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Report No: PAD1846

INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 14.8 MILLION (US\$20.42 MILLION EQUIVALENT)
INCLUDING SDR 10.6 MILLION (US\$14.58 MILLION EQUIVALENT)
FROM THE IDA 18 REGIONAL SUB-WINDOW FOR REFUGEES AND HOST COMMUNITIES

AND A PROPOSED GRANT

FROM THE IDA 18 REGIONAL SUB-WINDOW FOR REFUGEES AND HOST COMMUNITIES IN THE
AMOUNT OF SDR 10.6 MILLION
(US\$14.58 MILLION EQUIVALENT)

AND A PROPOSED GRANT

FROM THE KP/FATA/BALOCHISTAN MULTI-DONOR TRUST FUND IN THE AMOUNT OF
US\$15 MILLION

TO THE
ISLAMIC REPUBLIC OF PAKISTAN

FOR A

BALOCHISTAN LIVELIHOODS AND ENTREPRENEURSHIP PROJECT

February 5, 2020

Agriculture and Food Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2019)

Currency Unit = **Pakistan Rupee
(PKR)**

US\$ 1 = PKR 155.0

US\$ 1 = SDR 0.72

FISCAL YEAR
July 1 – June 30

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ABBREVIATIONS AND ACRONYMS

ACS	Additional Chief Secretary	NCB	National Competitive Bidding
AGP	Accountant General Pakistan	POM	Project Operational Manual
APPM	Accounting Policies and Procedures Manual	P&DD	Planning and Development Department
BDS	Business Development Services	PDO	Program Development Objectives
BDF	Business Development Facilities	PFC	Project Facilitation Committee
BDN	Balochistan Development Network	PKR	Pakistan Rupees
B-PPRA	Balochistan Public Procurement Regulatory Authority	PMIU	Program Management Implementation Unit
CBP	Community Based Platforms	PoR	Proof of Registration
CPEC	China Pakistan Economic Corridor	PPR	Post Procurement Review
CPS	Country Program Strategy	PPSD	Project Procurement Strategy for Development
DA	Designated Account	PSC	Project Steering Committee
DIME	Development Impact Evaluation	PSDP	Public Sector Development Programme
EC	Enterprise Clusters	QCBS	Quality Consultant Bidding System
EDP	Enterprise Development Plan	RFP	Request for Proposals
ESMF	Environmental and Social Management Framework	RFQ	Request for Quotation
FATA	Federally Administered Tribal Areas	RMP	Repatriation and Management Policy for Afghan Refugees
FCV	Fragility Conflict Violence	SDR	Special Drawing Rights
FM	Financial Management	SORT	Systematic Operations Risk-Rating Tool
FMS	Financial Management Specialist	SSAR	Solutions Strategy for Afghan Refugees
GIZ	German Agency for Internal Cooperation	STEP	Systematic Tracking of Exchanges in Procurement
GoP	Government of Pakistan	TOR	Terms of Reference
GPP	Governance and Policy Project	TPMA	Third Party Monitoring Agent
GRM	Grievance Redressal Mechanism	TPMV	Third Party Monitoring and Verification
GRS	Grievance Redressal Service	TRP	Technical Resource Persons
IDA	International Development Association	UN	United Nations
IPSAS	Public Sector Accounting Standards	UNDP	United Nations Development Program
IUFR	Interim Unaudited Financial Report	UNHCR	United Nations Humanitarian Commission for Refugees
KP	Khyber Pakhtunkhwa	USD	United States Dollar
LF	Local Facilitators	WB	World Bank
LIP	Livelihoods Investment Plan		
M&E	Monitoring and Evaluation		
MDTF	Multi Donor Trust Fund		
MIS	Monitoring Information System		
MSME	Micro, Small and Medium Enterprise		

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Pakistan	Balochistan Livelihoods and Entrepreneurship Project	
Project ID	Financing Instrument	Environmental Assessment Category
P159292	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<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 type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
03-Mar-2020	30-Jun-2024

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The Project Development Objective is to create employment opportunities for rural communities and achieve sustainability of enterprises in selected districts of Balochistan.



Components

Component Name	Cost (US\$, millions)
Economic Mobilisation	6.59
Promoting Enterprise Development and Livelihoods	37.28
Project Management	6.13

Organizations

Borrower: Islamic Republic of Pakistan
 Implementing Agency: Planning and Development Department, Government of Balochistan

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	50.00
Total Financing	50.00
of which IBRD/IDA	35.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	35.00
IDA Credit	20.42
IDA Grant	14.58

Non-World Bank Group Financing

Trust Funds	15.00
MDTF for Crisis Affected Areas of NWFP/FATA/Balochistan	15.00



IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
Pakistan	20.42	14.58	0.00	35.00
National PBA	5.84	0.00	0.00	5.84
Refugee	14.58	14.58	0.00	29.16
Total	20.42	14.58	0.00	35.00

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024
Annual	0.96	4.78	7.45	10.72	11.10
Cumulative	0.96	5.74	13.18	23.90	35.00

INSTITUTIONAL DATA

Practice Area (Lead)

Agriculture and Food

Contributing Practice Areas

Climate Change, Fragile, Conflict & Violence, Gender, 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	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● High



7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
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

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03	✓	
Natural Habitats OP/BP 4.04	✓	
Forests OP/BP 4.36	✓	
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10	✓	
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37	✓	
Projects on International Waterways OP/BP 7.50	✓	
Projects in Disputed Areas OP/BP 7.60	✓	

Legal Covenants

Sections and Description

The Government of Balochistan shall carry out the Project in accordance with the Implementation Arrangements set out in Section I and 3 of the Schedule of the Project Agreement.

**Conditions**

Type	Description
Effectiveness	The Association is satisfied that Government of Pakistan maintains an adequate Refugee Protection Framework.
Type	Description
Effectiveness	Balochistan has appointed a full-time Project Coordinator and Financial Management, Procurement and Environmental and Social Specialists for the PMIU.
Type	Description
Effectiveness	Balochistan has prepared and adopted the Operations Manual.
Type	Description
Disbursement	Balochistan has established the PMIU.



I. STRATEGIC CONTEXT

A. Country Context

1. **Pakistan, the sixth most populous country in the world is at a crossroads.** The economy accelerated with Gross Domestic Product (GDP) growth of 5.3 percent in FY18 and slowed down to 3.5 percent in FY19 as fiscal and external imbalances persisted¹. Poverty declined from 64.3 percent in 2001 to 24.3 percent in 2015², but inequality persists. The country ranks low on the 2018 Human Capital Index (HCI), at 134 out of 157 countries. Gender disparities continue, and female labor force participation was only 26.5 percent in 2018. After the onset of another boom and bust cycle, a US\$ 6 billion International Monetary Fund (IMF) program commenced in July 2019. Growth is expected to pick up as structural reforms take effect and macroeconomic imbalances are addressed. Over the medium to long term, Pakistan needs to invest more, and better in human capital, raise more revenue, simplify doing business procedures, expand regional trade and exports, and sustainably manage its natural endowments, as articulated in *Pakistan@100: Shaping the Future*³.
2. **Pakistan has made important strides in poverty reduction, but it remains an unfinished agenda.** While the country has lifted more than 23 million people out of poverty in the past 15 years, the current poverty rate is still 24.3 percent. There are significant disparities in poverty rates between rural (30.7 percent) and urban areas (12.5 percent), with poverty having declined faster in urban areas. Pakistan's poverty reduction efforts have been widely documented. Remittances, safety net transfers and resilience of a large informal economy have contributed to poverty reduction. However, the challenges of poverty reduction are exacerbated by climate change and disaster risk related vulnerabilities. In addition, inequalities in service delivery and low investment in the social sectors impede accumulation of human capital, as noted in the HCI.
3. **Balochistan province is geographically the largest with the lowest population of just over 12 million people.** Its considerable natural resource potential remains untapped, and Balochistan lags behind other provinces in terms of economic development.⁴ Balochistan has experienced slow economic growth over the years and growth was 1.4 percent in 2015, the lowest amongst all provinces.⁵ Poverty rates in the province are high, reaching 75 percent in 2018 in isolated districts such as Sherani. The Public Sector Development Program (PSDP) largely targets water and sanitation services. Employment opportunities are insufficient to absorb the available labor supply and there is a general reliance on the public sector as the 'employer of last resort'.
4. **Pakistan has had a protracted refugee situation since the 1970s, hosting five million Afghans at its peak.** Currently, Pakistan is **hosting** 1.4 million Afghan refugees of which nearly half are women. Since 2006, the Government of Pakistan (GoP) has issued Afghan refugees Proof of Registration (PoR) cards. These cards enable their temporary stay in the country and are renewed periodically. The country has a unique context with regard to refugees. While refugees initially lived in special villages, since the mid-1990s, they have been relatively free to move out to urban areas and access social services. They are mainly employed in the informal sector and recently have been allowed to open bank accounts.

¹ World Bank Group (2018). "Pakistan Development Update 2018 – At a Cross Road." Washington DC: World Bank

² The World Bank (2018). "From Poverty to Equity – Pakistan at 100." Washington DC: World Bank

³ World Bank. 2019. *Pakistan at 100: Shaping the Future*. World Bank, Washington, DC. © World Bank.

<https://openknowledge.worldbank.org/handle/10986/31335> License: CC BY 3.0 IGO.

⁴ Asian Development Bank. 2005. *Balochistan Economic Report*. <https://www.adb.org/sites/default/files/project-document/68721/39003-pak-tar.pdf>

⁵ WBG. 2017. *Pakistan - Sindh: Public Expenditure Review*.



B. Sectoral and Institutional Context

5. **Pakistan has invested significantly in designing a refugee protection framework and administrative practices that are consistent with international standards and norms.** Pakistan's Protection Framework for Afghan refugees has developed over time. It includes: i) implementing administrative and legal measures for refugees such as the exemption from applicability of the 1946 Foreigners' Act; ii) authorizing Afghan refugees to work in the country; iii) issuing and renewing PoR cards with the support of United Nations High Commissioner for Refugees (UNHCR); iv) signing of the regional Solutions Strategy for Afghan Refugees (SSAR) in 2012, with Iran and Afghanistan, under UNHCR facilitation; and, v) approving of the Repatriation and Management Policy for Afghan Refugees (RMP) in 2017. This Protection Framework has been found to be adequate by the UNHCR and the World Bank.

