To narrow the large gender gap in property ownership in Balochistan, the project will incentivize joint titling of property on which house reconstruction or rehabilitation is being supported. In addition, women property owners and other vulnerable individuals/households will be supported in asserting their property ownership and, if needed, replacing lost or damaged documents. Participatory land adjudication and verification processes, as well as provision of free legal aid and referral to protection services when needed, will also support women and other vulnerable individuals in asserting their property rights without being exposed to violence or coercion. The impact of these measures will be tracked through the results indicator: *female headed households and households with vulnerable women with housing units restored/reconstructed (target: 25 percent)*.
- (iii) **Under Component 4, the Project supports women's access to diversified livelihood opportunities.** Eligibility criteria will be developed to ensure inclusion of female-headed households as well as women in households with high dependency ratios; women informal workers, especially home-based workers; female on- and off-farm workers; and people with

³¹ ICRW and Plan International. 2014. "Are Schools Safe and Gender Equal Spaces? Findings from a Baseline Study of School Related Gender-based Violence in Five Countries in Asia." <https://www.icrw.org/publications/are-schools-safe-and-gender-equal-spaces/>.



disabilities. Under this criteria, older people and people with disabilities will be able to nominate someone on their behalf so that they can still benefit from project support. Women who cannot work or vulnerable women (female informal workers, pregnant/lactating women, widows, single women, women with disabilities, women whose husbands have disabilities, elderly women, minority women, etc.) also have the flexibility to nominate someone else to enable the women to benefit from the funds. Women's participation will also be supported by providing flexible schedules and appropriate venues. The impact of these actions will be tracked through the following results indicator: *female-headed households and households with vulnerable women whose livelihoods are improved (target: 40 percent)*. **The Project also provides livestock sheds rehabilitation and matching grants to female farmers under Component 4.** Livelihoods restoration grants will be considered for women home-based workers, female on- and off-farm workers, and dairy livestock workers through this project. It also includes value chain development in agriculture, which will adequately include women agricultural workers who make livestock and agricultural products across the province.

- (iv) **Under Component 2, the Project improves women's access to early warning and disaster risk management information.** This includes design and testing of gender-differentiated messaging and dissemination strategies, as well as development of informational materials for women with limited or no literacy.

92. **Climate change co-benefits:** The Project will also deliver significant climate change adaptation co-benefits through Components 1, 2, 3, and 4. The reconstruction and rehabilitation of flood-damaged infrastructure will be done under the principle of build back better. As such, the activities under Component 1 will provide direct climate change adaptation co-benefits by employing improved engineering design standards (such as raising embankments, adequate drainage systems, improved culverts and ditches, among others) to maximize the resilience of irrigation and flood protection infrastructure, water supply schemes, roads, and minor community-level facilities, all of which will support resilient livelihoods, contribute to improving food security, and reduce the transmission of vector-borne and waterborne diseases. These activities will also integrate nature-based solutions (such as wetland restoration and vegetative riverbank protection) to reduce flood peaks and increase infiltration, while assisting in carbon sequestration. In addition, activities under Component 2 will upgrade and expand hydromet infrastructure and related data systems and improve institutional capacity, mainly via technical trainings, to assist in mitigating and managing future climatic hazards.

93. Similarly, Component 3 supports a systematic approach to housing reconstruction based on resilience principles (employing designs and materials that will withstand future hazards and ensure a reliable water supply, sanitation, and basic energy through the provision of small compact solar panels units), while employing spatial planning to ensure reconstruction sites are more flood resilient. In addition, the activities under Component 4 will develop watershed management solutions to enable high-value climate-smart agriculture (mainly through water conservation techniques including gabion structures, contour bunds, and water storage) to increase the resilience of farming communities and ecosystems and augment their livelihoods. Watershed restoration has the potential to double the amount of carbon stored in the soil, estimated at net emissions of -57,145 tCO₂-eq per year and a cumulative -1,142,908 tCO₂-eq across the project's economic lifetime under Component 4. Finally, component 5 will support the sectoral policy reforms needed to build adaptive capacity.



V. GRIEVANCE REDRESS SERVICES

94. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI. KEY RISKS

95. **The overall risk rating of the Project is High.** The main risks and mitigation measures are described below.

96. **Political and Governance risk is High.** Federal and provincial governments demonstrate strong interest in the Project in the context of the flood emergency. While the interventions supported by this project are expected to remain a priority, implementation may slow down, particularly in the run-up to the next general elections, or be impacted by the province's security risks. The political uncertainty has recently increased due to nation-wide protests amid heightened tension between a political party and the GoP. The project oversight by the PSC is expected to help promote coordination and collaboration between the different stakeholders involved in implementation. Regular meetings with federal and provincial counterparts and WB management will also monitor the implementation and delivery of results. Furthermore, the risk of political capture, especially with regard to infrastructure rehabilitation, will be mitigated by a defined framework for the selection and appraisal of infrastructure investments, which clearly articulates selection criteria for investments.

