Report Number: ICRR0024148

1. Project Data

Project ID	Project Name
P156410	KP Governance and Policy
Country	**Practice Area(Lead)**
Pakistan	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
TF-A3361,TF-B3385	30-Jun-2022	17,989,425.78
Bank Approval Date	**Closing Date (Actual)**	
20-Apr-2017	30-Jun-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	18,000,000.00	18,000,000.00
Revised Commitment	17,989,426.00	17,989,426.00
Actual	17,989,425.78	17,989,425.78

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Khyber Pakhtunkhwa (KP)/ Federally Administered Tribal Areas (FATA)/ Balochistan Multi-Donor Trust Fund (MDTF) Grant Agreement (GA) dated May 23, 2017 (GA, p. 5) and the Project Appraisal Document (PAD, p.7), the Project Development Objective (PDO) was:

"**To strengthen the capacity for Sales Tax on Services collection and improve public investment management and accountability of public service delivery in the water sector in Khyber Pakhtunkhwa**."

On 15 July, 2020, the PDO was revised as follows under the first restructuring with Additional Financing (AF) (Report No. RES 36996, p. 5; ICR, p. 1):

"**To strengthen the capacity for Sales Tax on Services collection and improve public investment management and accountability for public service delivery in Khyber Pakhtunkhwa**."

For the purpose of this review, the PDO has been reformulated as follows:

- **PDO1**: To strengthen the capacity for Sales Tax on Services collection.
- **PDO2**: To improve Public Investment Management (PIM) for public service delivery.
- **PDO3**: To improve accountability for public service delivery.

Since the revised PDO had a wider scope to capture results beyond the water sector and the portion of the PDO that was dropped was not related with the achievement of any significant activities prior to restructuring, this ICRR will not undertake a split evaluation. It will assess the project based on the revised and expanded PDO and indicators/ targets.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

c. Will a split evaluation be undertaken?

No

d. Components

There were three components that remained unchanged during the life of the project. However, related indicators/targets and allocations were revised after the first restructuring.

The estimated total cost of the project was US$10 million at approval. AF at the time of the first restructuring increased the total from US$10 million to US$18 million. The actual amount disbursed was US$17.99 million (PAD, p. 7-9).

Component 1: Increasing capacity for revenue mobilization and public financial management (Cost at approval: US$3.75 million. Revised cost after AF and restructuring: US$7.25 million. Actual amount disbursed: US$7.03 million). This component aimed to strengthen capacity for own source revenue collection in line with the 18th Constitutional Amendment and the 7th National Finance Commission (NFC)

Award of 2010 that gave more taxing powers to the provinces to strengthen public financial management (PAD, p. 7, ICR para 12). There were two subcomponents:

1. increasing capacity for Sales Tax on Services (STS) collection; and
2. strengthening public financial management (PFM) and accountability.

Component 2: Improving public investment management and accountability in public services (Cost at approval: US$3.55 million. Revised cost after AF and restructuring: US$7.25 million. Actual cost: US$7.70 million). This component aimed to help the Government to improve the effectiveness of public spending on infrastructure and strengthen accountability in public services (PAD, p. 7-8, ICR para 12). There were two subcomponents:

1. strengthening PIM; and
2. improving accountability in the delivery of public services.

Component 3: Providing effective support for the coordination of governance reforms and operational management (Cost at approval: US$2.50 million. Revised cost after AF and restructuring: US$3.50 million. Actual cost: US$3.26 million). This component aimed to strengthen the government's capacity to track reform implementation, coordinate external support, provide training to government officials, and prepare and implement development projects. There were no subcomponents (PAD, p. 8, ICR para12).

Significant changes during implementation

Restructuring No. 1: A first restructuring was approved on July 15, 2020 (ICR, p. 9-10) to address governance challenges resulting from the merger of the FATA with the province of KP and focus on broader areas of governance where service delivery was being affected. This restructuring provided additional financing of US$8 million and led to the revision of the PDO and the Results Framework (RF). The scope of the PDO was expanded from the water sector to include all publicly provided services and additional capacity building activities. Project indicators, targets and activities were revised, disbursement categories were changed, and the closing date was extended from June 30, 2020, to June 30, 2022 (Report No. RES 36996 on 2nd restructuring, p. viii).

No new components were introduced and the two Disbursement Linked Indicators (DLIs) which were: (i) STS collection and geotagging of public assets, and implementation arrangements with the Planning and Development Department (P&DD) (that was responsible for implementation of Components 2 and 3) and; (ii) Finance Department (FD) (that was responsible for implementation of Component 1) remained the same.

The following changes were made to the PDO indicators and Intermediate indicators in the Results Framework (RF) during the restructuring in 2020 (ICR, Table 1 adjusted with units of measurement, p. 10):

PDO indicators	Revised indicators
Increased collection of the Sales Tax on Services (Percentage, revised).	Increased collection of the Sales Tax on Services (Text/ Number).
Increased average size of the appropriation per water sector project included in the ADP (Dropped).	Improvement in Public Financial Management (Text).