6. **Pakistan's refugee management approach draws from the principles of the SSAR.** It has three pillars: support voluntary repatriation; promote sustainable reintegration in Afghanistan; and provide continued assistance to host communities. The SSAR has five outcomes: i) support to voluntary repatriation; ii) access to shelter and essential social services for refugees, returnees and host communities; iii) improved and diversified livelihood opportunities through training and enhanced food security; iv) social and environmental protection of refugees and returnees, as well as assistance and support to host communities; and, v) capacity development of national authorities, associations, organizations and communities concerned with refugees, returnees and host communities.

7. **The RMP builds on the SSAR and guides Pakistan's efforts to safeguard refugees and maintain protection standards that align with international norms and practices.** The RMP includes: i) continued and gradual voluntary repatriation with assistance of UNHCR; ii) documentation of undocumented Afghan citizens; iii) introduction of a visa policy for Afghans refugees; iv) regulated border management; and, v) national refugee law.

8. **Since 2017, the Government has made significant progress in implementing the RMP's priorities.** The GoP has, jointly with UNHCR, facilitated the voluntary repatriation of Afghan refugees, with more than 6,000 repatriating in 2019 alone. In 2018, the GoP completed the documentation of about 879,000 undocumented Afghans and jointly with Government of Afghanistan and the International Organization for Migration (IOM), issued Afghan Citizen Cards in Pakistan. The GoP also estimates that a total of 500,000 Afghans are still undocumented and unregistered. The GoP has also streamlined border management at Torkham to better regulate cross border movements between Afghanistan and Pakistan. However, there is still some work to be done in developing the implementation plan for the visa policy.

9. **Balochistan hosts 318,000 refugees.** More than a third of Afghan refugees in the province are concentrated in the six northern districts (Table 1). Afghan refugees in Balochistan live in both urban and rural areas, predominantly in the latter. Their livelihoods range from daily labor to participating in the informal sector, mainly in agriculture, livestock and mining.



Table 1: Proportion of Refugees - Northern Balochistan			
District	Total Population	No. Refugees	Percentage
Pishin	736,481	54,691	7.43
Chagai	226,008	28,901	12.79
Killa Saifullah	342,814	18,842	5.50
Killa Abdullah	757,578	10,775	1.42
Mastung	266,461	2,028	0.76
Zhob	310,544	1,496	0.48
Nushki	178,796	384	0.21
Sherani	153,116	6	0.00
Total	2,971,798	117,123	

10. A ‘double burden’ on resources has affected development outcomes for refugees and host communities in Balochistan. Even-though the country has witnessed average growth rates of four percent in the past decade, these have not led to commensurate growth in the province for four main reasons. First, population density in the province is low, at 38 persons per square kilometer which falls to 15 in the rural areas. Given the scattered nature of settlements in Balochistan, this implies negligible and cost-ineffective service delivery. Second, resource mobilization at the grassroots level is particularly constrained and this is exacerbated by, amongst others, lack of skills and training, low awareness regarding market opportunities, limited access to finance and high cost of doing business⁶. Resource mobilization capacity of the province is restricted given the low tax base. Third, like most traditional and rural societies, even in Balochistan there is a dominance of consumption expenditure and the emphasis on savings for investment purposes is limited. Fourth, low capacity and a dearth of qualified human resources in Balochistan hinders service delivery to the poor.

11. Agriculture is the backbone of the economy of Pakistan and Balochistan. A fifth of the national economy is agriculture and accounts for nearly half of the jobs. In recent years more jobs have been created in non-farm sectors like manufacturing and service **sectors** than in agriculture. Agriculture remains the main source of income for 64 percent of the households in the province with 43.4 percent employed in the sector in 2017. Female labor force participation rate in Balochistan of 11.3 percent in 2014-2015, is less than half of the national average. Climate change exacerbates extreme weather events in Balochistan. The protracted refugee situation has had a negative impact on natural resources in Balochistan, particularly forestry resources (culling of trees for fuelwood), degradation of rangelands and stress on water resources.

12. Gender disparities in Balochistan are stark. There is a gap between access to economic opportunities and productive resources. Cultural norms and **restricted** mobility have constrained female employment in productive and income generating activities and although the trend is changing. Women largely remain unpaid family workers with lack of access to resources and skills. In the eight districts surveyed, on average, 85.1 percent of the households reported a male member receiving training while women’s share was only 14.9 percent. Hence, efforts must be made to: i) accelerate productive and income generating activities for women; ii) build enterprises that consolidate savings and promote investments; and, iii) disrupt the vicious cycle of low economic activity and scarce employment opportunities for women.

⁶ According to the Sub National Doing Business (SNDB) Report 2010, the capital of Balochistan, Quetta is ranked the lowest across 13 surveyed districts and cities.



C. Relevance to Higher Level Objectives

13. **The proposed Balochistan Livelihoods and Entrepreneurship Project (BLEP, the Project) is aligned with the World Bank's Country Partnership Strategy (FY15-20)⁷,** and with the twin goals of ending extreme poverty and promoting shared prosperity. It is also aligned with the *Pakistan@100* report which highlights the necessary reforms required for Pakistan to become an upper-middle income country by 2047. It supports Results Areas 2 and 3, Outcomes 2.3 pertaining to improved youth's skills for businesses, 3.1 pertaining to improved financial inclusion for Micro, Small and Medium Enterprises (MSMEs) and women and Outcome 3.2 pertaining to reduced vulnerability for groups at risk. The Project also supports the provincial government to achieve their priorities as outlined in the PSDP. The Project is expected to contribute to the World Bank corporate commitments on gender, fragility and climate change.

14. **The Project is fully aligned to the Board Consultation on Eligibility for funding under the IDA 18 Regional Sub-Window for Refugees and Host Communities (RSW),** which aims to support the implementation of Pakistan's Protection Framework. The RSW supports four operations interventions include: i) Supporting Institutions for Refugee Administration; ii) Khyber Pakhtunkhwa (KP) Human Capital Investment Project; and, iii) the Balochistan Human Capital Investment Project.

II. PROJECT DESCRIPTION

15. The Project is a US\$50 million **Investment** Project Financing from the RSW and Pakistan's core IDA allocation. The Project will also be co-financed by a US\$15 million grant from the Multi Donor Trust Fund for Khyber Pakhtunkhwa, FATA and Balochistan.

A. Project Development Objective

PDO Statement

The Project Development Objective is to create employment opportunities for rural communities and achieve viability of enterprises in selected districts of Balochistan.

PDO Level Indicators

- **PDO Indicator 1:** Total Number of direct beneficiaries (disaggregated by relevant demographics including men, women, refugees and other vulnerable groups) (Corporate Results Indicator)
- **PDO Indicator 2:** Beneficiaries of job-focused interventions, disaggregated by relevant demographics (Corporate Results Indicator)
- **PDO Indicator 3:** Profitability of enterprises supported by the Project enhanced, disaggregated by gender
- **PDO Indicator 4:** Percentage of enterprises supported through projects with ongoing operations after three years, disaggregated by gender

⁷ World Bank Group (2014) Islamic Republic of Pakistan: Country Partnership Strategy, 2015-2020 (Report No. 84645-PK) and the Performance and Learning Review (Report No. 113574).



B. Project Components

17. The Project has the following four components.

Component 1: Economic Mobilization (US\$6.59 million)

18. This **component** will support communities in rural and peri-urban areas of the selected districts by addressing the key constraints arising from the low population density and high cost of delivery in these far-flung areas. The Project will: i) mobilize technical and financial resources at the local level in a collective and transparent manner; and, ii) build capacity of existing and potential entrepreneurs to better manage and utilize local resources and savings for productive purposes. There are two sub-components.

19. **Sub-component 1.1 – Community Facilitation** will engage and develop a cadre of Local Facilitators (LFs) and Technical Resources Persons (TRPs)/specialists in selected districts of Balochistan to i) mobilize communities to form (organize and establish), revitalize and/or reactivate community-based groups through self-selection, attend group meetings and provide training; ii) screen and identify Enterprise Clusters (ECs), opportunity entrepreneurs and necessity entrepreneurs⁸ and assist them with the preparation of Enterprise Development Plans (EDPs) or Livelihoods Investment Plans (LIPs); iii) leverage community-based groups and their savings for the financing of EDPs and LIPs of eligible ECs and/or entrepreneurs; and, iv) assist Project Management and Implementation Unit (PMIU) in monitoring the Project's performance. This sub-component will also strengthen fiduciary capacity of office bearers, community groups, LFs, ECs and entrepreneurs. LFs may include refugees while TRPs will be hired from the host community since they will be requiring greater skills, which refugees will likely not possess.

20. **Sub-component 1.2 – Citizens' Engagement** will develop and roll out a Citizens' Engagement Strategy comprised of training **modules** and annual perception surveys aimed at: i) changing citizens' perceptions on state's role in the job market from employed towards job facilitator through enabling environment and regulatory framework; ii) instilling attitudinal changes in local communities regarding the management of household income, moving away from consumption towards savings and investment; iii) altering local perceptions on women's engagement in productive activities; iv) encouraging participation of structurally marginalized groups in livelihoods generating and/or investment activities; and, v) sensitizing local communities on climate-smart practices.

Component 2. Promoting Enterprise Development and Livelihoods (US\$37.28 million)

21. This **component** will support local entrepreneurs and individuals to enhance viability through the provision of matching grants, business development support, vocational training and business support facilities. In the context of prevailing socio-economic conditions in the targeted districts, interventions proposed for enterprise facilitation in this component are guided by two principles. First, support to enterprises should be extended with the objective of enhancing profitability, which implies facilitating improved productivity, higher sales and reduced costs of production. This requires product diversification to promote competition, access to new markets and adoption of climate smart technologies to ensure sustainability and mitigate the impact of climate change. Also, there is a need to recognize that skill enhancement per se will not lead to the establishment or growth of enterprises; skills trainings have to be relevant to specific sectors and contextualized, thereby leading to greater efficiency of doing business. Second, while there is potential to support rural populations in establishing new businesses, not all enterprises supported through the Project will be successful.

⁸ Opportunity and necessity entrepreneurs: the former are those who start a business because they spot an opportunity while the latter are those who start a business because other employment opportunities do not exist.