97. **Macroeconomic risk is High.** The impacts of COVID-19 and the 2022 floods have weakened ongoing stabilization efforts and medium-term structural reforms. Significant risks include potential worsening of external conditions, further natural disasters, and a slowdown or reversals in policy adjustment in the run-up to elections. Realization of these risks may lead to macroeconomic instability, with major impacts on economic activities, prices, and household incomes, impeding the achievement of project results. At the project level, risks are mitigated by the fact that: (i) substantial price contingencies have been included in the final project cost estimates; and (ii) most of the project interventions will be community-level activities (including labor-intensive works), which are less susceptible to macroeconomic instability.



98. **Sector Strategies and Policies risk is Substantial.** The national level water and climate strategies, policies, and laws identify the importance and need for developing tailored climate change policies and strategies at provincial levels (including Balochistan) and support the implementation of localized climate priorities and reducing fragmentation of roles and responsibilities. However, Balochistan still lacks sub-national climate policies, strategies, and action plans; maintains no clear mechanism for implementing projects or plans to enhance climate action in the province; and there are no dedicated laws or policies to ensure the budgeting of adequate resources, whether technical or financial. To mitigate this risk, the project includes technical assistance and consensus building to support the GoB in finalizing and approving its provincial water policy and water law tailored to the local context.

99. **Technical Design risk is Substantial.** The technical risks are twofold: (i) the MoPD&SI and the Balochistan P&DD and Irrigation Department have limited understanding and experience in designing and managing a complex multisectoral reconstruction project in an integrated manner; and (ii) the data, information, and knowledge on hydrological, meteorological, and climatological conditions associated with the project areas are unreliable or not granular enough for a spatially coordinated design of the overall project intervention. To mitigate these risks, technical assistance through the PSIA and the pool of experts and capacity building will be provided to help improve data collection through innovative means, including remote sensing. The Bank will also mobilize additional expertise through the Bank Executed Trust Fund.³²

100. **Institutional Capacity for Implementation and Sustainability risk is Substantial.** The FPMU and PIUs will need support to coordinate with different focal points/departments for the successful implementation of a multisectoral project. While the use of regular staff at the existing PIUs is envisaged to ensure a sustainable improvement of institutional capacities, the Project will support the use of specialized skills to augment existing staff to address gaps in implementation capacity. The Project will support strengthening the technical, operational, and financial capacities of the entities involved and facilitate social mobilization at the community level.

101. **Fiduciary risk is Substantial.** The Project will be implemented across various departments with FM arrangements managed by established PIUs. The PIUs at the provincial level have adequate FM arrangements in place. However, the PIUs under the PMD and FPMU are still to be established. Related risks will be mitigated through: (i) hiring/engaging a qualified FMS in accordance with the terms of reference acceptable to the Bank; (ii) adherence to internal control procedures; (iii) use of a third-party verification to ensure the use of funds for intended purposes and strengthening capacity of implementing entities; and (iv) use of resources under the ME3F platform to ensure Bank oversight on project implementation.

102. **Environmental and Social risk is Substantial.** Key E&S risks include exclusion of potential beneficiaries, elite capture, land use associated with pollution, land conflicts, GBV, and SEA/SH. The risks will be mitigated through the development, consultation, and application of a range of E&S tools. Based on the findings of this analysis, requisite institutional strengthening measures and GRMs to address social risks (including those related to GBV) have been incorporated into the project design. Throughout implementation, the Project will be required to keep an active GRM wherein affected parties can submit complaints and concerns on how the Project has/will affect them; the PIUs are expected to address

³² The Global Facility for Disaster Reduction and Recovery grant “Drought and Flood Management through remote-sensing technology” will provide technical assistance for the implementation of the project.



complaints submitted through the GRM. The Bank will regularly monitor the functionality of the Project's GRM.

103. **Stakeholders risk is High.** Stakeholders, including households, communities, and local institutions, are weakened due to the widespread disaster. Given the Project's multidisciplinary nature and the involvement of multiple stakeholders, many of whom are facing E&S vulnerability, inter-institutional coordination and cooperation between involved actors is essential. At the institutional level, federal and provincial departments need to improve coordination—a risk that is augmented by emergency contexts. The FPMU will be established at the federal level to facilitate institutional coordination. Strong community engagement strategy and citizen engagement mechanisms will be used to facilitate participation, primarily for community infrastructure investments and livelihoods component. The Project will also support a communications strategy to increase community awareness and improve transparency in project activities. The PSC will engage key technical and implementation stakeholders to ensure complementarity and alignment among partners.

104. **Other risks (security) are High.** The current security situation in Balochistan will restrict and may prevent travel to the project area by the project team. A security management plan has been developed for the overall project. The security measures identified in this plan will be part of work contracts in sensitive areas.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Pakistan

Integrated Flood Resilience and Adaptation Project

Project Development Objectives(s)

The project development objective (PDO) is to improve livelihoods and essential services and enhance flood risk protection in selected communities affected by the 2022 floods.

