



July - September 2011 Update

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





OVERVIEW

Since the end of July 2011 a number of developments have taken place which can be summarized as follows:

- The Operationalization of the Post-Crisis Needs Assessment (OPCNA) report has been finalized and cleared by the Khyber Pakhtunkhwa (KP) and Balochistan Governments as well as the FATA Secretariat. The report was subject to a Bank internal review meeting which provided valuable inputs and recommendations; these were incorporated in it. It will be presented to the MDTF Steering Committee, expected to meet in mid-October to discuss and approve the OPCNA report. This will be the guiding strategy for the MDTF over the next five years (see below for further details).
- The first MDTF financed project, the KP Emergency Recovery Road project (US\$ 8 Million), was signed on 23 August 2011. The first contract under the first MDTF financed project was signed. The Frontier Highway Authority (FHA), as the implementing entity, is currently in the process of opening the project Designated Account in order to transfer funds and pay the incurred expenditures under the project.
- Two projects, the Economic Revitalization of KP and FATA (US\$ 20 Million) and the Governance Support Project (US\$ 6 Million), have been approved by the government as well as by the World Bank, as MDTF Administrator. These two projects will be signed during the second week of October 2011 (see project portfolio section for further details).
- Grant agreements relating to the FATA Urban Centers project (US\$ 7 Million) and the Strengthening Health Services in Crisis-affected Districts of KP project (US\$ 16 Million) have been negotiated. The next steps will be to secure Ministry of Law approval, after which the grant agreements can be signed. The PC1 of the Health project has already been approved by the Central Development Working Party (CDWP) while the PC1 of the FATA Urban Centers project is being processed for CDWP approval.
- While the Bank has not received a formal request for cancellation, The government of KP has indicated that it has revised its priorities and may seek the Government of Pakistan to cancel the Emergency Recovery Project, which is partially financed through the MDTF (US\$ 35 Million). This expectation has had a negative impact on MDTF disbursement projections as the project was supposed to provide a rapid response and deliver quick results on the ground through the provision of cash transfers over six months to 100,000 vulnerable families in KP and FATA. The MDTF Secretariat is engaged with KP and FATA counterparts to reprogram the funds while taking into consideration the five-year strategic plan of the MDTF and its recommendations.





- As of 30 September 2011, the MDTF has received signed commitments totaling US\$ 140.2 million. US\$ 97.3 million has been paid into the MDTF account managed by the World Bank.
- Administratively, the MDTF Secretariat launched the MDTF secured intranet; donors will be able to access these using assigned passwords. The intranet will be updated periodically and will provide a wide range of documents as well information on the progress of MDTF financed projects and issues faced, if any.

The Operationalization of the PCNA (OPCNA)

The Post-Crisis Needs Assessment (PCNA) was prepared with the objective of producing a helpful, pragmatic, coherent and sequenced peace building strategy that delivers an agreed vision for the border areas of Pakistan over the next ten 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 27 April 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 are 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).

From July to September the OPCNA team organized face to face meetings with donors to get their views and feedback, and organized workshops with FATA, KP and Balochistan officials. The meetings with the donors provided timely feedback to the OPCNA team regarding the approach and report preparation. The workshops with the MDTF beneficiaries provided the status of activities that support the PCNA, and identified needs to achieve PCNA objectives. Thanks to data provided by donors and provinces, the OPCNA team was able to map the PCNA related investments funded by donors and developed an overview of budgeted and planned peace building investments in support of the PCNA objectives.

The draft **Strategy for Engagement** resulting from this work has been finalized and is being discussed with all stakeholders in order to integrate their feedback and seek their clearance. The report will be presented to the MDTF Steering Committee, expected to meet in mid-October, for discussion and endorsement. The main topics addressed in the report are as follows:

- ✓ **Strategic Role of the MDTF.** The PCNA sets out an extensive peace building strategy based around four strategic objectives. The MDTF cannot by itself implement the full range of PCNA recommendations. However, there is an opportunity for the MDTF to be utilized as a strategic platform for coordination around the objectives of the PCNA, including where they touch upon areas of security and justice.





- ✓ **Donor Coordination:** The government must take the lead in any broad-based coordination efforts. The MDTF can, however, take a role in supporting this effort as necessary in some areas with other key partners by: providing a forum for discussion of policy issues; promoting a balance between immediate results and longer-term institutional transformation; promoting broader coherence of on and off budget initiatives with the PCNA objectives; and supporting the establishment of financial tracking mechanisms.
- ✓ **Proposed Program Streams of Intervention.** These include: (i) Improving local services and community support, (ii) Growth and jobs, and (iii) Policy reforms and governance support. These three streams have been identified and proposed due to their impact on the overall peace building strategy. The document provides an estimation of funding needs and proposes a framework for future donor contributions.
- ✓ **Results Framework.** There is strong emphasis on achieving and measuring results under the MDTF. A results framework that will guide the MDTF strategic vision and enable better links to be made between MDTF results and PCNA objectives has been developed. This results framework allows the measurement of the aggregate of parallel operations that could be financed by bilaterals or by the government through its annual development plan.