22. This Component has three sub-components. The first will be targeted to host communities, and the second and third will support both host communities and refugees. At the community level, refugees who will be trained through the Project, can be employed as daily labor by the enterprises that are being supported by the Project in the same locality. This link can be facilitated by the LFs and TRPs.

23. **Sub-component 2.1 – Enterprise Facilitation** will provide technical assistance and financial support in the form of matching grants to entrepreneurs and ECs for the preparation and implementation of their EDPs. This sub-component will also support non-financial Business Development Services (BDS) activities to entrepreneurs, outlined in the EDPs, to address issues related to access to finance, skills gap, market linkages and the development, construction and/or rehabilitation of Business Development Facilities (BDFs)⁹, identified by the ECs and/or by value-chain studies. The implementation of these plans will be funded through the provision of matching grants.¹⁰

24. **Sub-component 2.2 – Livelihoods Promotion** will provide technical assistance and financial support through matching grants to entrepreneurial individuals in the preparation and implementation of Livelihoods Investment Plans (LIPs),¹¹. LIPs will include activities such as building support, adoption of improved business practices and development/creation of new productive assets. This sub-component will help host communities to graduate from subsistence towards more structured and semi-formal economic activities. In the case of refugees, this sub-component will contribute towards the voluntary repatriation process by provision of small-scale support their livelihoods in the informal sector.

25. **Sub-component 2.3 – Technical and Vocational Skills Development** will provide technical and vocational training to approximately 12,750 workers and entrepreneurs on market-relevant trades. This will not only improve employability of individuals but also will create a skilled workforce that can be utilized by the enterprises supported through provision of matching grants (sub-component 2.1). The beneficiaries of trainings can be provided with employment support. This link will be facilitated by the LFs and TRPs at the community level.

Component 3: Project Management (US\$6.13 million)

26. This component will develop the institutional capacity of the Planning and Development Department (P&DD), Government of Balochistan, to implement the Project. By addressing low public-sector capacity, the Project will increase transparency and efficiency.

C. Project Beneficiaries

27. The Project will directly benefit an estimated 56,610 households, of which 8,615 are expected to be refugees. This amounts to approximately 40 percent of the refugee population in the targeted districts. This compares favorably to existing initiatives being undertaken by UNHCR and UNDP, which target, on average, 15 percent of the refugee

⁹ These can be identified either by the ECs or entrepreneurs being supported or by value-chain studies.

¹⁰ The financial support range for BDF will be between US\$ 125,000 – 300,000. It is expected that most facilities will cost US\$ 220,000. Grant for implementing EDPs will be between US\$ 2,000 – 4,200 with an average amount of US\$ 3,200 per beneficiary. These amounts are calculated based on the baseline survey and community consultations.

¹¹ Grant for LIP activities will be between US\$ 90 – 420 with an average cost of US\$ 250 per beneficiary. These amounts are calculated based on the baseline survey and community consultations. This sub-component will target 4,500 beneficiaries of which 2,500 will be refugees and 2,000 will be host communities.



populations. The Project will be implemented in eight districts, namely Zhob, Chagai, Nushki, Sherani, Killa Saifullah, Killa Abdullah, Pishin and Mastung¹², six of which have been affected by prolonged refugee presence. Overall poverty rates in Balochistan are high from the outset and three of the districts selected for support through the proposed Project have high incidence of poverty, going beyond 60 percent (World Bank multidimensional poverty score).

28. **The proposed Project will target host communities and refugees based in geographical areas hosting refugee populations, across three groups of beneficiaries.** The first group of beneficiaries will comprise of entrepreneurs, organized as Enterprise Clusters (ECs), selected through the facilitation of the Community-Based Platforms (CBPs), who are engaged in common economic interests (not necessarily the same businesses). These groups will be supported under component 2, post development of comprehensive EDPs, covering financial and non-financial constraints for business growth. The second type of beneficiaries that will be identified through the Project are individual entrepreneurs, who require financial capital and/or non-financial support to grow their individual business. These individuals will also be required to prepare EDPs to determine financial and/or support to be provided by the Project. Finally, the Project will support the livelihoods of those individuals with micro/subsistence level of incomes. These beneficiaries are expected to prepare LIPs, which will identify some immediate needs that will require support for improving their livelihoods. It is anticipated that a significant number of LIPs will be prepared by women, particularly given their involvement in the handicrafts sector and food processing. While the first two groups comprise opportunity entrepreneurs, the third group comprises necessity entrepreneurs.

29. **Two key considerations from Pakistan's context of hosting refugees have been taken into account in project design.** First, refugees have been participating in income generating activities in the informal sector for four decades. The Project will support or expand upon the type of interventions already initiated by UNHCR and German Agency for International Cooperation (GIZ), as per the SSAR. Second, the Project will scale up current efforts at promoting productive activities, which are expected to generate employment, livelihoods and income generation. Since refugees are unable to own immovable assets, they could receive employment support to enhance their existing capacity through skills development and employability (including marketing, business management and ability to generate savings).

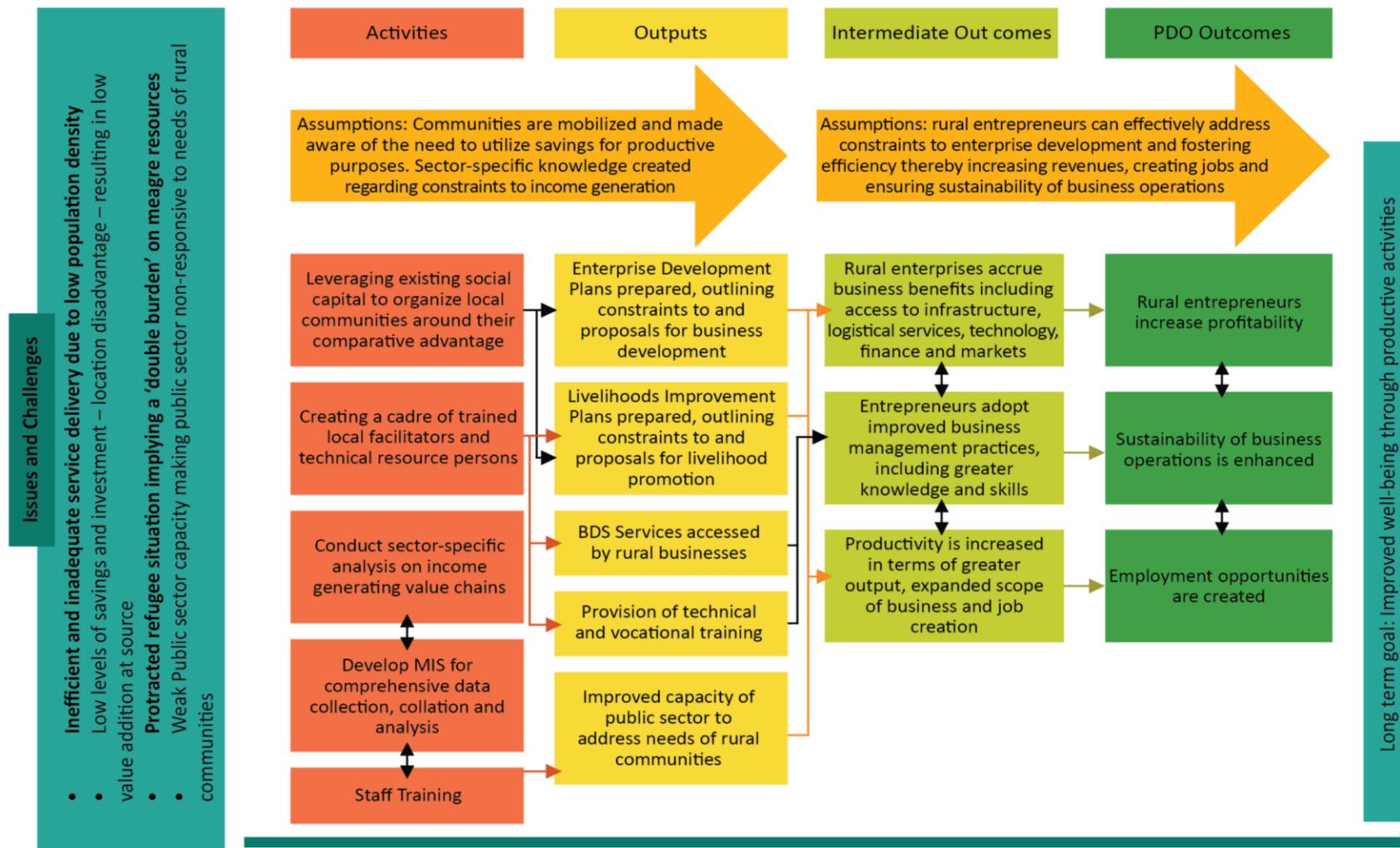
D. Results Chain

30. **The Theory of Change, outlined in Figure 1, forms the basis for the design of this Project (Annex 1).** Three assumptions have been made to strengthen the causality of the results chain: i) communities are sufficiently mobilized and recognize the importance of savings and investments for productive purposes; ii) sector-specific knowledge generated by the Project is widely-owned and utilized for addressing constraints towards enterprise development; and, iii) post project completion, rural entrepreneurs remain committed to Project interventions to ensure sustainability.

¹² Quetta has the highest concentration of refugees. As Quetta's refugees are mainly urban and are being supported through other interventions, the Project focuses on the selected districts where there are limited initiatives for promotion of rural livelihoods.



Figure 1: Theory of Change





E. Rationale for Bank Involvement and Role of Partners

31. **The World Bank brings a mix of technical and practical knowledge that can help the Government of Balochistan in addressing the needs of rural communities in the province.** There is evidence that development approaches to addressing protracted refugee situations can lead to positive outcomes for both refugees and host communities as well as improving conditions for voluntary repatriation. Given the project's alignment to the IDA RSW, the World Bank can mobilize resources and global expertise to support the Government of Balochistan in addressing the challenges resulting from the prolonged presence of refugees. Finally, the Bank's presence in the project also strengthens addressing public goods such as women's empowerment, climate change, resilience and citizens' engagement. The World Bank has collaborated closely with the UNHCR and GIZ in the preparation of this project and will continue to do so during implementation. UNHCR has provided inputs for the design of the projects under the IDA RSW based on its long experience in Pakistan.