Number of districts where citizen feedback on WSS services is systematically collected and disseminated (Dropped).	Reduction in total throw-forward amount in the Annual Development Plan (Text).
Percentage of women among feedback providers (Dropped).	Citizens reporting satisfaction with selected notified services (Percentage).
Number of districts where citizens are engaged in monitoring WSS services (Dropped).	
Percentage of women in monitoring WSS services (Dropped).	
Number of officials (and females) certified in FM, procurement, project management, and M&E (Dropped).	
Intermediate indicators	Revised intermediate indicators
Number of STS registered taxpayers that have filed tax returns (%, DLI 1; Targets revised).	Increase in number of STS taxpayers that filed tax returns (Percentage; Performance Based Conditions - PBC).
Rate of filing compliance (Dropped).	Increase in registered taxpayers (Number).
Deviation between STS revenue forecasts and actual revenue collected (Dropped).	Enhanced human resource capacity for tax administration.
…	Share of taxpayers who paid any tax payment amount with returns (Percentage. Registered taxpayers are required to file monthly STS returns using automated filing system).
…	Departments of the GovKP using Framework Agreements (Number).
…	Government departments and other procuring entities publishing procurement plans online (Number).
Increased share of development projects in the water sector that have been completed within original schedule (Dropped).	Public investment schemes monitored, and results published in publicly disclosed progress reports (Percentage).
Increased average size of the appropriation per water sector project included in the ADP (Dropped).	Increase in public investment assets that are geo-mapped and published online (PBC) (Text).
…	Public investment schemes with unapproved PC-1 prior to inclusion in the budget (Percentage).
…	Improved legal and institutional framework for anti-corruption (Text).
M&E reports on KP Long-Term Governance Action Plan (Dropped).	Complaints resolved through Pakistan Citizen's Portal (Percentage).
Reduction in WSS services provided to citizens beyond the stipulated time (Revised).	Citizens reporting that Water and sanitation Services (WSS) services were provided within the stipulated time frame (Percentage).
Number of officials in FM, procurement, project management, and M&E (Revised).	Public officials (and females) participating in project financed training (Number/ Percentage).

Restructuring No. 2: A second restructuring in 2022 extended the project's closing date from June 30, 2022 to June 30, 2023 to allow for completion of activities interrupted by the COVID-19 pandemic.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project cost at appraisal was US$10 million. The revised cost after AF and restructuring was US$18 million. The actual cost was US$17.9 million.

Financing: The project was financed by an IBRD/IDA grant of US$18 million. The total amount disbursed was US$17.9 million.

Borrower Contribution: The Islamic Republic of Pakistan did not provide any counterpart funding.

Dates: The Bank approved the project on April 20, 2017, and the project became effective on May 23, 2017 with an original closing date of June 30, 2020. The project was restructured twice.

The first restructuring was approved on July 15, 2020. The closing date was extended from June 30, 2020 to June 30, 2022 (ICR, para 14).

The second restructuring, approved on June 28, 2022, further extended the closing date to June 30, 2023 when the project closed. (ICR, para 14).

3. Relevance of Objectives

Rationale

Country context. Pakistan, a lower-middle-income country had made considerable progress in reducing poverty and improving shared prosperity in the two decades prior to the project's approval. However, due to weak recovery from the 2008–09 financial crisis, nearly three-quarters of the population were still either poor or vulnerable and performance on human development indicators and Millennium Development Goals (MDG) targets was one of the weakest in South Asia (PAD, p. 2).

Service delivery in Pakistan was affected by a frail private sector environment and weak public sector management and implementation capacity.

A new federal government had been elected in May 2013 with a strong reform mandate to decentralize power and resources to the provincial level in line with the 18th Constitutional Amendment and the 7th National Finance Commission (NFC) Award of 2010. The provinces were given more taxing powers, including the collection of the STS (CPS, p. 1).

The province of KP was the third largest by population in Pakistan and one of its least developed regions. Most of its population (85%) lived in rural areas with low access to public services and jobs and 39% of its households lived below the poverty line. KP also suffered from political and social instability due to its proximity to conflict-affected Afghanistan (PAD, p. 2).

In addition to improving human development outcomes, KP's priorities also required improvements in the security situation and fostering job creation to provide conducive conditions for development (CPS, para 32).

Given KP's service delivery situation, PDO2 was relevant because of the need to enhance the efficiency of public investment management for improved public service delivery. PDO3 was relevant as it would address weaknesses in the accountability of public service delivery. The new institutional and political changes that gave more taxing powers to the provinces and promoted greater resource decentralization supported the relevance of PDO1 in strengthening KP's capacity for the collection of the STS.

Bank strategy. The project's PDO was well-aligned with the World Bank Group's (WBG) Country Partnership Strategy (CPS) for FY15-19. The CPS (para 34) prioritized public sector development, inclusion, and service delivery as three of its four strategic areas. It supported the devolution of responsibilities to the provinces as this had implications for governance and service delivery. The CPS also focused on other high priority governance themes for Pakistan which included gender and the need to address sources of fragility and conflict by emphasizing restoration of trust between citizens and the Governments of KP, FATA and Balochistan (para 35). PDOs 2 and 3 were aligned with the World Bank's strategy for improving public investment management and transparency and accountability of government services through greater citizen engagement and capacity building in public administration. PDO1 was aligned with the World Bank's strategy on the need to strengthen the capacity for the collection of STS and recognition of the benefits of devolution of taxation power to the provinces.