Project Development Objective Indicators

| Indicator Name | PBC | Baseline | End Target |
|---|-----|----------|--------------|
| Livelihoods | | | |
| Households with improved livelihoods (Number) | | 0.00 | 80,000.00 |
| Of which female-headed households and households with vulnerable women (Percentage) | | 0.00 | 40.00 |
| Essential Services | | | |
| People regaining access to at least one essential service (Number) | | 0.00 | 1,500,000.00 |
| of which are females (Percentage) | | 0.00 | 50.00 |
| Protection to flood risk | | | |
| People with enhanced protection to flood risk (Number) | | 0.00 | 1,800,000.00 |
| of which are females (Percentage) | | 0.00 | 50.00 |
| Increase in weather forecast lead time of PMD (Days) | | 3.00 | 5.00 |



Intermediate Results Indicators by Components

| Indicator Name | PBC | Baseline | End Target |
|---|-----|----------|------------|
| Community infrastructure rehabilitation | | | |
| Land area benefitting from restored irrigation systems (Hectare(Ha)) | | 0.00 | 50,000.00 |
| Land area with improved protection through rehabilitated flood protection infrastructure (Hectare(Ha)) | | 0.00 | 50,000.00 |
| Length of roads rehabilitated (Kilometers) | | 0.00 | 20.00 |
| Water supply schemes rehabilitated (Number) | | 0.00 | 40.00 |
| Restoration of small community facilities (Number) | | 0.00 | 40.00 |
| Strengthening hydromet and climate services | | | |
| Weather radars installed and operationalized (Number) | | 0.00 | 4.00 |
| Automatic Weather Stations (AWS) installed and operationalized (Number) | | 0.00 | 300.00 |
| Hydrological modelling based early warning system established for hill torrents in Balochistan (Yes/No) | | No | Yes |
| Resilient housing reconstruction and restoration | | | |
| Housing units restored/reconstructed (Number) | | 0.00 | 35,100.00 |
| of which female headed households and households with vulnerable women (Percentage) | | 0.00 | 25.00 |
| Livelihood support and watershed management | | | |
| Watershed area under climate-resilient practices (Hectare(Ha)) | | 0.00 | 20,000.00 |
| Households receiving livelihood support (Number) | | 0.00 | 80,000.00 |
| Project Management, Technical Assistance, and Institutional Strengthening | | | |
| Community flood resilience plans prepared (Number) | | 0.00 | 20.00 |



| Indicator Name | PBC | Baseline | End Target |
|---|-----|--|--|
| River basin planning studies (Number) | | 0.00 | 3.00 |
| Citizen Engagement | | | |
| Citizens' Engagement Strategy developed and rolled out (Text) | | Citizens' Engagement Strategy not developed. | Citizens' Engagement Strategy developed and rolled out |
| Registered grievances satisfactorily resolved in line with the GRM (Percentage) | | 0.00 | 100.00 |

Monitoring & Evaluation Plan: PDO Indicators

| Indicator Name | Definition/Description | Frequency | Datasource | Methodology for Data Collection | Responsibility for Data Collection |
|--|--|-----------|-----------------------|---|---|
| Households with improved livelihoods | Improved livelihoods mean increase in income or increase in assets. | Annual | MIS, progress reports | PCU collects data from relevant PIUs and evaluates progress with support from Project M&E consultancy | PCU and FPMU with Project M&E consultancy |
| Of which female-headed households and households with vulnerable women | Livelihoods of female-headed households and households with vulnerable women (female informal workers, pregnant/lactating women, widows, women with a disability [physical or mental health], elderly women [above 60 years of | Annual | MIS, progress reports | PCU collects data from relevant PIUs and evaluates progress with support from Project M&E consultancy | PCU and FPMU with Project M&E consultancy |



| | | | | | |
|---|---|--------|-----------------------|--|---|
| | age], women from excluded groups, single women not residing with a male relative) improved by improving element of basic well-being | | | | |
| People regaining access to at least one essential service | People affected by the 2022 floods regain access to improved infrastructure that provide a service including shelter, irrigation, water supply and sanitation, and transport. | Annual | MIS, progress reports | PCU collects data from relevant PIUs and evaluates progress with support from Project M&E consultancy | PCU and FPMU with Project M&E consultancy |
| of which are females | Female affected by the 2022 floods regain access to improved infrastructure | Annual | MIS, progress reports | PCU collects data from relevant PIUs and evaluates progress with support from Project M&E consultancy | PCU and FPMU with Project M&E consultancy |
| People with enhanced protection to flood risk | People with flood protection infrastructure protecting them from floods with a higher return period | Annual | MIS, progress reports | PCU and PMD collect data from relevant PIUs and evaluates progress with support from Project M&E consultancy | PCU and FPMU with Project M&E consultancy |
| of which are females | Females with enhanced flood protection infrastructure, flood forecasting, and early warning systems | Annual | MIS, progress reports | PCU collects data from relevant PIUs and evaluates progress with support from Project M&E consultancy | PCU and FPMU with Project M&E consultancy |



| | | | | | |
|---|--|--------|-----|----------------------------|---|
| Increase in weather forecast lead time of PMD | The days of weather forecast lead time of PMD increased. Lead time is the length of time between the issuance of a forecast and the occurrence of the phenomena that were predicted. | Annual | MIS | Hydromet PIU collects data | PCU and FPMU with Project M&E consultancy |
|---|--|--------|-----|----------------------------|---|