F. Lessons Learned and Reflected in the Project Design

32. **The following lessons from previous operations in Balochistan¹³, Pakistan and elsewhere in the world, have informed the design of the project.** First, Global experience shows that community mobilization is more sustainable as it transitions from provision of public goods towards private goods. For the project to be transformative, the emphasis should be on the use of local resources for productive investments by communities. Given the scattered population of Balochistan and the diversity of income sources, income generation entails promoting context-specific activities. Thus, project activities should not be limited to pre-selected trades and income generating sectors. It is critical to promote inter-business transactions for transformational impact. Second, Diversification, basic level of asset ownership and skill base is necessary to enable households to grow their businesses and ensure market entry. This is especially critical as agriculture, the main source of income for these areas, is susceptible to climate change and cyclical shocks. Third, vocational skills particularly, managerial and entrepreneurial skills can empower refugee communities with a positive multiplier impact on the economy of host areas. Moreover, gender roles across refugee communities tend to evolve, making it easier to target women and increase their engagement in the labor force, especially through the formation of women's groups. Care should be taken to ensure that when refugee communities engage with groups of host communities to promote livelihoods, they mutually benefit each other without causing inequalities and resentment.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

33. **As agreed with the Government of Balochistan, the execution of the Project will be carried out through a PMIU, headed by a Project Director, which will be based in the P&DD, Government of Balochistan.** The PMIU will be responsible to liaise with the World Bank; coordinate all Project implementation and monitoring; convene meetings of and coordinate with the Project Steering Committee (PSC); manage implementation of technical assistance including procurement; prepare regular reports on Project implementation status and achievements; consolidate plans and budget estimates; prepare periodic financial reports and audited financial statements of Project expenditures; prepare budget

¹³ Examples include projects implemented by the World Bank-funded Pakistan Poverty Alleviation Fund (PPAF) and the Balochistan Integrated Water Resource Management (BIWRM) Project, EU-funded projects being implemented by the Balochistan and National Rural Support Programmes, microfinance operations led by Balochistan Development Network (BDN), which is a consortium representing multiple NGOs in the province and other initiatives such as Aik Hunar Aik Nagar (AHAN).



execution reports; and, ensure quality and consistency of data collected through the Third Party Monitoring Agents (TPMA). Private sector contractors and consulting firms will be procured to support the PMIU in training of LFs and TRPs and analytical exercises. The PMIU will also be responsible to recommend to the PSC any significant or substantial changes to be made to project design based on implementation experience, ensuring that these are duly reflected in the Project Operations Manual (POM), cleared by the World Bank. These changes will be subject to approval by the competent forums. The key project implementation staff positions will be prior agreed with the Bank. They will be contracted in individual capacity, selected in accordance with the approved selection methods for Individual Consultants as defined under the applicable World Bank Procurement Regulations.

34. The PSC will play an overall role in managing and guiding the PMIU to ensure smooth project implementation. It will be chaired by the Additional Chief Secretary (ACS) and is expected to meet as required. The PSC will consist of representatives of technical line departments, who are relevant to the Project, including livestock, agriculture, industries, forestry, mines and minerals, etc., as well as the Commissioner for Afghan Refugees in Balochistan. The PSC will also conduct quarterly reviews of policy and program implementation progress. The PSC will be supported by a Project Facilitation Committee (PFC), headed by the Secretary of P&DD, will be established comprising of representatives from relevant line departments to provide sector-specific expertise, depending upon local priorities and as required. These focal points will also provide operational support and facilitate day-to-day operations specific to the departments they represent.

35. The Project will rely heavily on LFs and TRPs, who will be leveraged to ensure outreach in remote areas, and remunerated based on their performance and deliverables agreed upon from the outset¹⁴. Outreach to female beneficiaries will be ensured by hiring male and female LFs and TRPs. Using these resource persons, special efforts will be made to develop mobile skills training initiatives with the help of female facilitators to ensure women receive training close to or at their homestead. Finally, recognizing that when women do travel, they are required to be accompanied by chaperones, the Project will ensure this flexibility.

36. The Project will be implemented as per guidelines and procedures outlined in the POM, which will include details on financial management as well and will be adopted by the PMIU. The documents will lay out roles and responsibilities of different stakeholders and provide details of Project processes and Project cycle. The POM will be reviewed periodically by the implementing entities (mainly PSC and PMIU) subject to approval by the Bank to better capture implementation modalities. Figure 2 encapsulates these implementation arrangements.

¹⁴ This model has been successfully tested in FCV areas of Pakistan and Afghanistan.

**Figure 2: Implementation Arrangements****B. Results Monitoring and Evaluation Arrangements**

37. **The overall responsibility for monitoring and evaluation (M&E) resides with the PMIU.** Project progress will be monitored based on the Project Results Framework, as outlined in Section VII and progress against all indicators will be disaggregated by relevant demographics including gender and refugee status. An M&E Specialist will be hired, who will have overall responsibility to monitor and coordinate reporting of all activities being implemented through the Project. The PMIU will hire two M&E Officers to ensure adequate coverage of Project activities as well as field visits. Third Party Monitoring and Verification (TPMV) will be incorporated in the monitoring arrangements. An M&E firm will be hired to collect data from the field on a monthly basis, which will be entered into a Management Information System (MIS).

38. **Reporting and evaluation:** The MIS will be developed and used to generate Quarterly Progress Reports (QPRs) that will be shared with the World Bank on a format agreed between the PMIU and World Bank teams. The Project will also conduct rapid evaluations to capture qualitative details and unintended consequences of Project implementation. A detailed evaluation plan will be developed to assess Project impact after closure, particularly on sustainability. The evaluation plan will be based on the recommendations made by the World Bank Development Impact Evaluation (DIME) team, who will be involved in evaluation design from the outset¹⁵. The baseline survey already completed for these districts will be used as a basis to develop this plan.

39. **Frequent implementation support missions during the first year of project implementation and regular implementation support missions are envisaged by the Bank team,** which will maintain a close contact with the PMIU

¹⁵ The objective of including DIME is also to strengthen country institutions (M&E Directorates and other research wings within P&DD Balochistan) to generate knowledge.



to provide support for various tasks and help resolve issues through technical advice. Given the security situation in Balochistan, the Bank team will rely on virtual reviews, TPMV and reverse missions.

C. Sustainability

40. **Sustainability is ensured in three ways.** First, the cadre of local facilitators and technical resources persons created through the Project are expected to ensure continuity of the enterprise development process after Project completion. Based on existing experience in Balochistan, two scenarios are expected to emerge at the end of the Project: i) the local facilitators and technical resource persons can be engaged directly by local entrepreneurs or community institutions/groups to continue the provision of their services, and ii) given the expected growth in enterprises, it is expected that the local facilitators and technical resource persons would evolve into the value chain in their own right, connecting remote communities in rural parts of Balochistan with markets in other parts of the country, particularly Karachi. Second, operations and maintenance cost for business support facilities will be included in the EDPs, as outlined in the OM, which will ensure the maintenance of the facilities even after project closure. Third, citizens' feedback will be solicited on a regular basis and incorporated in project implementation modalities to ensure effectiveness for beneficiaries, ensuring that the Project is effective in setting up mechanisms that will allow continuation of enterprise development support even after formal project closure.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

41. **The overall benefits of the Project, though difficult to quantify, signify a positive net present value (Annex 2).** The Project will improve livelihood of the people of Balochistan through community-led enterprise development, provision of business development facilities, technical and vocational skills, and improved project management. The Project is also expected to lead to increased cohesion between the refugees and the local population. Thus, most of the benefits of the Project are expected to accrue in terms of enabling environment for economic development and overall systemic improvement with regard to equity, efficiency and shared prosperity. Ex-ante quantification of these benefits is challenging.

42. **The most quantifiable benefits of the Project are likely to materialize from Component 2 which will support local entrepreneurs and individuals with skills development and implementation of EDPs through matching grants.** The matching grant instrument is likely to overcome almost non-existent credit in targeted districts due to high transaction costs and lack of property rights. The component aims to enhance earnings of project beneficiaries by 20 percent through a host of financial and non-financial business interventions. It is expected that interventions under this component will act as a catalyst to crowd-in local private investment that is currently without investment opportunity outlet. The present value of benefits under Component 2, over the next ten years, is estimated to be US\$77.6 million. Benefits from this component alone are sufficient to cover the cost of all interventions proposed in the Project.

B. Fiduciary

43. **Project Cost and Financing:** The table below provides a component-wise breakdown of total costs.



Project Components	Percentage	IDA Regional Sub-Window for Refugees (RSW) and Country IDA Allocation (US\$ million)			Trust Funds (US\$ million)	Counterpart Financing (US\$ million)	Total Project Cost (US\$)
		Grant	Loan (RSW + Country IDA)	Total IDA			
Component 1: Economic Mobilization	13.18	2.87	1.75	4.62	1.97	-	6.59
Component 1.1: Community Facilitation	12.48	2.62	1.75	4.37	1.87	-	6.24
Component 1.2: Citizens' Engagement	0.70	0.25		0.25	0.10	-	0.35
Component 2: Promoting Enterprise Development and Livelihoods	74.56	9.39	16.70	26.09	11.19	-	37.28
Component 2.1: Enterprise Facilitation	59.09	9.39	16.70	26.09	3.45	-	29.54
Component 2.2: Livelihoods Promotion	2.56			-	1.28	-	1.28
Component 2.3: Technical and Vocational Skills Development	12.91	-	-	-	6.46	-	6.46
Component 3: Project Management	12.26	2.32	1.97	4.29	1.84	-	6.13
Personnel Cost	7.63	1.69	0.99	2.67	1.14	-	3.81
Capital and Operating Costs	1.98	0.30	0.40	0.69	0.30	-	0.99
MIS/TPMA/Project Evaluation	2.65	0.33	0.58	0.93	0.40	-	1.33
Total Project Cost	100.00	14.58	20.42	35.00	15.00		50.00

44. **Financial Management (FM):** The designed financial management arrangements provide reasonable assurance on the use of grant proceeds for intended purposes. Government budgeting processes will apply and the Project's budget will be a part of the government's annual budget. PMIU will maintain separate books of accounts on cash of basis to record receipts and payments under each source of finance. National Financial Management Information System (FMIS) will be used for recording of transactions. Detailed internal controls as approved by Controller General of Accounts (CGA) will be defined in the FM section in the POM. The Project activities will be subject to periodic internal audit and third-party monitoring. The Project's financial statements will be prepared in accordance with the Cash Basis International Public Sector Accounting Standards (IPSAS) and audited by the Auditor General of Pakistan (AGP). The audited financial statements will be submitted to the Bank within six months of the close of the financial year.