The project's PDO was aligned with the Results Framework of the Multi-Donor Trust Fund (MDTF) that focused on governance outcomes. Specifically, these outcomes supported: (a) improved transparency and accountability of government services through citizen engagement in the delivery of selected services; and (b) capacity building of public administration through improved management, training, and strengthening of systems used by government institutions.

At Project closing, the project's PDO was aligned with WBG's Report Pakistan @ 100: Shaping the Future, that was published in 2019 and contributed to 3 of the 8 focus areas: tax revenues, transparency, and accountability (ICR, p. 13).

The project was also informed by previous analytical work conducted by the World Bank, such as the 2007 Public Expenditure and Financial Accountability (PEFA) Assessment (ICR, para 8) that assessed the weaknesses in the provincial PFM system. This led to the project's support for a revised assessment of the PFM system.

Government strategy. The PDO was aligned with the pillars of the government's tax reform: tax policy; measures to increase the tax base; and improved tax administration. It was also aligned with the government's plan to enhance revenue administration for sales tax, excise, and customs that was launched in December 2013. Finally, it was aligned with the government's five-year development vision and the long-term *Vision 2025* (CPS, p. 10-11).

At the provincial level, the project's PDO responded to KP's Integrated Development Strategy (IDS; 2014-2018), KP Growth Strategy (2015-2016), and KP Long-term Governance Action Plan (2015-2025). The IDS prioritized increased coverage and quality of basic services and highlighted the need for greater citizen engagement. Likewise, among other priorities, KP's Growth Strategy focused on improving governance, rule of law, and e-government. Finally, the Governance Action Plan outlined reforms in governance, transparency, accountability, and citizen facilitation including e-procurement and taxpayer facilitation, local government capacity building, anticorruption, and service delivery monitoring in key sectors (ICR, p. 6). In addition, at the time of project's restructuring, the PDO was aligned with PFM reforms strategy (2017-2020), and Good Governance Strategy 2019 – whose five elements were supported by the project: i) Open Government and Transparency, (ii) Public Service Delivery, (iii) Citizen Participation, (iv) Performance and Accountability, and (v) Ideas, Innovation and Technology. PDO1 was aligned with tax reform and government's plan to enhance revenue administration to strengthen the capacity for STS collection. PDOs 2 and 3 were consistent with the IDS priorities on coverage, quality of basic services and need for improved accountability.

Level of ambition of the project. The overall level of ambition of the project was appropriate. The original and revised PDOs were clear and highly relevant for the government and the World Bank strategy for Pakistan. The revised PDO continued to focus on improving collection of STS and public investment management, and the focus on the water sector was broadened in a timely manner and with the corresponding adjustment of the Results Framework. Adjusted activities and indicators/ targets were responsive to changing needs of the province while keeping objectives fully relevant. The overall relevance of the PDO is rated as High.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To strengthen the capacity for Sales Tax on Services collection.

Rationale

Theory of Change (ToC). The project's activities aimed to develop capacity for own source revenue collection to increase Sales Tax on Services (STS). The causal links between project activities (inputs), outputs and outcomes were logical.

The outputs of activities such as providing technical assistance and advisory services, establishing specialized units, developing sector notes and audit guidelines, training of staff and operational support in data analytics, and providing infrastructure support were likely to help increase collection of STS (ICR, p. 48, ToC post-restructuring).

The intended outcomes were measurable and monitorable.

Outputs

- Improved STS filing compliance and increase in registered taxpayers.
- Technical assistance for KP Revenue Authority (KPRA).
- Institutional assessment and training needs assessment for KPRA.
- Sectoral notes and audit guidelines for KPRA.
- KP PFM law.
- Specialized units established in FD and P&DD department to support implementation of PFM reforms. These included internal audit, debt management and corporate governance of SOEs units.
- PFM accreditation program.

Outcomes

The outputs listed above were expected to contribute to the desired outcome of increasing the collection of STS. Achievement of PDO1 is assessed by the following indicators (ICR, Annex 1):

- Increase of STS annual collection. **Baseline**: PKR 11 billion. **Target**: PKR 18 billion. **Actual**: PKR 27.08 billion in FY23. The project exceeded the target. **Achieved.**

There were 3 **Intermediate Outcome Indicators (IOI)** that informed the achievement of PDO 1:

- **IOI1**: Increase in registered taxpayers. **Baseline**: 7,588 registered taxpayers in FY20. **Target**: 9,106 registered taxpayers. **Actual**: 20,264 registered taxpayers in FY23. The project exceeded the target. **Achieved**.
- **IOI2**: Increase in number of STS taxpayers that filed tax returns**. Baseline**: 46% (578 out of 1,259) of the registered STS taxpayers filed returns in FY16. **Target**: 40% cumulative increase above baseline. **Actual**: 65% of registered STS taxpayers filed tax returns in FY23 (12,475 out of 19,367). The cumulative increase above baseline was 19%, which is below the target. The project did not achieve the target. **Not Achieved.**
- **IOI3**: Share of taxpayers who paid any tax payment amount with returns. **Baseline**: 18% of taxpayers who paid any amount with returns in FY20. **Target**: 22% of taxpayers who paid any amount with returns. **Actual**: 10% of taxpayers who paid any amount with returns in FY23. The project did not achieve the target. **Not Achieved.**

The missing of the targets for the share of registered taxpayers who filed returns and the share of filers that paid any amount with their returns weakens the efficacy of the revenue indicator as it could be undermined by these two factors in the future.

