



May – June 2011 Update

Multi-Donor Trust Fund for Khyber Pakhtunkhwa, Federally-Administered Tribal Areas & Balochistan





OVERVIEW

Since the second Steering Committee meeting on April 27, 2011 a number of developments have taken place which can be summarized as follows:

- Operationalization of the PCNA initiative (OPCNA); the activity Concept Note has been finalized and agreed; work has begun and is progressing as per the defined timeline. This work is supported by the World Bank's Fragile and Conflict-Affected Countries Group (OPCFC), as well as a team of experts who have worked previously in conflict-affected states and on the preparation of the PCNA (see below for further details).
- Six PC1s relating to MDTF financed projects have been approved by The Central Development Working Party (CDWP). With the approval of the PC1s, the total amount of approved MDTF financed projects is at US \$ 85 Million (see below for further details).
- The Government of Balochistan has requested US \$ 10 million of the MDTF allocation for its education sector. Presently the education team is engaged with the Education officials of the province in order to define the objectives and scope of the project (see project portfolio section for further details).
- The FATA Urban Centers and the FATA Rural Roads projects have faced delays due to the deterioration of the security status in the implementation area of the projects (see project portfolio section for further details). Considering the security risk associated with the operations, a decision was made to implement the projects in the Bajaur agency.
- As of June 30, 2011, the MDTF has received commitments in the amount of \$139.9 million. Funds in the amount of \$ 97.2 million have been paid in to the MDTF account managed by the World Bank.
- Administratively, the MDTF Secretariat is working on the development of a secured intranet that donors will be able to access using assigned passwords. This intranet is expected to provide detailed updates, a wide range of documents as well information on the progress of the projects implementation and the issues faced, if any.





THE OPERATIONALIZATION OF THE PCNA (OPCNA)

The Post Crisis Need Assessment (PCNA) was prepared with objective of producing a helpful, pragmatic, coherent and sequenced peace building strategy that delivers an agreed vision for the border areas of Pakistan over 10 years. Since its launch in October 2010 it has widely been considered by all parties as the point of reference for designing and implementing interventions for peace-building and reconstruction in the border areas.

On April 27, 2011, at its second meeting, the MDTF Steering Committee (SC) gave recommendations on how the MDTF could best be used as a tool to support the PCNA objectives, through the preparation of a five-year funding plan, with a defined results framework. Amongst the tasks the MDTF Secretariat has committed to deliver in response to the Steering Committee recommendations, a priority program of technical assistance and investment support with defined results and an assessment of how the MDTF can support and enhance, through this priority program, government capacity for delivering on the PCNA strategy. This initiative is referred to as the 'Operationalization of the PCNA' (OPCNA).

The OPCNA team started its work in Islamabad in June by addressing the following question: "How can the MDTF best support the Government and complement donors' activities together to deliver the PCNA Peace Building strategy through its five year priority program and its results based framework?"

In addition to the meetings with donors to get their feedback and understand expectations, the MDTF Secretariat organized workshops with FATA, KP and Balochistan officials. The workshops objectives were two-fold i) to get an overview of budgeted and planned peace-building investments in these areas and ii) to discuss with officials their priorities for the next three years.

Most interesting have been the discussions related to the development of a methodology conducive to selecting priorities. This methodology will involve the MDTF selecting the sub outcomes it can achieve best, according to its comparative advantage, and suggesting activities/investments which would not only achieve these outcomes, but also contribute to building the capacity of the provincial governments and FATA Secretariat to implement the whole PCNA in the long term. The MDTF priority program would thus respond to emergency needs while at the same time seeking to have a demonstrative effect, and transfer sustainable implementation capacity to the respective administrations.

An important caveat was observed and this relates to the lack of evidence and baseline in the provinces, which right now presents an obstacle to designing meaningful benchmarks and performance indicators. This certainly has to be included as one of the most urgent capacity building activity of the program's first operations.

The detailed outline of the priority program, as well the recommendations that will be part of the program, will be discussed end of July/beginning of August. The final report will be completed in August with the quality review process taking place during September. Final and formal approval will be sought at the end of September.





APPROVALS OF THE PC1 OF MDTF FINANCED PROJECTS

The MDTF Secretariat has engaged with the two provinces, the FATA Secretariat and the Economic Affairs Division (EAD) to further enhance the project portfolio and expedite the project approval process based on deliberations with government counterparts. As a consequence, the Secretariat is glad to inform that a special meeting of the Central Development Working Party (CDWP) took place on June 14, 2011, where 6 PC1s, for projects financed through the MDTF, were approved. Details of the projects are below.

- Economic Revitalization for KP and FATA; (US\$ 20 M)
- KP Emergency Roads Recovery project; (US\$ 8 M)
- Governance Support Project for KP and FATA; (US\$ 6 M)
- Revitalizing of Health Services in KP Project; (US\$ 16 M)

The above projects have a total value of US\$ 50 million and after adding the Emergency Recovery Project (which falls under the Malakand waiver) to the above list the total value of MDTF financed projects, approved by the government, stands at US\$ 85 M. These projects constitute 65% of the MDTF total funds. The next step is to have the negotiated grant agreements signed. The needed clearance following the PC1 approval is being sought and three MDTF grant agreements are expected to be signed by the end of July 2011.