45. **Designated Accounts (DA) in US Dollars will be established to receive funds from the Bank for each source of funding.** Disbursements will be reported based and the Bank will transfer funds to the Project DAs on the basis of six months' cash forecast as reported in the bi-annual Interim Unaudited Financial Reports (IUFRs). The Bank will also document the expenditure against advances based on the IUFRs.

46. **Procurement:** All procurements under the Project will be governed by the World Bank's Procurement Regulations for Investment Policy Financing (IPF) Borrowers and managed by the PMIU, which will hire a qualified Procurement Specialist. A Project Procurement Strategy for Development (PPSD) and a Procurement Plan (PP) is prepared (Annex 3) by the Implementing Agencies. The PPSD and the procurement plan will be updated during the Project implementation period subject to an agreement with the Bank. The Project will use the World Bank's on-line procurement Systematic Tracking of Exchanges in Procurement (STEP) system, which will identify the procurements that are subject to prior review. The Bank will also conduct regular Post Procurement Review (PPR) for the procurements which will fall under "Post Review" categories, on sample basis.

C. Safeguards

47. **Environmental Safeguards:** Project activities under component 2 will finance minor physical interventions, could



result in potential environmental impacts which are most likely to be small-scale, localized, and reversible in nature in proposed eight districts of Balochistan. The Project is assigned environmental and safeguard Category as B, due to the limited environmental impacts that could be linked to temporary soil erosion, dust and noise, and social disturbance during civil works, and OP4.01 is triggered with Environmental Assessment for the Project, along with OP4.04 Natural Habitat, OP4.36 Forest and OP4.09 Pest Management are triggered because significance of natural and forests habitats in proposed project areas. A framework approach will be followed under the Project for Environmental Assessment (EA). An Environmental and Social Management Framework (ESMF) has been prepared by the Government of Balochistan, which outlines the prerequisite environmental and social screening and assessments that will need to be undertaken for all physical interventions of the Project. The ESMF is based on broad consultations with multiple stakeholders and has been disclosed. Civil works will be approved only after site and activity-specific Environment and Social Management Plans (ESMPs) are in place. The ESMF report includes the monitoring requirements for effective implementation of mitigation measures, describes training needs and specific reporting and documentation requirements, and proposes third-party validation mechanism.

48. Social Safeguards: Since the Project involves construction of new infrastructure, and/or reconstruction/rehabilitation of existing infrastructure which may require land acquisition (however small), OP4.12 on Involuntary Resettlement is applicable. A Resettlement Policy Framework has been included in the ESMF. Resettlement Action Plans (RAP) will be developed, as sub-project locations become known, in accordance with the TORs approved by the World Bank.

D. Gender

49. A gender analysis has been completed and gender action plan has been incorporated in Project design. The results framework for the Project is fully disaggregated by gender. The Project involves supporting entrepreneurs at the community level and data reveals that women are engaged in livelihoods activities (such as handicrafts, kitchen gardening etc.). Through the LIPs in particular and through training and enterprise development opportunities, the Project will seek to elicit this participation and support investment and skills development initiatives for women, thereby improving their earnings. And as mentioned above, women voices will be made a part of the overall citizens engagement agenda.

E. Climate

50. Climate Considerations: The Project has been screened for climate risk using the WBG's Climate and Disaster Risk Screening Project Level Tool¹⁶. Based on the review of historic and projected data at Project location, risks and potential impacts of exposure to climatic trends and geophysical hazards are rated high for extreme precipitation, flash flooding, drought and earthquake. Climate and geophysical hazards are assessed as Moderate for each operational component for the Project lifetime and beyond. Risk mitigation measures have been incorporated in the project design and include among others the promotion of resilience-enhancing technologies (e.g. use of green technologies such as solar, in energy and water management; use of climate-resilient materials and design in the construction of transport and storage infrastructures and value-adding facilities. It is expected that increased income of beneficiaries through project intervention will increase their resilience to climate-related impacts.

51. GHG Accounting: The Project used the EX-ACT tool measure GHG emissions and compute the net carbon emissions resulting from the project activities. Over the project duration of 20 years (including five years for the

¹⁶ The tool is available here: <http://climatescreeningtools.worldbank.org/>



implementation of project activities and 15 years for capitalization of its effects), the Project constitutes a net carbon emission savings of a total of 367,252 tCO₂-eq, equivalent to savings of 18,363 tCO₂-eq per year.

F. Citizen Engagement

52. **The Project design is centered around adequate citizens' engagement.** Two specific Citizen Engagement indicators have been included in the Results Framework (i.e. Design and implementation of Citizens' Engagement Strategy and Social audit conducted at mid-term and results incorporated into Project design).

G. Grievance Redress Mechanism (GRM)

53. **A context-specific GRM for the eight participating districts will be operationalized for the Project** that can draw lessons from the existing GRMs in the province. Complaints need to be tracked and actions taken will be reported as part of project monitoring.

54. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB'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 WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

55. **Using the Bank's Systematic Operations Risk-rating Tool (SORT), the overall risk of the program is rated as 'High'.**

Risk	Rating
Political and Governance	High
Macroeconomic	Substantial
Sector Strategies and Policies	Moderate
Technical Design of Project	Moderate
Institutional Capacity for Implementation and Sustainability	Substantial
Fiduciary	High
Environment and Social	Moderate
Stakeholders	Moderate
Other – Refugee Protection	High
Overall	High

56. **Political and governance risks are rated High.** This is due to the security situation in Balochistan, which could



potentially disrupt economic activity, cause damage to private property and public infrastructure and cause internal displacement of civilians. The Bank will mitigate these risks through continued higher-level dialogue with the provincial government and a flexible approach that would allow rescheduling of some project activities if necessary.

57. **Macroeconomic risks are rated Substantial.** Pakistan is undergoing stabilization of its economy supported by an IMF program. The fiscal tightening could lead to delayed release of capital and recurrent budgets for project implementation. The Bank will work with the Government of Balochistan to mitigate this risk by prioritizing project expenditures.

58. **Institutional capacity for implementation and sustainability risks are rated Substantial.** Poor governance could lead to bureaucratic delays, rent-seeking and implementation delays. Project implementation arrangements will require strong coordination among different stakeholders, which is challenging in Balochistan. Specific problems include retention of quality staff, procurement of goods and services, where both capacity gaps and procedural aspects tend to cause delays. Mitigating measures will include: frequent interaction with implementing teams, highlighting significant issues at quarterly portfolio reviews held by the World Bank in collaboration with the provincial government and periodically updating the senior management within the Government of Balochistan.

59. **Fiduciary risk is rated High.** This is due to low government capacity and involves multiple retail transactions with communities involved in the Project. Likely issues include difficulty in attracting adequately qualified staff from the local market for financial management and procurement functions, tendency of political influence on payments to the communities and low absorption capacity. The risks will be mitigated through the hiring of a qualified FM specialist from the market, and development of internal controls specific to the Project activities in POM. The implementing entities will be supported with adequate procurement and contract management competencies specifically for Component 1. For the community engagement component, the fiduciary guidelines developed for comparable contexts will be customized for implementation and handholding arrangements will be developed.

60. **Other - Refugee Protection risk is High.** The World Bank, in consultation with UNHCR, has confirmed that Pakistan's Protection Framework is adequate for accessing funding under the IDA RSW. However, there is a risk that given the evolving situation in the region, that any one of the elements of the Protection Framework could be changed, which may impact its objectives. These risks will be mitigated by ensuring that the Protection Framework remains adequate as confirmed by UNHCR at any time.

**VI. RESULTS FRAMEWORK AND MONITORING****Results Framework****COUNTRY:** Pakistan**Balochistan Livelihoods and Entrepreneurship Project****Project Development Objectives(s)**

The Project Development Objective is to create employment opportunities for rural communities and achieve sustainability of enterprises in selected districts of Balochistan.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Promote employment opportunities and sustainability of enterprises in selected areas of Balochistan			
Total number of direct beneficiaries (disaggregated by relevant demographics including men, women, refugees and other vulnerable groups) (Number)		0.00	56,610.00
Number of direct female beneficiaries (Number)		0.00	11,142.00
Total number of refugees directly benefiting from the project (Number)		0.00	8,615.00
Profitability of enterprises supported by the project enhanced (as percentage over baseline) (Percentage)		0.00	20.00
Profitability of female-owned enterprises supported by the project enhanced (as a percentage over baseline) (percentage) (Percentage)		0.00	20.00
Percentage of enterprises supported through projects with ongoing operations after three years (Percentage)		0.00	60.00



Indicator Name	DLI	Baseline	End Target
Percentage of female-owned enterprises with on-going operations after three years of project implementation (Percentage)	0.00		30.00
Beneficiaries of job-focused interventions (CRI, Number)	0.00		15,000.00
Beneficiaries of job-focused interventions - Female (CRI, Number)	0.00		6,000.00
Number of refugees benefiting from job-focused interventions (Number)	0.00		1,600.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Economic Mobilization			
Number of community-based platforms supported by the project (output) (Number)	0.00		850.00
Number of female community-based platforms supported by the project (Number)	0.00		340.00
Number of local facilitators, trained by the project, supporting local communities (output) (Number)	0.00		100.00
Number of female local facilitators, trained by the project, supporting female community members engaged in productive activities (Number)	0.00		50.00
Number of refugees, trained by the project as local facilitators supporting local communities (Number)	0.00		15.00
Number of technical resource persons, trained by the project, supporting local enterprises (output) (Number)	0.00		60.00