Rating
Substantial

OBJECTIVE 2
Objective

Improve PIM for public service delivery.

Rationale

ToC. The project activities aimed to help the government to improve public investment efficiency by strengthening the effectiveness of public spending on infrastructure for public service delivery. The causal links between project activities (inputs), outputs and outcomes were logical.

The activities to achieve PDO2 included legislation such as the PFM law which was a first for Pakistan and would be an important step towards laying the rules for the entire planning, budgeting, and accounting cycle necessary for efficient PIM. Other important activities included training of staff in financial management (FM), procurement, project management and monitoring and evaluation (M&E); training of staff and operational support in data analytics; support for the establishment of specialized units in the FD and operational support for public investment management, public-private partnerships and Public Sector Development Plan (PSDP) monitoring (gender and social protection units).

These would contribute to improved budget management to, among other things, redress the critical issue of the throw-forward factor that weakened PIM. Throw-forward expenses were those that could not be met in the current year and were pushed to future years compromising budgetary discipline. They were related to critical needs that were identified but could not be financed due to insufficient budget allocations and slow execution of projects.

Outputs

- Passing of the PFM Law.
- Database and dashboard for geo-mapped public investment assets.
- Policy framework and PPP action plan for 2019-2024.
- Public investment schemes monitoring mechanism.
- Design of a PIM action plan, project manual, and automation of the government's Annual Development Plan (ADP) system, linked with the database of public investments schemes.
- Establishment of specialized units in P&DD which included: PIM unit, social protection and gender mainstreaming section, and an ADP monitoring unit.
- Innovative use of technology to transform the management and monitoring of public investment assets by automating and geo-tagging their record. It also helped strengthen the M&E directorate, its field offices, and GIS hub at P&DD.

The intended outcomes were poorly monitorable. The PDO indicator for PIM – throw forward amount – was an inappropriate indicator as it did not reflect the various ways in which the project sought to document the inventory of public investment assets, and manage them.

Outcomes

Achievement of PDO2 is assessed by the reduction in the throw-forward indicator. This indicator reflected several aspects of PIM that the project's activities and outputs were intended to support. An increasing throw-forward had a negative impact on budgetary discipline resulting from insufficient budget allocations and slow execution of projects. With improved data analysis capacity, the databases for public investment schemes and assets were intended to help optimize resource allocation and align public assets more closely with community needs.

The ICR notes (para 37) that the reduction in overall throw-forward was beyond the control of the project, especially after FATA's merger with KP when both annual development programs were combined, and the worsening macro-fiscal situation of the province towards the end of the project. The TTL clarified that the performance on this indicator was affected by lack of sector strategies that could inform the inclusion of projects in ADP; inclusion of unapproved projects in ADP; insufficient budget allocation or disbursement; and slow execution of projects, areas that were not in the project's control. However, the author acknowledged that after FATA's merger with KP the team missed the opportunity to either replace this indicator or at least change the baseline or final target as the baseline data did not include allocations for FATA, and the actual numbers reported against final target included allocations for the merged areas.

Reduction in total throw-forward amount in the Annual Development Plan. **Baseline**: PKR 420 million in FY19/20. **Target**: At least 15% reduction over the baseline. **Actual**: PKR1,345 million increase in FY 22/23 (over 200% increase). The project did not achieve the target and warrants a Negligible rating. **Not Achieved.**

Intermediate Outcome Indicators used to inform the project's progress in PIM towards PDO2 also indicate weak outcomes.

- **IOI4**: Unapproved projects as a share of total new projects included in the budget: Lack of discipline in reducing the number of unapproved projects included in the budget affected timely implementation of the projects and increased ADP throw-forward. **Baseline**: 29%. **Target** in FY23: 20%. **Actual:** 77% in FY23. The target was missed by a significant margin, supporting the Negligible efficacy rating for PDO2. **Not Achieved.**
- **IOI5**: Improving the implementation of public investment schemes. The monitoring of public investment schemes also indicated weak progress in PIM towards PDO2. **Baseline**: 25% in FY20. **Target**: 35% in FY2023. **Actual**: 29% in FY23 (662 out of 2,288 schemes) but was below the target. The intervention of combining the monitoring of schemes with the publication of their progress had the potential to enable timely completion of investment schemes which could have helped to reduce throw-forward. **Not Achieved.**

Unapproved projects, in the previous two years (FY21 and FY22) were reported to be 19% (on target). The interview with the TTL clarified that this was due to the total number of new projects (Table 3) included in the budget being substantially reduced in FY23, while the number of unapproved projects remained high, resulting in a higher percentage than previous years' performance.

The project's target for training of public officials in PIM was overachieved (2,055 against the target of 820 officials trained) but the female participation target was missed (Target: 35%; Actual: 11% in FY23). Exceeding the training target could have been a meaningful achievement if it contributed to measurable outcomes in PIM but all three key indicators (main and two Intermediate indicators) fell significantly short of their targets, justifying the Negligible efficacy rating for PDO2.

The project achieved positive outcomes for PDO2 by (i) the geotagging of 20,313 public investment assets by FY2 against the target of 600; and the passing of the PFM Law in June 2022.

