



## MDTF-Economic Revitalization of KP and FATA (P124268)

SOUTH ASIA | Pakistan | Trade & Competitiveness Global Practice |  
 Recipient Executed Activities | Emergency Recovery Loan | FY 2012 | Seq No: 11 | ARCHIVED on 06-Dec-2016 | ISR25587 |

Implementing Agencies: Department of Industries, FATA Secretariat, SMEDA Khyber Pakhtunkhwa

## Key Dates

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Bank Approval Date:22-Aug-2011

Effectiveness Date:11-Oct-2011

Planned Mid Term Review Date:26-Nov-2013

Actual Mid-Term Review Date:06-Dec-2013

Original Closing Date:30-Jun-2015

Revised Closing Date:31-Dec-2016

## Project Development Objectives

Project Development Objective (from Project Appraisal Document)

To support the Government of Pakistan in the economic recovery and revitalization of the crisis affected areas of Khyber Pakhtunkhwa (KP) province and Federally Administered Tribal Areas (FATA), by creating sustainable employment opportunities through rehabilitation of Small and Medium Enterprises (SMEs), investment mobilization, and institutional capacity building.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

## Components

Name

SME Development:(Cost \$14.00 M)

Attracting Investment from the Diaspora:(Cost \$1.70 M)

Institution Building to Foster Investment and Implement Regulatory Reforms:(Cost \$4.30 M)

## Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Satisfactory
Overall Implementation Progress (IP)	● Highly Satisfactory	● Highly Satisfactory
Overall Risk Rating	● Substantial	● Substantial



## Implementation Status and Key Decisions

ERKF became effective in October 2011 under the Round I of MDTF. As of November 30, 2016, **the Project has overachieved most of its Project Development Objective (PDO) indicators, disbursed US\$20 million (100%) and has created 8,834 direct jobs (including 126 direct jobs for women) in the KP-FATA region.** During August 2016, the Bank team joined the officials from the Danish Embassy to a visit with ERKF beneficiaries in Swat district of KP. The Project has delivered tangible results on the ground including provision of public goods through private sector including 45 (K12) schools, 15 hospitals and labs and 25 micro hydro plants across KP and FATA.

The Project was due to close on June 30, 2015, however in response to the request of Government of Pakistan (GoP), it has undergone three no-cost extensions in the Project Closing Date (PCD). The revised closing date is December 31, 2016. **In response to GoP request, the Project's Additional Financing (AF) of US\$19 million is being processed and is likely to be effective by February 28, 2017.** Therefore another PCD extension (until March 31, 2017) request will be submitted for approval by the Country Director. The AF entails a scale up of Component 1 (SME Development) activities to provide matching grants with focus on areas where the Temporarily Displaced Persons (TDPs) are returning such as Barra, South Waziristan, North Waziristan and Upper Orakzai in FATA.

Both Project Management Units (PMUs) have completed the activities under Component 2 by organizing 5 outreach activities, including an Investment Road Show (IRS) in Dubai during March 2015. During the IRS, the potential investors signed 12 Letters of Intent (LoI) with Government of KP (GoKP). The LoIs could not be materialized by KP and it had to advertise the activities under the Public Private Partnership (PPP) Act of KP. A PPP cell was also established by GoKP to create capacity within the government for undertaking PPP transactions. The cell is receiving Analytical Services and Advisory (ASA) support from the WB which includes a review of PPP framework, training of PPP Cell officials and learning exchange with the Government of Sindh (GoSindh). The Bank team will continue following up on LoIs to record the progress made by KP and will report that in the first ISR of ERKF AF. The pending disbursements to approved SME cases is ongoing and the delays are being addressed by KP-PMU in consultation with SMEDA PU.

## Risks

### Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Substantial	● Substantial
Macroeconomic	--	● Substantial	● Substantial
Sector Strategies and Policies	--	● Moderate	● Moderate
Technical Design of Project or Program	--	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	--	● Moderate	● Moderate
Fiduciary	--	● Substantial	● Substantial
Environment and Social	--	● Moderate	● Moderate
Stakeholders	--	● Moderate	● Moderate
Other	--	--	--
Overall	--	● Substantial	● Substantial

## Results

### Project Development Objective Indicators

#### ► Business Rehabilitation (Number, Custom)

Baseline

Actual (Previous)

Actual (Current)

End Target



Value	0.00	1471.00	1601.00	850.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

**Comments**

The total number of approved SME matching grants is 1,711 for US\$14 million, of which US\$13.19 million have been disbursed to 1,601 (FATA:408; KP:1,193) beneficiaries. The beneficiaries include 32 women entrepreneurs. The cluster upgradation case (Mining CFC) has been approved and disbursed.