Indicator Name	DLI	Baseline	End Target
Number of female technical resource persons, trained by the project, supporting female community members to engage in productive activities (Number)	0.00		18.00
Implementation Plan for Citizens' Engagement Strategy developed and rolled out (Citizens' Engagement) (Text)		Citizens' Engagement Strategy developed and approved.	Implementation Plan for Citizens' Engagement Strategy developed and rolled out in project districts.
Number of community-based trainings organised (in the areas of business development, group management, leadership, conflict resolution and financial management) (output) (Number)	0.00		468.00
Number of community based trainings organised for female groups (Number)	0.00		187.00
Social audit conducted at mid-term and results incorporated into project design (Citizens' Engagement) (Text)		Citizens feedback garnered about general parametres of project.	Detailed social accounting regarding project implementation, achievements and indirect benefits of project conducted by community members, where information is collected, analysed and shared in a participatory manner with all stakeholders.
Promoting Enterprise Development and Livelihoods			
Number of individuals supported through Livelihoods Investment Plans (LIPs) (output) (Number)	0.00		4,500.00
Number of females supported through Livelihoods Investment Plans (LIPs) (Number)	0.00		4,000.00
Number of refugees supported through Livelihoods Investment Plans (LIPs) (Number)	0.00		2,500.00
Number of enterprise clusters/groups supported through Enterprise Development Plans (EDPs) including provision of business development services (output) (Number)	0.00		5,100.00
Number of female enterprise clusters/groups supported through Enterprise Development Plans (EDPs) including provision of business development services (Number)	0.00		1,275.00
Number of Business Development Facilities developed (output) (Number)	0.00		85.00



Indicator Name	DLI	Baseline	End Target
Number of individuals provided technical and vocational skills (output) (Number)	0.00		12,750.00
Number of females provided technical and vocational skills (Number)	0.00		5,100.00
Number of refugees provided technical and vocational skills through the project (Number)	0.00		4,500.00
Number of individual businesses supported through investment plans including provision of business development services (output) (Number)	0.00		4,500.00
Number of female-owned businesses supported through investment plans including provision of business development services (Number)	0.00		850.00
Sector-specific knowledge increased through completion of value chain analyses (intermediate outcome) (Number)	0.00		10.00
Percentage of entrepreneurs who experience business benefits as a result of Business Development Services (BDS) support (intermediate outcome) (Percentage)	0.00		80.00
Percentage of female entrepreneurs who experience business benefits as a result of access to business development services (Percentage)	0.00		80.00
Percentage of entrepreneurs who increased productivity as a result of project support (intermediate outcome) (Percentage)	0.00		70.00
Percentage of female entrepreneurs who increased productivity as a result of project support (Percentage)	0.00		70.00
Percentage of entrepreneurs adopting improved business management practices (intermediate outcome) (Percentage)	0.00		80.00
Percentage of female entrepreneurs adopting improved business management practices (Percentage)	0.00		80.00
Project Management			
Project MIS developed and functional - generating progress		MIS not developed for project	Project MIS developed, functional and being utilized to



Indicator Name	DLI	Baseline	End Target
reports (Text)			generated progress reports, with data disaggregated according to relevant demographics

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Total number of direct beneficiaries (disaggregated by relevant demographics including men, women, refugees and other vulnerable groups)	Measures direct beneficiaries of EDP, LIP, BDS and training support. EDP support will be provided to 5,100 Enterprise Clusters with average membership of 5 each. 468 training sessions will be organized for an average of 20 participants each.	Six-monthly	Project MIS	Progress reports	PMIU
Number of direct female beneficiaries	Measures direct beneficiaries of EDP, LIP and training support.	Six-monthly	Project MIS	Progress reports	PMIU
Total number of refugees directly benefiting from the project	This indicator measures the number of refugees provided with vocational and technical skills, livelihoods support, trained as local facilitators and	Annual	Project MIS	Progress reports	PMIU



	those benefiting from job creation. These will be identified as PoR card holders.				
Profitability of enterprises supported by the project enhanced (as percentage over baseline)		Three times during project lifetime (baseline, mid-term and endline)	Project MIS	Based on periodic reports prepared as part of regular monitoring	PMIU, Local Facilitators and Technical Resource Persons
Profitability of female-owned enterprises supported by the project enhanced (as a percentage over baseline) (percentage)		Twice during lifetime of project (mid-term and endline)	Project MIS	PMIU, Local Facilitators and Technical Resource Persons	
Percentage of enterprises supported through projects with ongoing operations after three years		Twice during lifetime of project (mid-term and endline)	Project MIS	Survey.	PMIU, Local Facilitators and Technical Resource Persons.
Percentage of female-owned enterprises with on-going operations after three years of project implementation		Twice during project lifetime: mid-term and end term.	Project MIS	Field-based M&E reports.	PMIU
Beneficiaries of job-focused interventions		Six-Month This data	Project MIS	Based on six-month progress	PMIU, Local Facilitators and Technical Resource



		includes beneficiaries of skills training who are expected to benefit from opportunities such as CPEC and those who are expected to gain employment through enterprise support.		reports, after the first year of project implementation to allow for enterprise and livelihoods support to begin.	Persons
Beneficiaries of job-focused interventions - Female		Six-month Includes beneficiaries of skills training who are expected to benefit from opportunities such as CPEC and those who are expected to gain through	Project MIS	Based on six-month progress reports, after the first year of project implementation to allow for enterprise and livelihoods support to begin	PMIU, Local Facilitators and Technical Resource Persons



		enterprise support.			
Number of refugees benefiting from job-focused interventions	This indicator measures the direct and indirect beneficiaries of job creating activities that are refugees.	Six-month	Project MIS	Progress reports	PMIU

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Number of community-based platforms supported by the project (output)		On a quarterly basis in first year. On a six-monthly basis second year onwards	Project MIS	Progress Reports	PMIU
Number of female community-based platforms supported by the project		Data against this indicator will be collected on a quarterly-basis in the	Project monitoring and progress reports prepared by the PMU	Real-time data entry collated through project MIS	PMIU



		first year and on a six-monthly basis subsequently			
Number of local facilitators, trained by the project, supporting local communities (output)		Quarterly basis in the first year of implementation and on a six-monthly basis subsequently	Project MIS	Progress reports	PMIU
Number of female local facilitators, trained by the project, supporting female community members engaged in productive activities		Quarterly basis in the first year of implementation and on a six-monthly basis subsequently	Project MIS	Collation based on periodic reports.	PMIU
Number of refugees, trained by the project as local facilitators supporting	This indicator measures number of refugees who are	Annual	Project MIS	Progress reports	PMIU



local communities	mobilized by the project to serve local communities as local facilitators. These beneficiaries will be identified as those who are PoR card holders.				
Number of technical resource persons, trained by the project, supporting local enterprises (output)		Quarterly-basis in the first year of project implementation and six-monthly basis subsequently	Project MIS	Collation based on periodic progress reports	PMIU
Number of female technical resource persons, trained by the project, supporting female community members to engage in productive activities		Quarterly-basis in the first year of project implementation and sex-monthly basis subsequently	Project MIS	Collation based on periodic progress reports	PMIU
Implementation Plan for Citizens' Engagement Strategy developed and		Quarterly-basis in the	PMIU	Qualitative, updates from PMIU staff	PMIU



rolled out (Citizens' Engagement)		first year and annual basis subsequently (through perception surveys conducted on an annual-basis)			
Number of community-based trainings organised (in the areas of business development, group management, leadership, conflict resolution and financial management) (output)	These trainings will be organized for an average of 20 community members.	Quarterly-basis in the first year of project implementation and six-monthly basis subsequently	Project MIS	Collation based on period progress reports	PMIU
Number of community based trainings organised for female groups		Quarterly-basis in the first year of project implementation and six-monthly	Project MIS	Progress reports	PMIU



		basis subsequently			
Social audit conducted at mid-term and results incorporated into project design (Citizens' Engagement)		Once at mid-term review of project	Government, communities and other relevant stakeholders	Survey	
Number of individuals supported through Livelihoods Investment Plans (LIPs) (output)		Quarterly-basis in the first year and six-monthly basis subsequently	Project MIS	Progress reports	PMIU
Number of females supported through Livelihoods Investment Plans (LIPs)		Data collected on a quarterly-basis in first year of implementation and six-monthly basis subsequently	Project MIS	Progress reports	PMIU



Number of refugees supported through Livelihoods Investment Plans (LIPs)		Six-monthly	Project MIS	Progress reports	PMIU
Number of enterprise clusters/groups supported through Enterprise Development Plans (EDPs) including provision of business development services (output)	Each group will have an average membership of 5 entrepreneurs.	Quarterly-basis in the first year of implementation and six-monthly basis subsequently	Project MIS	Collation based on period progress reports	PMIU
Number of female enterprise clusters/groups supported through Enterprise Development Plans (EDPs) including provision of business development services	Each group will have an average membership of 5 entrepreneurs.	This data will be reported on a quarterly-basis in the first year of implementation and on a six-monthly basis subsequently.	Project MIS	Collation based on quarterly progress reports.	PMIU.
Number of Business Development Facilities developed (output)		Data against this indicator	Project MIS	Collation based on periodic progress reports as well as	PMIU



		will be collected on a six-monthly basis		enumeration of Enterprise Development and Livelihoods Investment Plans	
Number of individuals provided technical and vocational skills (output)		Data collected on a quarterly-basis in the first year of implementation and on a six-monthly basis subsequently	Project MIS	Collation based on periodic progress reports	PMIU
Number of females provided technical and vocational skills		Data collected on a quarterly basis in the first year of project implementation and six-monthly basis	Project MIS	Progress reports	PMIU



		subsequent ly.			
Number of refugees provided technical and vocational skills through the project	This indicator measures the number of refugees provided with vocational and technical skills, identified as PoR card holders.	Annual	Project MIS	Progress reports	PMIU
Number of individual businesses supported through investment plans including provision of business development services (output)		Data collected on a quarterly basis during first year of implementation and on a six-monthly basis subsequently	Project MIS	Progress reports	PMIU
Number of female-owned businesses supported through investment plans including provision of business development services		Data collected on a quarterly basis in the first year of implementation and	Project MIS	Progress reports	PMIU



		on a six-monthly basis subsequently			
Sector-specific knowledge increased through completion of value chain analyses (intermediate outcome)		As required	PMIU	Qualitative, updated based on discussion with project staff	PMIU
Percentage of entrepreneurs who experience business benefits as a result of Business Development Services (BDS) support (intermediate outcome)	Business benefits are measured as improved access to: markets, technology, infrastructure services, finance and logistical support.	Annual	Field research and project MIS	Rapid evaluation and surveys	PMIU
Percentage of female entrepreneurs who experience business benefits as a result of access to business development services		Annual	Field research and surveys	Rapid evaluation and project MIS	PMIU
Percentage of entrepreneurs who increased productivity as a result of project support (intermediate outcome)	Increased productivity includes increased output, expanded scope of business and/or increased job creation	Annual	Field research and project MIS	Rapid evaluation and surveys	PMIU
Percentage of female entrepreneurs who increased productivity as a result of project support		Annual	Field Research and project MIS	Rapid evaluations and surveys	PMIU
Percentage of entrepreneurs adopting improved business management practices (intermediate outcome)	Business management is measured as enhanced knowledge and improved	Annual	Field research and project MIS	Rapid evaluation and surveys	PMIU



	skills.				
Percentage of female entrepreneurs adopting improved business management practices		Annual	Field research and project MIS	Rapid evaluations and surveys	PMIU
Project MIS developed and functional - generating progress reports		Process indicator to be reported once	PMIU		PMIU