Monitoring & Evaluation Plan: Intermediate Results Indicators

| Indicator Name | Definition/Description | Frequency | Datasource | Methodology for Data Collection | Responsibility for Data Collection |
|--|---|-------------|------------|---------------------------------|---|
| Land area benefitting from restored irrigation systems | Restored irrigated area damaged by the flood and identified as vulnerable to climate related disasters where farmers can start cropping | Semi-annual | MIS | BIWRMDP PIU collects data | PCU and FPMU with Project M&E consultancy |
| Land area with improved protection through rehabilitated flood protection infrastructure | Area damaged by the flood covered with climate resilient flood protection measures | Semi-annual | MIS | BIWRMDP PIU collects data | PCU and FPMU with Project M&E consultancy |
| Length of roads rehabilitated | Selected roads damaged by the flood rehabilitated | Semi-annual | MIS | BIWRMDP PIU collects data | PCU and FPMU with Project M&E consultancy |
| Water supply schemes rehabilitated | Selected community-level water supply infrastructure affected by the floods that are resilient to climate disasters rehabilitated | Semi-annual | MIS | BIWRMDP PIU collects data | PCU and FPMU with Project M&E consultancy |



| | | | | | |
|--|---|-------------|-----|-------------------------------|---|
| Restoration of small community facilities | Selected small community facilities restored by the project | Semi-annual | MIS | BIWRMDP PIU collects the data | PCU and FPMU with Project M&E consultancy |
| Weather radars installed and operationalized | The number of operationalized weather radars | Semi-annual | MIS | Hydromet PIU collects data | PCU and FPMU with Project M&E consultancy |
| Automatic Weather Stations (AWS) installed and operationalized | The number of AWSs installed and operationalized by PMD | Semi-Annual | MIS | PMD will collect data | PCU and FPMU with Project M&E consultancy |
| Hydrological modelling based early warning system established for hill torrents in Balochistan | A hydrological modelling established based Early Warning System for hill torrents in Balochistan | Annual | MIS | Hydromet PIU collects data | PCU and FPMU with Project M&E consultancy |
| Housing units restored/reconstructed | Restored/reconstructed housing unites damaged by the floods with resilient standards | Quarterly | MIS | PCU collects data | PCU and FPMU with Project M&E consultancy |
| of which female headed households and households with vulnerable women | Restored/reconstructed housing unites damaged by the floods with resilient standards of which female headed households and households with vulnerable women | Annual | MIS | PCU collects data | PCU and FPMU with Project M&E consultancy |
| Watershed area under climate-resilient practices | Eligible degraded watersheds restored with identified climate-resilient practices through community grants | Semi-annual | MIS | BLEP PIU collects data | PCU and FPMU with Project M&E consultancy |
| Households receiving livelihood support | Households in eligible farming communities received agricultural and | Quarterly | MIS | BLEP PIU collects data | PCU and FPMU with Project M&E consultancy |



| | | | | | |
|--|--|-------------|---------------------------|--|---|
| | livestock-based livelihoods support that promotes climate smart agriculture practices | | | | |
| Community flood resilience plans prepared | Community flood resilience plans that include key interventions to improve flood resilience at community level prepared in consultation with communities | Annual | MIS | BLEP PIU collects data | PCU and FPMU with Project M&E consultancy |
| River basin planning studies | River basin planning studies to be developed for selected major river basins in Balochistan | Annual | BIWRMDP PIU collects data | MIS | PCU and FPMU with Project M&E consultancy |
| Citizens' Engagement Strategy developed and rolled out | A citizens' engagement strategy developed and rolled out | Annual | Project M&E | FPMU analyze collected data with Project M&E consultancy | PCU and FPMU with Project M&E consultancy |
| Registered grievances satisfactorily resolved in line with the GRM | Registered grievances that are satisfactorily resolved by the project | Semi-annual | GRM and M&E | GRM System | PCU and FPMU with Project M&E consultancy |



ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Pakistan

Integrated Flood Resilience and Adaptation Project

Implementation Arrangements

1. **An internal review (2020) of 26 World Bank emergency response and recovery projects concluded that they take longer to implement than regular investment lending and the time required to complete them is consistently underestimated at the design stage.**³³ The main challenges identified by the review were: (i) low government capacity due to the emergency; (ii) lack of base data for planning; and (iii) a compressed project preparation period. As these three challenges also apply to the proposed project, the implementation support strategy seeks to mitigate these risks by engaging a company with robust experience in housing and with a solid reputation, capable of rapidly mobilizing and implementing through a network of well-established partner organizations, and with an existing database.
2. **The Project will be implemented at two levels:** (i) at the federal level, the MoPD&SI will be the lead agency responsible for overall project coordination and M&E; and (ii) at the provincial level, the P&DD of the GoB will be responsible for prioritization of activities and implementation of Component 1 and Component 4 through existing implementation arrangements under the BIWRMDP and BLEP. The BIWRMDP and BLEP will be designated as PIUs.
3. Component 1: Community Infrastructure Rehabilitation will be implemented through the BIWRMDP under the Balochistan Irrigation Department. Component 2: Strengthening Hydromet and Climate Services will be implemented through the PMD. Component 3: Resilient Housing Reconstruction and Restoration will be implemented through the FPMU. It will work with competent organizations with solid track records in housing reconstruction in Pakistan and be responsible for the planning, implementation, and monitoring of this project and provide technical assistance for the post-flood housing reconstruction program of the province in terms of design standards. All project implementation arrangements will be detailed in the PIM. Component 4: Livelihood Support and Watershed Management will be implemented under the Balochistan P&DD. All project implementation arrangements will be detailed in the PIM, which will be prepared and adopted within 30 days of project effectiveness. A PSC will be responsible for overall coordination and oversight of project implementation. Component 5: Project Management, Technical Assistance, and Institutional Strengthening will be implemented through the FPMU.
4. **Implementation of Component 1: Community Infrastructure Rehabilitation.** The Balochistan Irrigation Department will be responsible of the implementation of Component 1 through the existing PIU of the BIWRMDP in close collaboration with all the concerned departments, including the Public Health Engineering and the CWD. The Balochistan Irrigation Department has gained significant experience in the implementation of donor-funded projects, including the ADB-funded Balochistan Water Resources Development Sector Project and Emergency Flood Assistance Project, the EU-funded Revival of