**► Jobs (Number, Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	16267.00	16267.00	8000.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

**Comments**

ERKF has managed to create 8,834 direct jobs in the SME sector of KP-FATA region. Based on the sample surveys of the Third Party Monitoring Agent (TPMA), and estimates provided by SMEDA, the total number of indirect jobs created is expected to be 16,267.

**► Sustainability: 60% of all assisted SMEs operational and productive at the completion of the project (Percentage, Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	--	60.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

**Comments**

The services of a consultant are being hired by KP-PMU to measure this indicator. The results should be available by end of December 2016. This was 93% at the time of ERKF Mid Term Review in January 2014.

**► Investments: US\$ 10m attracted from Diaspora and migrant workers from KP and FATA (Amount(USD), Custom)**

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	30.00	0.00	10.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

**Comments**

The previously reported figure of US\$30 million was for a Letter of Intent signed by KP with an international investor. This investment was for an oil refinery near Karak (KP). The signing of the MoU is still pending and as the progress has been delayed, the value of the indicator is being revised downwards. The task team will continue monitoring this activity over the life of the Project (Additional Financing).

► Investment Facilitation Authority (IFA), FATA and Investment Facilitation Centre (IFC), KP established and operationalized (%) completed (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	100.00	100.00	100.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

**Comments**

Already achieved.

**Overall Comments****Intermediate Results Indicators**

► SME Rehabilitation Support provided: 600 matching grants provided to SMEs meeting criteria (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	1298.00	1447.00	600.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

**Comments**

The target stands overachieved. Some new sectors were also supported over last six months through the rehabilitation grant. It is noteworthy that ERKF provided matching grants to 25 micro hydro power projects in KP's remote districts that were previously off-grid. The Project has also supported 45 (K12) schools in KP and FATA that have enrolled girls as well. In addition, the matching grants have supported 15 hospitals and labs in the region.



► Up-gradation Support: 250 SMEs benefit from the up-gradation grants (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	149.00	194.00	250.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

► Capacity Building & BDS Support: BDS provided to 500 SMEs/clusters (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	800.00	800.00	500.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

Comments

ERKF has so far arranged 53 training programs to build the capacity of 800 entrepreneurs through SMEDA PU. The beneficiaries of the training sessions included 394 women entrepreneurs. The training were organized for the members of Industrialists Association Peshawar (IAP), Swat Silk Units, Marble Association (Warsak Road), Haripur Chamber of Commerce & Industry (HCCI) and Tribal Area Chamber of Commerce & Industry (TACCI). The training provided to the women entrepreneurs covered traditional and non-traditional sectors and included modules on business management, business communications, competitive strategy and innovation, public relations, business sales and marketing, screen and block printing, fabric printing, preservation, kitchen gardening, beautician, food processing, recycling, mushroom farming and several others.

► Diaspora Outreach program implemented: At least 7 to 10 outreach activities/events successfully organized (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	5.00	5.00	7.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016



► Re-connect Pakistan (web tools for Diaspora) operational (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	--	6200.00	7826.00	10000.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

Comments

The link of web site is

► PPD mechanism established in KP/FATA; defining economic growth and employment generation policy reforms; proposals for implementation submitted (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	6.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

► 11 machinery pools/ common facility centers operational (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	11.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016

Comments

Two more applications for the clusters facility centers are in the pipeline so by December 31, 2016, this number would go upto 4.

► Recommended regulatory/institutional reforms introduced/notified by Industries Department for private sector development in KP (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	2.00	2.00	5.00
Date	11-Oct-2011	31-May-2016	30-Nov-2016	30-Dec-2016



**Overall Comments**

Industries Department launched KP's Industrial Policy in January 2016 that offers certain incentives to investors interested in specific sectors such as Energy and Hydal Power projects and minerals sector. The Policy notifies two specific reforms to facilitate the establishment of Special Economic Zones and tax exemptions for industries owned by women.