The activities to achieve PDO2 included legislation such as the PFM law which was a first for Pakistan and would be an important step towards laying the rules for the entire planning, budgeting, and accounting cycle necessary for efficient PIM. However, most of the other activities included training and support for the establishment of specialized units in the FD which included a PIM unit, a social protection and gender mainstreaming section and an ADP monitoring unit. The ICR does not explain how the quality of these measures affected PIM.

Evidently, the KP PFM law was passed in 2022 and the KP PFM reforms strategy supported the implementation of the law through pension and cash management reforms. The initial work for the latter was done under GPP KP and other ongoing projects (KP Revenue Mobilization and Public Resource Management Program, and KP Spending Effectively for Enhanced Development Program). Despite these efforts, the implementation of the PFM law has been slow and has been affected by the turnover of government staff.

The GPP KP also supported the establishment of the PIM unit, social protection, gender mainstreaming section, and unit to monitor ADP schemes and public assets in the P&DD. The TTL interview confirms that except for the digitization and geo-tagging of ADP schemes and public assets, the impact of these units in improving PIM, accountability and transparency has been insignificant.

The main outcome indicator is rated Negligible. As both intermediate outcome indicators also missed their targets, PDO2 is rated Negligible.

Rating
Negligible

OBJECTIVE 3
Objective
To improve accountability for public service delivery.

Rationale
ToC. The project activities aimed to address weak accountability for public service delivery through leveraging governance reforms, operational management, capacity building and use of measures to improve citizens' feedback to achieve this. Specifically, the project activities aimed at strengthening government's capacity to track reform implementation, provide training to government officials, and prepare and implement development projects. The causal links between project activities (inputs), outputs and outcomes were logical.

The activities to achieve PDO3 included supporting implementation of PFM reforms by establishing specialized units in KP FD, supporting analytical work and technical advisory services, and providing infrastructure support, and capacity building. These would help strengthen PFM and its accountability (ICR, p. 8, 16). The intended outcomes were monitorable.

The activities to achieve PDO3 also included providing support for citizen engagement in service delivery monitoring, and operational and infrastructure support, as well as support for strengthening of anti-corruption measures and judicial reforms to improve accountability in public service delivery (ICR, pages 16 and 48).

Outputs

- Establishment of a PFM Accreditation Program and a procurement and supply chain management diploma program for continuous capacity building, post-closure of the project.
- Establishment of specialized units in KP's FD, including internal audit, debt management and corporate governance of SOEs units.
- Study on pension liabilities.
- Design of an E-procurement software, launch a website to share information about tenders and contract awards, and provide a platform for grievance redressal.
- Creation of a Center of Excellence at KPPRA that offered a Public Procurement and Supply Chain Diploma Program to build the procurement capacity of public officials.
- Extension of the KP Citizen's Portal to the whole country in 2018. The portal was then available under "Pakistan Citizen's Portal," managed by the Prime Minister's Performance Delivery Unit.
- Implementation of accountability measures and institutions such as the KP Right to Public Services Act 2013 and the KP Right to Information Act 2013.
- Strengthening of anti-corruption measures and judicial reforms to improve accountability.

Outcomes

Citizens reporting satisfaction with selected notified services. Baseline: 0% in FY20. Target: 75%. Actual: 84% of citizens reported satisfaction with select notified services in FY23. The project overachieved the target.

Intermediate Outcome Indicators used to inform the project's progress towards achievement of PDO3 also indicate positive outcomes:

- **IOI6**: Citizens reporting that water and sanitation services (WSS) were provided within the stipulated time frame. Baseline: 0% of citizens' satisfaction with WWS in FY20. Target: 50% of citizens' satisfaction with WWS. Actual: 77.5% of citizens' satisfaction with WWS in FY23. Data for this indicator is based on the Citizens' Perception Survey. The target was exceeded. **Achieved.**
- **IOI7**: Complaints resolved through Pakistan Citizen Portal. Baseline: 60% of complaints received from KP were reported as resolved in FY21. Target: 75% of complaints resolved. Actual: 98.5% of complaints received from KP were reported as resolved in FY23. The project overachieved the target. **Achieved.**
- **IOI8**: Procuring government entities publishing procurement plans online. Baseline: 27 in May 2020. Original Target: 42. Revised Target: 37. Actual: 38 in June 2023. Target was achieved. **Achieved.**
- **IOI9**: Improved legal and institutional framework for anticorruption. Baseline: Existing legal and institutional framework for anticorruption is inadequate. Target: Action Plan for rationalization of provincial government entities dealing with mandate for anti-corruption finalized and submitted for cabinet approval. Draft new anti-corruption legislation submitted to the Provincial Assembly. Actual: Institutional assessment for all entities with anti-corruption mandate completed, and Action Plan and new Anti-Corruption Act drafted. Draft Act was not submitted to the Provincial Assembly for approval

and Action Plan was also pending approval of the Cabinet. The project partially achieved the target. **Partially Achieved.**

Rating
Substantial

OVERALL EFFICACY

Rationale
Overall project efficacy under the revised objectives is rated as Modest. The efficacy rating for PDO1 is rated Substantial with two critical revenue indicators not achieved. PDO3 is rated Substantial. However, the project fell significantly short of achieving PDO2: 'To improving PIM for service delivery' which is rated Negligible. In addition, two other intermediate PIM indicators (IOI4 and IOI5) also missed their targets by large margins, indicating weak progress towards PDO2.