³³ Li, Jie, Edouard Ereño Blanchet, Qiyang Xu, Fen Wei, and Yaprak Servi. 2020. "Recovery Speed for Emergency Response and Disaster Management, a Review on Selected IDA/IBRD Projects."



Balochistan Water Resources Programme, and the WB-funded BIWRMDP. The PIU has strong technical, fiduciary, and safeguards capacity and has completed complex infrastructure works under the BIWRMDP

5. **Implementation of Component 2: Strengthening Hydromet and Climate Services.** The PMD will be responsible for the implementation of Component 2 through a dedicated PIU. Before the establishment and full staffing of this PIU, the core functions of this component, including M&E, social and environmental management, procurement, and FM, will be undertaken by the FPMU in close collaboration with the PMD as an interim arrangement to ensure efficient implementation of the component.

6. **Implementation of Component 3: Resilient Housing Reconstruction and Restoration.** The FPMU will be responsible for the implementation of Component 3. The FPMU will be responsible for the planning, implementation, and monitoring of the housing component as well as the overall post-flood housing reconstruction program of the province. All project implementation arrangements will be detailed in the Housing Reconstruction Grants Manual and in the PIM. The FPMU will also establish a personal data protection protocol acceptable to the Bank for incorporation in the PIM.

7. **Implementation of Component 4: Livelihood Support and Watershed Management.** The P&DD will be responsible for the implementation of Component 4 through the existing PIU of BLEP. The P&DD is currently responsible for the implementation of the WB-funded BLEP. The P&DD is responsible for the planning and has oversight on all development projects/programs in the development sectors of Balochistan. This department ensures coordination among development initiatives across the province and can implement multisectoral projects.

8. **Implementation of Component 5: Project Management, Technical Assistance, and Institutional Strengthening.** The MoPD&SI will be responsible for implementing this component through the FPMU, which will ensure overall project management, coordination, third-party verification, and support through a pool of expert and strategic studies crucial for the resilience and preparation of SoP2. The PSC will retain the possibility to delegate any of these responsibilities either to PIUs described under this project or to other government agencies to ensure efficient implementation.

9. Following the closing of the BIWRMDP and BLEP, the PIUs will become regular PIUs of IFRAP and necessary staffing will be maintained and fiduciary and other arrangements will be continued until the completion of IFRAP.

Strategy and Approach for Implementation Support

10. **The Implementation Support Plan (ISP) for IFRAP has been developed based on the specific nature of project activities, the planned implementation schedule, lessons learned from similar emergency operations, the risk profile as identified in the Systematic Operations Risk-Rating Tool, and the fact that the project was prepared based on emergency procedures.** The ISP envisages frequent implementation support missions by the Bank's Task Team. The Task Team will monitor implementation progress through: (i) reporting against key performance indicators as outlined in the Results Framework; (ii) implementing agency-level project reports and MIS; (iii) independent verification of progress through field visits; (iv) fiduciary oversight of implementing agencies' activities; and (v) regular communication with the departments and the implementing agencies.



Implementation Support Plan

11. **The following ISP reflects preliminary estimates of the skills, timing, and resource requirements over the implementation period of the Project.** The ISP will be reviewed from time to time and updated as needed to ensure that it continues to meet implementation support needs of the Project.

12. **Technical:** In addition to regular implementation support missions, the Bank will mobilize technical specialists to support implementation, particularly in terms of adding value through knowledge sharing and cross-fertilizing experience from similar projects in other countries. The task team has included international experts during preparation that will continue to assist during supervision. The Bank's institutional expertise on risk identification, engineering, and strengthening of fiduciary and operational systems will also contribute to adequate implementation of interventions and achievement of development objectives.

13. **Procurement, FM, and E&S Safeguards:** The Bank's procurement, FM, and E&S safeguards specialists will provide regular implementation support and technical assistance to the counterpart teams during project implementation. These team members will also identify capacity-building needs to strengthen procurement, FM, and safeguard capacity.

14. **Tables A1.1 and A1.2 indicate the level of inputs and staffing that will be needed from the WB and IFRAP to provide implementation support for the Project.** This will be reviewed and adjusted on a regular basis based on project needs.