**Data on Financial Performance**

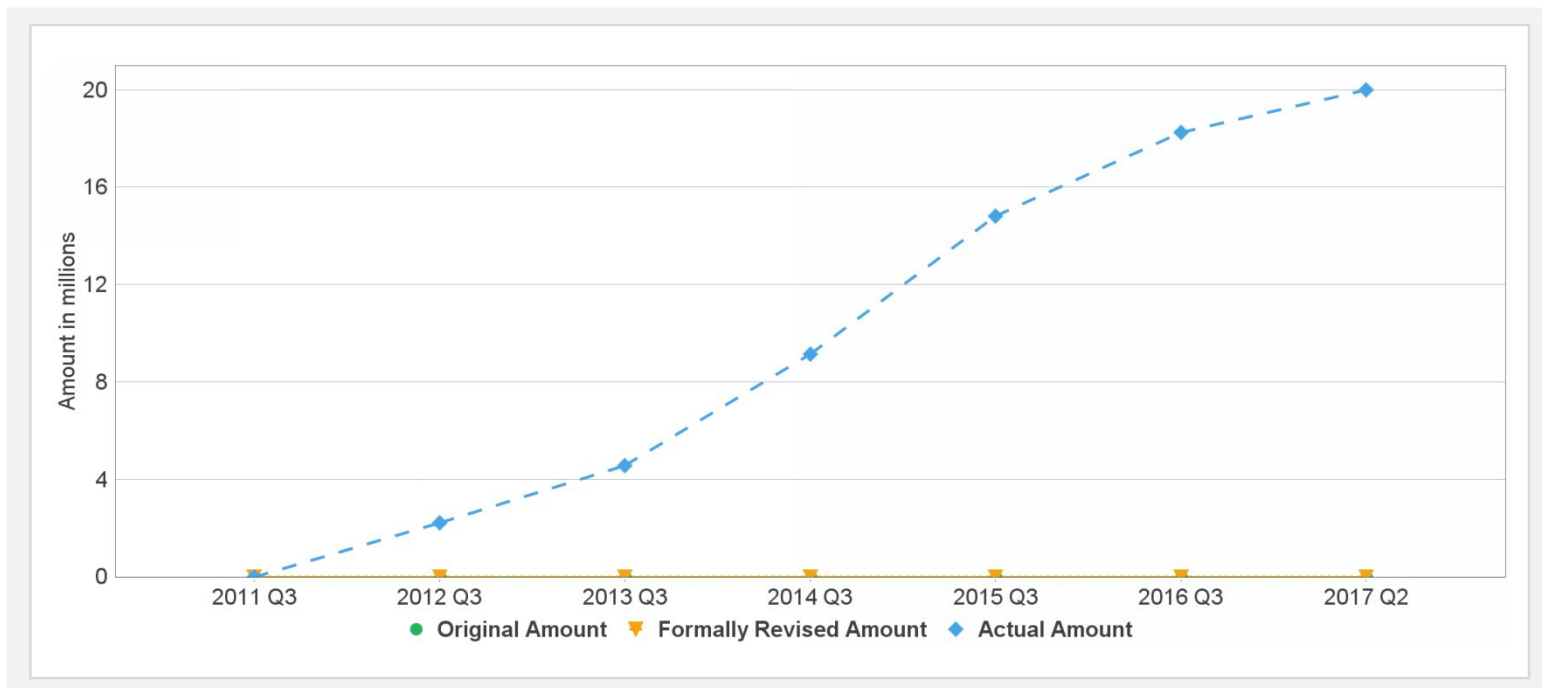
**Disbursements (by loan)**

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P124268	TF-99175	Effective	USD	20.00	20.00	0.00	20.00	0.00	100%

**Key Dates (by loan)**

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P124268	TF-99175	Effective	11-Oct-2011	11-Oct-2011	11-Oct-2011	30-Jun-2015	31-Dec-2016

**Cumulative Disbursements**



**Restructuring History**



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Level 2 Approved on 29-Jun-2015 ,Level 2 Approved on 09-Dec-2015 ,Level 2 Approved on 23-Jun-2016

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### **Related Project(s)**

P160445-Economic Revitalization of KP and FATA - II

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