Overall Efficacy Rating	**Primary Reason**
Modest	Low achievement

5. Efficiency

Economic Efficiency: There was no cost-benefit analysis prepared either at the time of appraisal or when the project was restructured. The ICR attempted to assess efficiency gains with respect to operations costs (Annex 4) by linking project activities to medium and long-term gains in development related to impact on revenue growth, transparency in the tax system and improved public trust related with higher revenue collection and taxpayer compliance along with higher efficiency from digitization; and enhanced decision-making and efficiency in public asset management due to the geotagging of public assets.

The ICR's assessment of the project's benefits is largely qualitative and points to increased capacity building and accountability, and support for the legal framework. However, the project's outcomes did not lead to improved PIM. Notably, inadequate advancement of HR/staffing and training plans for KPRA, increase in throw-forward, and unapproved projects' inclusion in the budget were risks to the effectiveness and long-term sustainability of the project. In addition, the missed STS indicators related with the share of payers filing returns and the share of taxpayers filing any tax payment amount on their returns are likely to undermine the future achievement of the revenue indicator.

Operational Efficiency: The duration of the project was from 2017 to 2023 and its overall financing almost doubled from US$10 million to US$18 million. It was restructured twice. By the closing date, 99% of the approved allocation was utilized with 18% for operation management (OSU cost) and 12% for the department's monitoring and PDO activity management.

There was good value for money invested, given the political, economic, and social country context due to a new government mandate, the instability derived from conflict-affected neighboring countries, and the interruption of activities due to the pandemic. The project's implementation yielded some positive outcomes and while the actual cost almost doubled compared to the cost estimated at appraisal, it reflected the broader and expanded sectoral and geographical scope.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The PDO was Highly Relevant to the Government strategy and the Bank strategy for Pakistan and the province of KP. Overall efficacy is rated as Modest, given that outcomes for PDO2 fell significantly short of their targets. Overall efficiency is rated as Modest, given that the project did not demonstrate economic or operational efficiency due to shortcomings in achieving improved PIM, despite its good value for money in a fragile country context. The overall outcome of the project is rated as Moderately Unsatisfactory.

a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The risk to the sustainability of the development outcome is assessed as Moderate. The project secured strong progress, but it needed to be sustained, consolidated, and built upon. Development outcomes could be constrained by the following factors (ICR, p. 31, para 93):

Technical risk

- The success of the technical aspects of the sustainability plan including transferring procurement strategy and e-procurement system to GovKP's own budget and continuity of several activities such

as geotagging and monitoring of public investment schemes online; e-stamp system; Citizen's Portal; maintaining the online procurement portal; and taxpayers' facilitation for registration and filing.
- The need to complete the processing of PC-1 approvals and Annual Development Plan (ADP) execution for which continuous training and staffing support will be needed.

Financial risk

- Deterioration in the fiscal situation after COVID-19 could undermine the continuation of some interventions or the implementation of the sustainability plan.

Social risk

- The shortage of funds faced by accountability institutions such as the Ombudsperson office, RTIC and RTSC would prevent the continuation of project activities central to citizens' engagement.
- The shortage of funds for staffing and training financed under the project.

Political risk

- Risks associated with new conflicts in neighboring countries which could lead to political and social instability and economic disruptions deteriorating public service delivery and trust in public institutions (ICR, p. 5)
- Other risks the ICR failed to mention are associated with the national and provincial KP governments being supported by opposing ruling parties, and the risks related with the sustainability of the decentralization reforms beyond the electoral momentum. Both could imply a reduction in the resources allocated at the provincial level for continuation of the reforms after the project ended.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project design was relevant to the KP government's strategy and responded to the specific governance and service delivery needs of the KP province. The design benefited from previous World Bank technical and analytical work, including the MDTF-financed Governance Support Projects; the 2007 PEFA assessment; the Assessment and the Post-Conflict Needs Assessment (PCNA) of 2010; and the Bank's global experience in the areas of governance reforms and ICT innovation for accountability.

Government ownership was strong due to the incorporation of the lessons from these previous Bank operations along with successful coordination with government authorities. Support was provided by the Operations Support Unit (OSU) and the Governance Reforms Support Unit (GRSU).

Nonetheless, there were moderate shortcomings in the quality at entry. The original results framework had indicators that were either out of the project's control, difficult to measure, had unrealistic targets, or in some cases, needed better definitions (ICR, p. 7). The project team had an opportunity to make appropriate modifications to account for these shortcomings at the time of the first restructuring in 2020 when the project's PDO and the results framework were substantially modified. However, only some indicators were revised or dropped. Other indicators such as the throw-forward amount intended to measure key PIM outcomes related with PDO2 were not revised. They were ambitious and the ICR notes that they did not account fully for the challenges posed by the merger of FATA with KP, as well as the weak capacity of the administration. As a result, at project closing, instead of making progress, the PIM-related indicators showed (i) growing throw- forward amounts, and (ii) budgets with a large share of public investment schemes with unapproved PC-1s, which jeopardized the sustainability of PFM.