Approvals of MDTF-Financed Projects and Status of the Portfolio;

As of 30 September 2011 the status of the MDTF-financed portfolio was as follows:

KP Emergency Roads Recovery project; (US\$ 8 M) - this project has been approved by the government as well as by the Bank, as Administrator of the MDTF. The project has been signed and now is at the implementation stage.

Economic Revitalization for KP and FATA; (US\$ 20 M) & Governance Support Project for KP and FATA; (US\$ 6 M) - the two projects have been approved by the government and by the Bank, as Administrator of the MDTF. The two grant agreements are expected to be signed during the first week of October, enabling them to move to the implementation stage.

Revitalizing of Health Services in KP Project; (US\$ 16 M) & FATA Urban Centers (US\$ 7 M) - the two projects' grant agreements have been negotiated with the respective counterparts and, upon receipt of CDWP approval for the FATA Urban centers project and Ministry of Law clearance for both projects, the grant agreements will be signed.

Three projects are at an advanced stage of preparation - FATA Rural Livelihood and Community Infrastructure (US\$ 8M); Support the Development of Disaster Risk Management and Response Capacity in Balochistan (US\$ 5M); and Promoting Girls Education in Balochistan (US\$ 10M).

One project still under preparation is the FATA Rural Roads (US\$ 12M). This project has been negatively impacted by the worsening security situation in Parachinar and Sadda in Kurram Agency. Preparation





work, which was at an advanced stage, was halted due to difficulties faced by government counterparts in traveling to and within Parachinar and Sadda, in turn impacting their ability to monitor on-going work.

Annex 1 reflects the portfolio status in a matrix format.

Summary of Projects Objectives

A brief description of the various projects' objectives is given below, categorized under the MDTF Financing Strategy pillars:

Pillar 1: Projects to Restore Damaged Infrastructure and Disrupted Services

KP Roads Project: This project will finance the rehabilitation of 10.5 km of the main portion of the Chakdara – Shamozai road.

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 constraints 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 selected as Bajaur and Orakzai.

Pillar II: Projects to Improve Local and Provincial Service Delivery

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. Also, urgent upgrades to services will be financed in the Bajaur Urban Center.

Promoting Girls Education in Balochistan: Responding to the request made by the Balochistan Government, the education team engaged with education officials in 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 to support girls attending schools.

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.

Pillar III: Projects to Support Livelihoods

Emergency Recovery Project: Unofficially the Bank has been advised that the KP government may ask the Federal Government about the need to cancel this project.





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.

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.

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

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 building the capacity of key units and by implementing urgent interventions that will have an impact across the PCNA programs.

Project for the Development of Disaster Risk Management & Response Capacity in Balochistan: The project will support the capacity building of Balochistan PDMA.



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

As of 30 September 2011, the MDTF has received commitments totaling US\$ 140 million. Funds of US\$ 97.3 million have been paid into the MDTF account managed by the World Bank.

More details on the status of contributions are given in the table below:

<u>Donor</u>	Pledged			<u>Signed</u>	<u>Paid in</u>
	<u>Amt (m)</u>	<u>Currency</u>	<u>US\$</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





Annex 1

Status of Projects under Multi Donor Trust Fund (MDTF) as of 30 September 2011

S. No	Name	Project description	Amount US\$ (Million)	PC1 Approval Y/N	Min of Law Approval Y/N	Grant Agreement signed Y/N	Implementation begins / anticipated
1	<i>KP Roads Project</i>	Rehabilitation of 10.5 km of the main portion of the Chakdara – Shamozaï road	8	Y	Y	y	24 August 2011
2	<i>FATA Rural Roads</i>	Rural roads to be constructed under the project are estimated at 80 km	12	N	N	N	January 2012
3	<i>FATA Urban Centers</i>	Project will fund technical assistance to develop a conceptual framework for FATA Urban Centers and will provide needed infrastructure and equipments to improve service delivery	7	N	N	N	November 2011
4	<i>Balochistan Education for girls Project</i>	Support in the education sector to increase attendance of girls at schools in Balochistan	10	N	N	N	December 2011
5	<i>Strengthening Health Services in Crisis-affected Districts of KP</i>	Project aims to improve health services in KP through rationalization and introducing the private sector to manage health centers in 7 districts	16	Y	N	N	November 2011
6	<i>Emergency Recovery Project</i>	Cash transfers to 100,000 vulnerable families	35	Y	Y	N	Project may be cancelled based on the Government request





7	<i>Economic Revitalization of KP and FATA</i>	Support to small and medium businesses affected by the crisis	20	Y	Y	N	October 2011
8	<i>FATA Rural Livelihood and Community Infrastructure Project</i>	Project will support the establishment of a department and build its capacity to manage and implement demand-driven community-based activities	8	N	N	N	November 2011
9	<i>Governance Support project</i>	Support government of KP and FATA Secretariat to design and implement sectoral reforms	6	Y	y	N	October 2011
10	<i>Support the Development of Disaster Risk Management & Response Capacity in Balochistan</i>	Build the capacity at the Balochistan PDMA to become bale to reply to disasters in a more efficient way	5	N	N	N	December 2011

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