Table A1.1. Implementation Support Plan

| Time | Focus | Partner Role |
|----------------|--|--|
| First 6 months | Provide support for: <ul style="list-style-type: none"> • Successful start of project across all components. • Identification and prioritization of activities under Components 1 and 4. • Technical designs and specifications of resilient infrastructure. • FM systems functioning. • Procurement (PPSD and Plan early in place). • ESF instruments early in place as per ESCP. • Establishment of M&E system. | <ul style="list-style-type: none"> • Task team to support smooth start-up. • Ensure safeguards, procurement, and FM on track. • Support PIUs. |
| 6–67 months | <ul style="list-style-type: none"> • Ensure adequate implementation support of all aspects of project. • Monitor implementation of project activities, including site visits. • Support final evaluation and Implementation Completion and Results Report. | <ul style="list-style-type: none"> • Ensure safeguards are kept on track. • Support PIUs. • Provide technical assistance. |

Table A1.2. Skills Mix Required

| Skills Needed | Number of Staff Weeks | Number of Trips | Comments |
|---|-----------------------|-----------------|------------------------------------|
| Task Team Leader | 60 | 15 | |
| Technical Specialist (Housing Reconstruction) | 30 | 15 | International or field-based staff |
| Technical Specialist (Livelihood) | 20 | 15 | International or field-based |



| Skills Needed | Number of Staff Weeks | Number of Trips | Comments |
|---|-----------------------|------------------------|------------------------------------|
| | | | staff |
| Technical Specialist (Disaster Risk Management) | 20 | 10 | International or field-based staff |
| Technical Specialist (Transport) | 20 | 15 | International or field-based staff |
| Technical Specialist (Water Resources) | 20 | 15 | International or field-based staff |
| Environmental Specialist | 30 | 10 | Field-based staff |
| Social Specialist | 30 | 10 | Field-based staff |
| FMS | 30 | 10 | International or field-based staff |
| Procurement Specialist | 40 | Local travel as needed | Field-based staff |
| Country Office Operational Support | 60 | Local travel as needed | Field-based staff |
| Consultants for Infrastructure Rehabilitation | 75 | Local travel as needed | Short-term consultant |
| Consultants for Livelihoods | 75 | Local travel as needed | Short-term consultant |
| Consultant for Safeguards and Inclusion | 75 | Local travel as needed | Short-term consultant |
| Consultant for Communications | 10 | Local travel as needed | Short-term consultant |

Financial Management

15. **Implementing entities:** Each of the FPMU and PMD PIUs will engage services of FM experts who will perform FM functions and will be supported by their teams. The BIWRMDP and BLEP PIUs have sufficient FM capacity. The risk profile of the Project is Substantial. Various mitigation measures are proposed in Table A1.3.

16. **FM staffing:** Within three months of project effectiveness, an FM function will be established in FPMU-MoPD&SI employing a dedicated FMS either hired competitively from the market or deputed by the Office of the Auditor General of Pakistan. The Project's FMS will be hired in accordance with the terms of reference acceptable to the WB. BLEP and BIWRMDP have already established a sufficiently staffed FM unit, with a competent FMS onboard along with the supporting team, which has ample capacity to handle the Project.

17. **Budgeting and planning:** Annual workplans and budgets approved by the PSC will guide project implementation and will be the basis for financial forecasts, quarterly work plans, procurements, and progress reporting. Annual workplan preparation will follow the annual budget preparation schedules to ensure that WB funding is reflected in the government budgets. All implementing entities in federal (FPMU of MoPD&SI, PIU of PMD) and provincial government (PIUs of the BIWRMDP and BLEP) will prepare their respective project annual budget based on their work plans and submit to the WB at least one month before the beginning of the project's fiscal year for review and approval. The Project's budget will follow applicable government/entity budgeting guidelines, which will be set out in the PIM.

18. **Quarterly budgeting and planning:** The quarterly work plan with planned activities and associated costs will be prepared by implementing entities. The Project's quarterly plans will become the main



instruments for day-to-day activities, monitoring, and course correction, if needed, during the specific quarter of the Project.

19. **Accounting and financial reporting:** The FMS of each implementing entity shall maintain the Project accounts using separate books of accounts and ledgers (i.e., cash book, ledgers, bank reconciliations, cheque register, invoice register, commitment register, fixed asset register, and inventory/stock register). Off-the-shelf financial accounting software is recommended to be implemented for this project to ensure transparency, accuracy in operations while it will also ensure effective reporting. The Project will use the Chart of Accounts under the NAM. The Project's annual financial statements will be prepared in accordance with the International Public Sector Accounting Standards Cash basis of accounting.

20. **Internal controls:** The Accounting Policies and Procedures Manual (APPM) along with relevant Government Rules and Regulations will be followed. These include certain requirements such as budget check, well-defined and segregated scheme of assignments, delegation of financial power rules delineating the categories of officers and expenditure-sanctioning competencies, and custody of assets. The Project's expenditure will be incurred by the PIUs in accordance with these internal controls specified in the relevant government regulations and in the PIM. For safeguarding of assets and stocks/inventory procured under the Project, separate fixed asset register along with inventory/stock register shall be maintained as per the agreed formats. These will be tagged for identification and subjected to a regular physical verification and audit. The FM staff will conduct regular reconciliation with the GoP's Financial Management Information System (System Applications and Products in Data Processing (SAP) R/3) as per the Revolving Fund Assignment Account Rules Revised 2022. In addition, internal audit will be an ongoing activity to be conducted by an internal audit firm hired from the market through a standard procurement process. The firm should have experience of handling WB-funded projects. The internal audit firm will conduct the project audit twice a year.