**Annex 1: Theory of Change**

1. **Problem Statement:** The province of Balochistan is affected by multiple challenges, including remoteness and low population density, low public sector capacity and low value addition at source: resources that exist at local level, such as savings, are not utilized efficiently nor effectively and skills are low. Most of the population lack entrepreneurial and technical skills, resulting in low paying economic activities. Moreover, household members, especially women, are financially excluded and financially illiterate. These challenges have resulted in low standard of living, high unemployment and significant income and social disparities in the province.

2. **Results Chain:** The Project aims at leveraging existing community organizations to promote entrepreneurs through enterprise development to enhance incomes and livelihoods. To achieve this, the Project will improve entrepreneurial and technical skills and increase access to financial services. This will contribute to reduced poverty and increased inclusiveness to share the prosperity in Balochistan.

3. **A schematic of the Theory of Change is presented in Figure 1.** The challenge of high cost and poor quality of service delivery will be addressed by utilizing community-based platforms to identify beneficiaries for project support. Many entrepreneurs lack basic skills or business acumen to manage their enterprises and to address this challenge the Project will stimulate economic activity in remote areas by: i) providing business development support for comprehensive articulation and implementation of business plans (enterprise and livelihoods plans), improved management of enterprises and create employment opportunities; and, ii) provision of technical and vocational skills, which will not only enhance employability but also enable local entrepreneurs to enhance productivity by hiring better qualified workforce. As enterprises grow, more jobs will be created; it is expected that the Project will create, on average, two jobs per enterprise supported. Together, these activities are expected to generate greater profitability and business benefits for rural enterprises, support adoption of improved business management practices and increased productivity at the local level. Taken as a whole, the Project will enable entrepreneurs to better integrate in value chains and access bigger markets (within and outside the country). Finally, specific interventions such as staff training and exposure visits, sector analyses and development of specific IT solutions will enhance public capacity to support rural development.

4. **Given the special status of refugees, this Project will target refugees mainly through: i) vocational training so that they become more employable and are able to earn greater wages; and ii) livelihoods support at subsistence level (Sub-Component 2.2), where possible.** The Project will ensure this not only by targeting geographical areas where refugees are concentrated, but also by supporting refugees (those holding Proof of Registration (PoR) cards), to improve their standard of living. The assumption is that refugees will benefit from a general growth in the local economy fueled by support to local enterprises. Refugees will be supported through the provision of: i) training as local facilitators to support other refugees (and host communities where relevant), thereby also addressing the issue of low population density; ii) in the context of prevailing restrictions, livelihoods support, which is at a small scale so that it can be absorbed and utilized by refugees in a sustainable manner; and, iii) vocational training. Refugees will also benefit indirectly from employment generation activities resulting from the support being extended to host communities.

**Annex 2: Economic Analysis**

1. The EFA performs benefit cost analysis from the perspective of project beneficiaries and focuses on three main result areas under component 2 which are relatively easy to translate into monetary terms. Interventions under component 1 and 3 are crucial in sustaining project benefits over a longer time period. However direct benefits under components 1 and 3 are hard to estimate. Major assumptions used to calculate project benefits are:

- *Survival rate:* Based on empirical evidence and experience of similar projects in the region (within and outside Pakistan), it is important to recognize that first three years are critical for the existence of small enterprises. EFA assumes 60 percent of the enterprises supported through BLEP will survive after three years. The analysis further assumes that the businesses which survive the first three years will continue to function as a going concern.
- *Success rate:* EFA assumes 90 percent of the beneficiaries targeted by project interventions and surviving after first three years achieve the targeted increase in earnings.
- *Improvement in earnings:* The Project enhances earnings of target enterprises by 20 percent at completion of Project. This is achieved through provision of financial and non-financial business support that raises business productivity and opens up new avenues for the enterprises. As for recipients of technical and vocational skills development program, EFA assumes 20 percent increase in earnings for individuals continuing to work on wages while earnings for individuals graduating to self-employment are assumed to increase by 40 percent¹⁷.
- *Base earnings:* Enterprises supported under component 2.1 are assumed to have an average annual income of \$3,000 while base earning for beneficiaries supported under components 2.2 and 2.3 is taken at the official minimum wage.
- Project benefits continue to accrue for at least 10 years beyond completion (till year 2034). Establishment of 85 business development facilities and creation of a cadre of local facilitators and technical resource persons through the Project will ensure continuity of the benefits of the Project for a longer time period.
- The present values are calculated using a discount rate of 5 percent.

2. **Enterprise facilitation:** The project aims to support 5,100 enterprise clusters through enterprise development plans. With average membership of 5 persons, the plan will support 25,500 direct beneficiaries over the duration of the Project and will target to enhance their profitability by 20 percent. More specifically, this component of the Project aims to make following major interventions: (i) provision of non-financial business development services that include sector-specific and locally relevant enterprise training, developing business plans and product diversification strategies, access to new markets and adoption of climate smart technologies, (ii) setting up of 85 business development facilities; and (iii) financing of competitive business plans supported through the Project's provision of matching grants.

3. With 60 percent survival rate and 90 percent success rate, it is estimated that PV of the benefits accruing from this increase in profitability alone will amount to \$50 million over the 10-year period after project completion. Hence, the benefits of this single intervention are sufficient to cover the cost of the whole project.

4. **Livelihood promotion:** A much smaller component of the Project relates to supporting necessity entrepreneur through skill enhancement, adoption of improved business practices and provision of grants. This component aims to

¹⁷ Calculated from the average monthly wage for all occupational group in Balochistan province as reported in Labor Force Survey 2017-18 by Pakistan Bureau of Statistics, Government of Pakistan



enhance income of 4,500 subsistence households by 20 percent at project completion. Assuming 90 percent success rate, this sub-component is estimated to produce benefits amounting to \$5.9 million in present value term till 2034.

5. Technical and vocational skills development: Another sub-component of the Project aims to develop a cadre of skilled workers, trained in market-relevant trades. This component targets 12,750 individuals for skill enhancement programs which will increase their employability in the local as well as the regional labor markets. With 90 percent success rate, the EFA further makes the following assumptions. Beneficiaries of these interventions are the unskilled workers earning minimum wages and can be divided into two categories depending on the intervention outcome. Most beneficiaries are likely to continue to work on wages but will see enhanced employability and livelihoods as they become more productive. They are assumed to witness 20 percent increase in wages by project completion. However, some beneficiaries with access to own/family or loaned financial resources will graduate to self-employment and are likely to get a larger increase in their income. It is assumed that roughly 30 percent of the beneficiaries graduate to self-employment and witness increase of 40 percent in their income by project completion. Under these assumptions, PV of the benefits resulting from these interventions is estimated at \$21.7 million.

Proposed Interventions, and Relative Cost and Benefits

	Beneficiaries (number)	Base Earnings (Annual, in \$)	PV of Benefits (million US\$)	Project Cost (million US\$)
Enterprise Facilitation	25,500	3,000	50.0	
Livelihood Promotion	4,500	1,200	5.9	
Skills Development	12,750	1,200	21.7	
Total	42,750		77.6	50.0

6. Sensitivity analysis: A sensitivity analysis has been conducted to assess the impact of adverse variations in estimates of costs and benefits on the net present value of the Project. For this purpose, we estimated net present value of the Project under three circumstances: (i) a 20% increase in project cost triggered by unanticipated sharp rise in inflation or in the event of deterioration in security situation, (ii) a 20% reduction in project benefits due to a lower survival and/or success rate, and (iii) a simultaneous increase in cost and reduction in benefits by 20% each. Estimates from all three scenario show the results of the above economic analysis are robust and the net present value of the Project remains positive. In conclusion, the overall net discounted benefits of the presented cost-benefit analysis remain positive under any circumstances.

**Sensitivity Analysis**

	PV of Benefits (million US\$)	Project Cost (million US\$)	NPV (million US\$)
Decrease in benefits	62.1	50.0	12.1
Increase in costs	77.6	60.0	17.6
Decrease in benefits and increase in costs	62.1	60	2.1



Annex 3: Implementation Arrangements and Support Plan

COUNTRY: Pakistan - Balochistan Livelihoods and Entrepreneurship Project

1. The Project Implementation Support Plan has been developed to reflect the specific nature of the Project activities, its planned implementation schedule, lessons learned from similar projects in other countries in the region, and specific needs identified during preparation. The plan will be regularly reviewed and revised as required. It lays out the support activities that the Bank will provide and the Project design and monitoring features that will be adopted to mitigate the most significant risks identified in the SORT.

2. **Implementation support missions.** Implementation support missions will be carried out four times during the first year, and every six months in subsequent years. During the first year of the Project and given the complexity of kick-starting Project activities envisaged under Component 1, regular missions will go to essential areas to support the client in initiating activities. Given the multi-sectoral nature of the Project, the missions will include sector-specific experts who will work directly with all counterparts/line departments, to ensure ownership of various activities under the Project. Reverse missions will be organized as required to provide routine support and technical guidance on implementation.