While the mitigation measures were generally appropriate, the ICR notes that the project could have benefitted from hiring a Financial Management Specialist, reducing the hires under the Incremental Operating Cost (IOC) category and making clear the responsibilities of the Project Coordinator (ICR, p. 23)

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

The Bank's team conducted regular implementation support missions, provided regular advice to implementing agencies and benefitted from some of its members being based in the country which allowed for closer interaction with the government (ICR, para 89, p. 30). The supervision of the project was satisfactory due to: (i) consistent engagement with the client and regular supervision missions; (ii) adequate documentation of supervision missions according to Bank procedures; (iii) timely reporting of progress against project targets based on information provided by the implementing agencies, and in the case of Performance Based Conditions (PBC) indicators, by Third Party Validation (TPV) reports; (iv) timely coordination and suggestions for solutions to new challenges such as the expansion of the project's scope and revision of the results framework; (v) support for project coordination and peer learning for improved performance between GPP KP, GPP FATA and GPP Balochistan; and (vi) responsiveness to the challenges emerging from the COVID-19 pandemic, which led the Bank's team to implement virtual communication and extend the project's end date to allow for the completion of some activities. However, there were minor shortcomings: (i) Weak performance in most indicators before restructuring was not flagged by the team in the Implementation Status and Results Reports; (ii) The need for restructuring could have been flagged at the time of the FATA merger in 2018 instead of 2020; (iii) The first restructuring in 2020 failed to incorporate the impact of the COVID-19 pandemic that warranted an extension in project closing. This led to a second restructuring in 2022 to allow time for project completion.

In addition, the ICR notes that in the early stage of implementation there were problems related to understaffing and capacity constraints which were resolved over time. Likewise, towards the end of the project, there were delays in disbursements from the FD (ICR, para 65).

Finally, four changes in TTLs during the lifetime of the project may have contributed to these shortcomings in supervision, although the ICR noted (para 97) that continuity and institutional knowledge of some Bank team members helped to offset the challenges posed by frequent changes in the project's TTL.

Despite these challenges, the project was fully disbursed and the impact on unachieved targets was minimal.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The original results framework had a few shortcomings as noted in the quality-at-entry section (8a) related to inappropriate indicators. At the time of project restructuring, while some of these shortcomings were redressed, the WBG team failed to design adequate results indicators related to PIM which was central for the monitoring of progress towards PDO2. The indicator: "reduction in total throw-forward amount in the Annual Development Plan (ADP)" had limitations in terms of the clarity/linkage of its baseline/targets with the post-merger situation of the FATA and KP provinces and needed to be adjusted as the operating context changed.

The PAD did not provide an explicit exposition of the ToC but the latter was clearly reflected in the causal links between project activities, intermediate outcomes/ outputs and outcomes.

b. M&E Implementation
Project M&E institutional arrangements (PAD, p. 9) were adequate and the M&E framework was also used for monitoring the utilization of funds. The M&E data helped inform project decision-making, such as the first restructuring and the mitigation of delays related to the COVID-19 pandemic, which introduced remote working tools and extended the project's closing date to complete the implementation of ongoing project activities.

Daily management and coordination of the project, including monitoring results and generating performance and financial reports on implementation was adequately supported through an Operational Support Unit (OSU). The OSU was headed by a Project Coordinator who reported to the Director General PCNA and had very low turnover in government that contributed to effective functioning. The M&E function was assigned to an M&E specialist in the OSU and the implementing agencies assigned focal persons for monitoring relevant PDO and intermediate indicators. A TPV firm was also hired to assess progress on Performance Based Conditions indicators and results (ICR, p. 26, para 71). It submitted bi-annual reports which were consistently used as the basis for authorizing Bank's disbursements upon successful achievement of PBC targets. Verification reports were also found to be consistent with information provided by implementation agencies.

c. M&E Utilization

The M&E data on performance and progress against project's targets were satisfactorily used to inform strategic project direction, resource reallocation, monitoring utilization of funds, project management, and decision-making. After restructuring of the project, potential overlap in activities with FATA GPP was avoided by regular monitoring of the project funds and coordination between the OSUs of KP and FATA GPPs. The Annual Work Plans of the project were approved by the project Steering Committee and the World Bank's TTL. With the availability of additional financing after restructuring in 2020, the project included requests for complementary support from additional departments which were not included in the project document or restructuring paper (for example, support for Board of Revenue, Excise Tax and Narcotics Control Department). The activities in these work plans were aligned with the project's results, and complemented interventions under other projects. As a result, the project financed additional activities in 13 departments.
M&E data was also used to guide decision making, such as the actuarial study on pension liabilities which underpinned the policy reform of pensions in KP.

The automatic geo-tagged record of public assets was used for assessing flood related damages in public infrastructure in 2022 and helped to strengthen KP's resilience to floods.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental and Social Safeguards: The project was classified under Category C (partial assessment project) at appraisal as it did not include any activities that involved environmental or social risks, primarily because no construction or major civil works were envisaged.

Although at appraisal, the Project Information Document rated social risks as "significant" because the region's security situation and vulnerability to natural disasters could have resulted in social disruptions, the Category C classification was maintained during implementation.

b. Fiduciary Compliance

Financial management. Throughout implementation, the project effectively complied with the financing agreement covenants and financial management was consistently rated as Satisfactory. The project submitted to the Bank regular financial reports and audited Annual Financial Statements that were judged satisfactory. The Internal Audit report prepared by an external firm showed satisfactory performance of the overall FM function (ICR, p. 27)

Procurement. Procurement was carried out in accordance with Bank procedures but some weaknesses were identified. The hiring processes for staff and procurement procedures were not implemented as the Bank's guidelines mandated. There were delays in payments to consultants/contractors and the IOC (Incremental Operating Costs) budget line was used to hire staff above the number required by the project (ICR, p. 28).

c. Unintended impacts (Positive or Negative)

The ICR noted unintended positive impacts that contributed to the overall PDO (p. 22). The results of project activities supported reforms under other WB lending operations, including programs on revenue mobilization and public resource management, effective expenditure for enhanced development, raising revenue, and institutional resilience.