Table A1.3. Project FM Risk Analysis

| Risk | Risk Rating | Rating Explanation | Proposed Mitigating Measures |
|---------------------------------|--------------------|--|---|
| Inherent Risk | Substantial | | |
| Country/ Provincial Level | Substantial | Non-compliance of rules, policies, and procedures. | <ul style="list-style-type: none"> Adhering to FM policies and procedures as per NAM as well as detailed in the PIM. |
| Entity Level | Substantial | Using project funds for non-project-related activities. | <ul style="list-style-type: none"> Prepare detailed activity-wise financial work plan to be reviewed and agreed to by the Bank. External audit. |
| Project Level | Substantial | Cash support does not reach the intended beneficiaries. | <ul style="list-style-type: none"> As part of this project component, design and implement a strong system based computerized verification system. |
| Control Risk | Substantial | | |
| Budgeting | Substantial | Budgeting is not done on activity level. Subsequently the system of budget management is not appropriately | <ul style="list-style-type: none"> Detailed activity level budget should be prepared in addition to the general Annual Development Plan. Changes in original budget should be controlled. Budget execution reports should be prepared monthly. |



| | | | |
|--|--------------------|--|---|
| | | controlled, and future releases are on lumpsum basis. | |
| Accounting, Bookkeeping, and Internal controls | Substantial | <p>Hiring process of qualified FMS might not be completed in time, leading to significant risk in FM operations.</p> <p>Accounting is not done in the government-run SAP system on transaction basis as a result of which effective reconciliation cannot be ensured. This situation leads to ineffective monitoring of the Project.</p> | <ul style="list-style-type: none"> • Appointment of qualified FMS and finance staff to handle FM issues. • Use of GoP's Financial Management Information System (SAP/R3). • If SAP link is not available, use a strong transaction processing system for project-related disbursement, accounting, and financial reporting functions. • Ensure compliance with APPM (NAM) for all the payments to staff and contractors. • Monthly reconciliation of bank accounts. • Internal audit will be conducted by an internal audit firm to be hired by FPMU that will conduct internal audit of overall project operations twice a year and present reports. |
| Funds Flow and Disbursement Arrangements | Substantial | Disbursement of funds to the designated beneficiaries are reached with delay or a percentage of beneficiaries remain deprived of cash benefit. | <ul style="list-style-type: none"> • Strengthening of FM capacity at the Project and process designed in a way to ensure traceability of funds. Internal audit firm will conduct an audit of the beneficiaries. Computerized National Identity Card and biometric based verification will be performed to ensure the traceability of finds to the targeted population. |
| Financial Reporting | Moderate | Delay in production or errors occur in the preparation of IUFRs. | <ul style="list-style-type: none"> • Periodic IUFRs are to be prepared by individual FM units and provided to the Bank. |
| External Audit Arrangements | Substantial | Delay in the conduct of audit or low capacity of the Auditor. | <ul style="list-style-type: none"> • Department of Auditor General of Pakistan to conduct an audit of the Project. |
| Overall Risk | Substantial | | |

21. **Six-monthly and annual progress reports:** All implementing entities will be responsible for preparing their consolidated semi-annual progress reports against the approved annual work plans and project targets. Semi-annual progress reports will have essential details about targets and achievements and explanations for any variations and related issues. The Project shall also prepare and submit semi-annual Interim Unaudited Financial Reports (IUFRs) to the WB within 45 days after the end of each six months period. Individual IUFRs will be prepared separately by each PIU working under the federal and provincial governments. Further, the Project shall prepare and submit to the external auditors, within two



months after the end of the fiscal year, their annual financial statements. The audited project financial statements will be submitted to the WB no later than six months after the end of each fiscal year.

22. **Disbursements and fund flow:** The Project will open and maintain four DAs for each implementing entity working for the Project, where payments will be processed through the National Bank of Pakistan. These DAs will be established as per the Revolving Fund Assignment Account Procedure under the FPMU-MoPD&SI and will be managed by the FMS hired from the market or deputed from the GoP or GoB. Balochistan Irrigation Department and the P&DD already have FMSs onboard under both PIUs of BLEP and the BIWRMDP. These FMSs will ensure payments from this DA are as per the Financing Agreement. Disbursements will be based on a semi-annual cash forecast provided in the semi-annual IUFs prepared and submitted by FPMU within 45 days of the end of each six months period. Withdrawal Applications will be submitted to the Bank, supported by a semi-annual cash flow forecast and IUFs.

23. **External audit:** The Project will engage with the DG Audit Federal and DG Audit Balochistan to perform audits for their relevant federal and provincial components of the Project. Acceptable audited financial statements, the auditor's report thereon, and the auditor's management letter must be submitted within six months of the close of the fiscal year.

24. **Supervision plan:** FM supervision shall be determined based on the FM risk assessed throughout the life of this project.

Framework for Selection and Appraisal of Infrastructure Investments (Component 1)

25. **The criteria for the selection and appraisal of infrastructure investments to be financed under Component 1 is listed below.** A framework has been developed because the exact scope of the investments cannot be finalized before project appraisal as it requires participatory planning and prioritization with the GoB and communities in flood-affected areas. The framework provides a criterion for the selection and prioritization of infrastructure investments according to relevance to the PDO, readiness, E&S constraints and risks, implementation capacity, cost, and sustainability.