PORTFOLIO STATUS UPDATES

Overview

Progress has been made in the preparation of 8 projects, however, the preparation of 2 projects, FATA Urban Centers and FATA Rural Roads, have been negatively impacted by worsening security situations in Parachinar and Sadda in Kurram agency. The preparation work, which was at advanced stages, was halted due to difficulties faced by government counterparts in traveling to and within Parachinar and Sadda, impacting their ability to monitor on-going work.

The following provides a brief description of the projects and status, categorized under the MDTF Financing Strategy pillars:

Pillar 1: Projects to Restore Damaged Infrastructure and Disrupted Services

1. **KP Roads Project:** This project will finance the rehabilitation of 10.5 km of the main portion of the Chakdara – Shamozai road. The project has been negotiated and the grant agreement will be signed upon receiving the authorization of the Ministry of Law.
2. **FATA Rural Roads:** FATA development plans include a rural road project costing US\$ 140 M, of which about 10 percent will be financed through the MDTF. The total length of rural roads to be constructed under the project is estimated at 80 km. Initially the project implementation area was defined in Parachinar (Kurram agency) however due to the security constrains the project preparation work had to be halted. This resulted in delays in the delivery of the project. Presently the agency in which implementation will take place has been defined as Bajaur and the project is under preparation again.

Pillar II: Projects to Improve Local and Provincial Service Delivery

1. **FATA Urban Centers:** The present phase of the project will fund technical assistance to develop a conceptual framework for FATA Urban Centers which will enable the initiative to be launched on a sound footing. Initially the project implementation area was defined in Parachinar and Sadda (Kurram Agency) ; however due to the security constrains the project preparation work had to be halted. This resulted in delaying the delivery of the project. Presently the implementation agency has been defined as Bajaur and the project re-preparation work is near finalization.
2. **Balochistan Education Support Project:** Following the request of the Balochistan Government, the education team engaged with the education officials of the province to define the objectives and scope of the project. This follows a request from the Government of Balochistan for a US \$10 million allocation for support in the education sector. This support, according to the Government of Balochistan, should be used for new initiatives within the sector rather than to provide parallel financing to the ongoing project currently financed through IDA allocations.





3. **Strengthening Health Services in Crisis-affected Districts of KP:** The project aims to improve health services in KP through rationalization of health management functions and a public-private partnership arrangement. It will also help establish a robust monitoring and evaluation system for this model in each district and at the provincial level to measure the impact of management improvements on services. The project preparation work is finalized and the PC1 has been approved.

Pillar III: Projects to Support Livelihoods

1. **Emergency Recovery Project:** The PCNA states that food security for impoverished citizens must be addressed in a clear, transparent way, ensuring that targeting reaches those with the greatest need. The project will finance cash transfers to 100,000 vulnerable families over a period of six months. The project has been negotiated and the grant agreement will be signed upon receiving the authorization of the Ministry of Law.
2. **Economic Revitalization of KP and FATA:** The proposed project aims to support the economic revitalization of KP and FATA through: rehabilitation of small and medium businesses affected by the crisis; attracting and promoting investment; and developing long-term growth opportunities. The project has been negotiated, the PC1 was approved and the grant agreement will be signed upon receiving the anticipated authorization of the ECNEC's.
3. **FATA Rural Livelihood and Community Infrastructure Project:** The project will support the establishment of a department within the FATA Secretariat and build its capacity to manage and implement demand-driven community-based activities. The project is under preparation.

Pillar IV: Project support PCNA program delivery through key governance interventions

1. **Governance Support project:** The objective of this project is to help the government of KP and FATA Secretariat design and implement sectoral reforms through key governance interventions. The project aims to improve the efficiency of delivery of the PCNA program by supporting capacity in key units and by implementing urgent interventions that will have an impact across the PCNA programs. The project preparation work is finalized and the PC1 was approved. The project will be signed after the official negotiations foreseen to take place on July 29, 2011.
2. **Project for the Development of Disaster Risk Management & Response Capacity in Balochistan:** The Project is under preparation.





FINANCIAL POSITION OF THE MDTF REFLECTING THE STATUS OF CONTRIBUTIONS AND SIGNING OF AGREEMENTS

As of June 30, 2011, the MDTF has received commitments in the amount of \$139.9 million. Funds in the amount of \$ 97.2 million have been paid in to the MDTF account managed by the World Bank.

More details on the status of contributions can be found in the table below.

<u>Donor</u>	Pledged			<u>Signed</u>	<u>Paid in</u>
	<u>Amt (m)</u>	<u>Currency</u>	<u>USD</u>		
Australia	10.0	AUD	8.9	8.9	8.9
Denmark	40.0	DKK	7.1	7.1	7.1
European Union	15.0	EUR	19.2	19.2	7.0
Finland	5.6	EUR	7.6	7.6	7.6
Germany	8.0	EUR	11.2	11.2	11.2
Italy	4.0	EUR	5.4	5.4	5.4
Sweden	5.0	USD	5.0	5.0	5.0
Turkey	5.0	USD	5.0	5.0	5.0
UK	30.0	GBP	45.8	45.8	15.1
USA	25.0	USD	25.0	25.0	25.0
Total			140.2	140.2	97.3

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