In addition, the project helped strengthening KP's resilience to floods. The automatic geo-tagged record of public assets was used for assessing flood related damages in public infrastructure in 2022.

d. Other

The ICR raised no other issues.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	PDO2's Negligible rating, also validated by the ICR, led to a Modest rating for Efficacy.
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Modest	

12. Lessons

The following lessons are informed by the ICR and project documents (ICR, p. 31-33).
Political ownership is needed to sustain momentum in governance reforms and ensure successful implementation of project activities. A significant factor in KP Governance and Policy Program project was its strong alignment with the government's strategy and the project team's responsiveness to the governance challenges that surfaced during project implementation.

Implementing agencies in KP led the project's design and supervision of project activities, fostering a sense of ownership and commitment to project outcomes. Project implementation benefited from political ownership of reforms. Leadership and reform commitment in the implementing agencies and participating departments was in place and was encouraged by the performance orientation of top political leadership (e.g., by directly seeking citizens' feedback through the portal).

Incremental Operating Cost (IOC) expenditures should be clear, subject to review and approval, and included in the operations manual to prevent ineligible expenditures from being included in the budget. Since IOC spending does not pass through WBG's procurement review process, it can provide room for ineligible expenditures. The case of KP Governance and Policy Program project shows that problems such as staff hiring without due process, excessive spending on repair and maintenance of assets and inclusion of expenditures which were otherwise procurable in nature that led to delays could have been prevented had there been upfront training on IOC rules at the start of the project and greater scrutiny throughout the project by the Bank's financial management team.

Dedicated effort and strategies are needed upfront to develop gender-sensitive approaches to capacity-building to ensure the inclusion of and impact on women. The case of KP Governance and Policy Program project shows that female participation in capacity building activities in KP was low (11% of total trainees) at the beginning and became a constraint in rolling out a gender-sensitive approach to capacity building because special measures to improve women's participation were not taken at an early stage of the project. Examples of government policies that could have increased female participation in KP are related with mobility issues which could have been solved by offering women virtual participation or providing training closer to the place of duty/residence or by improving transportation. Introducing incentives in hiring departments (or hiring managers) to ensure higher female employee participation in trainings or making relevant training mandatory for promotion in certain job descriptions to ensure that they did not exclude women could also have been addressed by improved government policies.

ICT-based solutions can improve public service delivery, but their success also depends on strong political leadership and the government's ability to hire and retain quality ICT professionals. The case of KP Governance and Policy Program project shows that innovative technology using ICT-based solutions can go a long way in improving public service delivery in countries or provinces where government's overall administrative capacity is low. In KP, the technologies that made an important contribution were the establishment of a KP's Citizen's portal to collect feedback and monitor responses; geotagging of public investment assets and schemes for efficient monitoring and policy decisions; implementation of e-procurement systems to enhance transparency and monitoring; virtual hearings of cases in the Secretariat for District Judiciary; and an e-stamp system for taxpayers' facilitation. The project unit had staff for key positions –including an ICT specialist. In addition, the use of ICT technology transformed citizens' engagement through the citizens' portal for the accountability of public services.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

Structure. The ICR presented a clear and coherent narrative to the background of the project. However, the ICR did not follow the ICR guideline that requires the discussion to be focused on the objectives of the project. Instead, the discussion in the ICR, especially the Efficacy and Efficiency sections that are central to the overall Outcome rating, is focused on the components of the project. This Review reformulated the PDO into three objectives or PDOs 1 – 3 and selected some of the indicators listed in Annex 1 to evaluate the project's performance and outcome. There is abundant detail and analysis in the ICR about component-based activities and outputs but most of them are not directly relevant to the central focus of an ICR which is supposed to be PDO-focused.

The ICR evaluated the relevance and achievement of the PDO through two components covering inputs and outputs and an additional component supporting training. Many of the results indicators are also evaluated in the context of the components. Despite a good presentation of the figure displaying the ToC underlying the project, the discussion in the ICR, its results matrix and results indicators switches between the three components and the PDO (which can easily be reformulated into three objectives) with no clear assignment of indicators for the PDOs.

The ICR reformulated the PDO into two objectives which are covered by two outcome areas (i-increasing capacity for revenue mobilization and PFM, and ii- improving PIM and accountability in public services), which are measured through four PDO indicators; and an additional outcome area (providing effective support for the coordination of governance reforms and operational management) was assessed as an intermediate indicator. Nonetheless, the ICR clearly stated that "Assessment of key components and associated PDO/outcome and intermediate indicators of the Project was considered to provide a comprehensive picture of the efficacy of the project" (p. 55, i, a).

Lessons. The lessons learned were clear, comprehensive, and on target, but missed potential lessons in the political economy context. They logically flow from the data and analysis provided in the ICR.

a. Quality of ICR Rating

Modest