26. **Criteria for selection of investments:** The following criteria shall be used for the selection of enabling infrastructure investments to be considered for financing under the Project:

- a. Selected infrastructure investments must be within the flood-affected areas targeted under the Project and benefit the same areas and beyond.
- b. Selected investments must improve accessibility to key facilities such as water supply, district roads, markets, and health and education facilities.
- c. Selected investments must facilitate livelihood recovery of the flood-affected areas with focused consideration to poverty levels.
- d. Selected investments must be identified by the GoB based on prioritization and needs by beneficiary communities and local authorities.
- e. Selected investments shall complement, as applicable, other WB programs and coordinate with development partner interventions to maximize the livelihood benefits and enhance the resilience of the residents.
- f. Selected investments shall be cost-effective and cost-efficient. Where additional interventions are required to realize the full benefits of the investments chosen, financing for those must be confirmed before the package financed under this project goes to tender.



- g. Selected investments must be in line with the PDO and shall be based on build-back-better principles, enhancing resilience to climate-related hazards, and lessons learned from the 2010 floods.
- h. Selected investments must follow the social, environmental, procurement, and FM requirements of the WB and the GoB, and obtain all required environmental and regulatory clearances ahead of any construction.

27. **Appraisal criteria and standards of preparation:** the following appraisal criteria and standards of preparation shall apply:

- a. Following E&S screening, the necessary safeguard instruments will be prepared (e.g., Environmental and Social Impact Assessments, ESMP) and suitable mitigation measures for any significant impacts together with any residual project impacts should be detailed.
- b. Preparation should be based on an appropriate design horizon for each kind of asset, based on known hazard profile and vulnerability, forecasts of population, water use requirements, and project E&S impacts. These assumptions must be suitably validated by implementing comprehensive E&S monitoring.
- c. Selected investments should avoid areas of disputed land tenure and all areas that have recently been subject to Anti-encroachment Drive /forced evictions (cut off 2020).
- d. A detailed Project Implementation Plan must be prepared for each selected investment with realistic timelines for each stage of preparation and implementation.
- e. Adequate budget provisions must be confirmed based on engineering designs and market rates, including price and physical contingencies as appropriate.
- f. Adequate consideration is to be given to the management arrangements, and operations and maintenance costs to ensure investments are sustainable from a financial and institutional point of view.
- g. Selected investments shall promote and adhere to international best practice and the requirements of the WBG Environmental, Health, and Safety Guidelines.
- h. Ensure there is no high security concerns impeding works.
- i. Ensure the investment is not rated “High” as per the Environmental and Social Risk Classification under the WB ESF.

Beneficiary Selection under the Housing Component (Component 3)

28. **The grants will be geographically targeted to selected tehsils in the most affected districts.** The selection, to be undertaken in consultation with the GoB and GoP, will be based on tehsils that contain relatively poorer segments of the population and have high flood impacts. To avoid social tensions arising due to selectivity, efforts will be made to provide universal coverage for all eligible housing units in a selected district, including provision of community support to vulnerable households that lag behind in reconstructing their units.

29. **The housing grant for reconstruction of completely destroyed homes will be disbursed in successive tranches following on-site inspection and validation at key construction milestones (plinth level, lintel level, roof level, etc.) by implementation partners.** Households will be able to utilize their own labor, hire trained craftsmen, and receive technical assistance from implementation partners to reconstruct or restore their houses.



30. **The selection of partially damaged houses eligible for restoration grants will focus on transparency and minimal human discretion by using robust engineering principles and documentation.** Partially damaged houses will be identified during damage assessment and re-verification survey based on specified engineering parameters. For these selected partially damaged houses located outside of high-risk zones and fulfilling prescribed engineering criteria for resilient restoration, a one-time restoration grant will be provided. Partially damaged homes located in high-risk zones will not be eligible for grants, while those not fulfilling engineering criteria for resilient restoration will be eligible for a reconstruction grant.

Beneficiary Selection under the Livelihood and Watershed Component (Component 4)

31. **Similar to the approach used under the Sindh Flood Emergency Rehabilitation Project (P179981), beneficiaries under this component will be prioritized and identified following a three-pronged approach:**

- a. **Severely impacted districts, talukas, and union councils:** Based on the GoB damage assessment, a list of districts (including at the tehsils and union council level) will be prioritized to receive livelihood restoration assistance in the first phase (six months). Once these areas have been served completely, the project will move into the remaining areas of Balochistan.
- b. **NSER Database for identification of poorest/vulnerable beneficiaries:** Within the prioritized areas, NSER data will be used to identify the poorest beneficiaries at the village/neighborhood level. Where required, eligibility will be cross referenced to the existing village/neighborhood level registry (prepared by the GoB). Data privacy policies, which have been customized for Pakistan, will be further tailored for this project.
- c. **Village-level household registries to confirm the identification of the poorest beneficiaries:** Based on approach already applied under BLEP, the Project will seek communities' feedback to identify and confirm the most deserving households (confirming the NSER and the wealth and well-being rankings) at the village/neighborhood levels. Where such information is not available, BLEP will generate the ranking in collaboration with the communities and maintain a separate registry.