Table 1.1. Implementation Support Plan and Resource Requirements

Time	Focus	Skills needed	Resource estimate (US\$ m)
First 12 months	Project start-up, preparation of safeguards instruments, training fiduciary staff, establishment of PMIU, analysis of existing community-based platforms, engagement of third-party monitoring agents, development of MIS and initiation of procurement	See Table 1.2	10
12–48 months	Provide support to implementation of Project activities, leverage community-based platforms, facilitate recruitment of local facilitators and technical resource persons, support formulation and implementation of plans, foster citizens' engagement and encourage research and knowledge sharing	See Table 1.2	40
Total			50

Table 1.2: Skills Requirements

Skills needed	Number of staff weeks	Number of trips
Team Leader	35	14
Sector Specialists (lead and senior)	20	12
Procurement Specialist	18	12
Financial Management Specialist	10	7
Environmental Safeguards Specialist	10	7
Social Safeguards Specialist	10	7
Technical Specialist	10	20



Financial Management

3. **Implementing Entity Assessment:** Planning and Development Department (P&DD) will be responsible to implement the Project through a Project Management Implementation Unit (PMIU). P&DD is currently implementing Governance and Policy Project (GPP) which is being financed by the KP, FATA and Balochistan Multi Donor Trust Fund with a grant of USD 16 million closing in June 2020. GPP is the scale up version of Governance Support Project (GSP), also financed by the KP, FATA and Balochistan Multi Donor Trust Fund with a grant amount of USD 2 million and was implemented from 2011-2016. FM arrangements in GSP were adequately implemented, and FM performance was rated 'Satisfactory' up to the concluding supervision mission. **The FM arrangements of this Project will leverage from the satisfactory FM performance of GSP, and the current GPP.**

4. **Proposed FM Arrangements for the Project:** PMIU will have the overall responsibility to maintain an appropriate FM system for the Project. A qualified Financial Management Specialist (FMS) will be responsible for managing the overall FM arrangements of the Project, hired by project effectiveness in accordance with the TORs acceptable to the Bank. The FMS will be supported by a Finance Officer.

5. **A FM training module covering** i) manage savings; ii) maintain simplified cash book & accounting records; and, iii) prepare periodic receipt and expenditure reports, will be developed by a consulting firm under which: (i) Local Facilitators (LFs) and Technical Resource Persons (TRPs) will be imparted training on FM aspects; and (ii) LFs and TRPs will act as master trainers for the communities, and trainings to communities will be imparted in a structured manner. The FMS of the PMIU will supervise the implementation of training module; and will conduct bi-annual reviews of selected community groups, on sample basis, to ensure their comprehension of basic FM aspects.

6. **Stipulations** regarding budgeting and planning, accounting and reporting, preparation and submission of monthly, biannual and annual reports, internal controls and auditing are outlined in the POM. During first six months of implementation, the Project would need technical support in setting-up the FM arrangements for PIU. Annually, two field supervision missions would be carried out to review the financial management arrangements for the Project.

Disbursements

7. The following **table** summarizes the Project's disbursement arrangements.

Disbursement arrangements (Note: The financing is inclusive of duties and taxes)

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Amount of the MDTF Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Matching Grants, Incremental Operating Costs, and Training & Workshops for the Components 1 and 3 and Sub-Components 2.1 and 2.3 of the Project	14,800,000 0	10,600,000	13,720,000	100% from the MDTF Grant up to the earliest of: (i) June 30, 2022 or (ii) MDTF Grant exhaustion and, thereafter 58% from the Credit and 42% from the Grant



(2) Matching Grants for Sub-Component 2.2 of the Project	0	0	1,280,000	100% up to June 30, 2022 and 0% thereafter
TOTAL AMOUNT	14,800,000	10,600,000	15,000,000	

8. For disbursement purposes, one (1) segregated Designated Account (DA) in US Dollars will be established at the National Bank of Pakistan for receipt of funds from the Bank under each source of finance. The DAs will be opened and operated by PMIU in accordance with the provisions of "Revised Accounting Procedure for Revolving Fund Account (Foreign Aid Assignment Account)" dated August 2, 2013 issued by the Finance Division. Disbursements will be report-based where advance equivalent to six months forecast will be provided to DA and subsequent bi-annual Interim Unaudited Financial Reports (IUFRs) will be the basis of documentation of the expenditures. Subsequent IUFRs will also provide forecast for the following six months, on the basis of which the amount of funds to be disbursed will be determined. Further details regarding disbursements will be provided in the Disbursement Letter. PMIU would also have to access to grant funds through a Direct payment method of disbursement. The disbursement to communities will be made by bank accounts and incase of non-availability of the bank accounts direct payment to the vendors will be made by the PMIU. Further details are discussed in the POM.

Procurement

9. **Procurement Capacity of the Implementing Agency:** The Government of Baluchistan's P&DD has already implemented projects financed by the World Bank. The current PIU which is managing the WB's financed project is conversant with the World Bank's procurement procedures. This Project will also be implemented by the P&DD through the establishment of a Project Management and Implementation Unit (PMIU). There is scarcity of highly skilled professionals in the public sector. The available resources are short of required skills sets essential for successful implementation of this kind of project interventions. Therefore, the PIU will be required to employ qualified human resources, including a Procurement Specialist. The procurement assessment of P&DD indicates delays in the contract awards, though the payments to vendors are made within the stipulated time frame as indicated in the Contract. Therefore, it would be important to closely monitor the procurement performance under the Project.

10. **Management of Project Procurements:** Details regarding procurement management can be found in the Project Operations Manual (POM), which includes a section on Project Procurements Management. Among other essentials protocols, the Procurement Section contain operational procurement procedures for communities and a plan for providing them adequate training to manage their procurements and records. The Procurement Section also contain targeted procurement performance standards which will be implemented through the active support provided by the World Bank.

11. **Summary of PPSD:** The procurement profile of the Project is summarized in Table 1.1 below. The profile below includes the procurement of Goods, Consulting Services (firms). No Works procurements are envisaged under the Project within the first 18 months of implementation. Some Works procurements would be added upon completion of the value chain studies. The PPSD will be updated accordingly.

**Table 1.1 Procurement Profile**

Procurement Description	Procurement Type/Category	Method of Procurement / Market Approach / Risk	Review Type	Estimated Amounts (US\$)
Consultancy Services for the Mobilization of Savings and Enterprise Clusters (several)	Consultancy - Firm(s)	QCBS / Open - National / High	Prior	1,500,000
Consultancy Services to Identify and Train Local Facilitators (several)	Consultancy - Firm(s)	LCS / open - national / moderate	Post	1,000,000
	Consultancy – Individual(s)	IC / open – national – local / High	Post	2,000,000
Consultancy Services for Beneficiary Training (several)	Consultancy - Firm(s)	LCS / open – national / moderate	Post	1,000,000
Consultancy Services for Enterprise Facilitation (several)	Consultancy - Firm(s)	QCBS / open – national / high	Prior	2,000,000
Consultancy Services for providing Business Support Facilities (several)	Consultancy - Firm(s)	LCS / open – national / moderate	Prior	2,000,000
Consultancy Services for Developing of MIS and M&E Systems	Consultancy - Firm(s)	LCS / open – national / high	Post	250,000
Advisor – enterprise development specialist	Consultancy - Individual	IC / open – national – local / High	Prior	401,230
Environment and Social Safeguard	Consultancy - Individuals	IC / open – national – local / High	Post	199,803
Procurement of Smart Phones & Tablets	Good Procurement	RFQ / national / Low	Post	50,000
Procurement of Office Furniture	Good Procurement	RFQ / national / Low	Post	100,000
Procurement for business facilitation	Good Procurement (several lots/items)	NCB / national / moderate	Post	2,000,000
Procurement of IT Equipment	Good Procurement	RFQ / national / low	Post	100,000
Total				12,601,033

12. The Risks and Mitigation Measures as identified in the PPSD are tabulated in Table 1.2 below.

Table 1.2 Risks as identified under the PPSD

Risk Description	Description of Mitigation	Risk Owner
Political interference: There is a risk of special interest groups/political interference during the procurement process.	A PMU/PIU will be establish that will manage all the procurements under the Project. The PIU will also widely publish the procurement opportunities and the outcomes through the website(s).	PIU
Procurement Decisions: Delay in processing the procurements results in delayed contract awards.	The PMU/PIU will establish KPI (key procurement performance indicators) which will be part of the OM. The PMU/PIU will ensure meeting these KPIs by placing various	P&DD and PIU



Risk Description	Description of Mitigation	Risk Owner
	procurement committees in line with the B-PPRA and Finance Department's Rules with clear terms enabling the members to follow these KPIs.	
Staff turn-around: Frequent staff movement delay the procurement processing.	Procurement professional engaged at the PMU/PIU will be competitively hired with opportunities to access training etc. There will also be a succession plan in place in the event of a staff turn-around.	P&DD and PIU
Abnormally Low Bids: In certain procurements (especially those related to the hiring of consulting firms) there is a risk that a firm might bid substantially low prices at the cost of quality.	It is intended to use the QCBS method for high risk procurements of consulting firms.	P&DD and PIU
Quality Assurance: Vendors quote prices that meet the required specifications, however, the quality is still compromised.	It is planned to develop meticulous specifications and ToRs for goods and services procurements.	PIU and P&DD

13. **Procurement Risks and the Proposed Mitigation Measures:** Table 1.3 describes the WB's identified risks and respective mitigation measures for the Project.

Table 1.3 Risk and Mitigation Measures

Risk Description	Description of Mitigation	Risk Owner
Lack of awareness of World Bank's Procurement Regulations to manage the Project procurements.	Appointment of full-time qualified Procurement Specialist	PMIU
	Training for the PMIU; resources to be provided by the World Bank	PMIU
Lack of Accountability in Procurement Decision Making Process	Procurement Section in the Operational Manual will contain decision making process, identified positions, performance standards/timelines etc. ; procurement committees shall be responsible for delays in contract awards	PMIU
Lack of Staffing or quick staffing turn-around	Offering market-based incentives to the potential candidates	PMIU
Poor Market Response	Wider circulation of procurement opportunities and ensuring transparency in procurement decisions	PMIU
Delays because of procurement complaint	STEP's Complaint management system to be used and resolutions disseminated adequately	PMIU
Time and Cost Overruns	Develop and implement a Contract Management System including appointment of a qualified construction management specialist	PMIU