Report Number: ICRR0023976

1. Project Data

Project ID P156411	**Project Name** Gov & Policy Project for Balochistan	
Country Pakistan	**Practice Area(Lead)** Governance	
L/C/TF Number(s) TF-A3352	**Closing Date (Original)** 30-Jun-2020	**Total Project Cost (USD)** 16,000,000.00
Bank Approval Date 28-Dec-2016	**Closing Date (Actual)** 30-Jun-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	16,000,000.00	16,000,000.00
Revised Commitment	16,000,000.00	16,000,000.00
Actual	16,000,000.00	16,000,000.00

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

a. Objectives

According to the Project Appraisal Document (PAD, p. 6), the Project Development Objective (PDO) at the time of project approval on December 28, 2016, was:

“To strengthen the capacity for Sales Tax on Services collection and improve accountability in public financial management and public service delivery in the education and irrigation sectors in Balochistan.”

On June 9, 2020, the PDO was revised as follows under a first restructuring with no Additional Financing (AF) (Report No. RES 37106, Restructuring paper on a proposed project restructuring on Governance and Policy Program for Balochistan, Table 1 p. 3; ICR, p. 1):

"To strengthen the capacity for revenue mobilization and improve public financial management and accountability for public service delivery in Balochistan."

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

- **PDO1**: To strengthen the capacity for revenue mobilization.
- **PDO2**: To improve public financial management (PFM) for public service delivery.
- **PDO3**: To improve accountability for public service delivery.

Since the revised PDO had a wider scope to capture the results in revenue collection beyond Sales Tax on Services (STS) and service delivery beyond the education and irrigation sectors, and the portion of the PDO that was dropped was not related with the achievement of any significant activities prior to restructuring, this ICR Review 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?

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c. Will a split evaluation be undertaken?

No

d. Components

There were four components under the first restructuring of the project. These were not changed during the second restructuring.

The estimated total cost of the project was US$16 million at approval. There was no AF at the time of both restructurings. The actual cost was US$15.95 million (ICR, p. 50).

Component 1: Strengthening capacity for provincial revenue mobilization and federal receipts management (*Cost at approval: US$4.50 million. Actual cost: US$1.48 million*). This component aimed to strengthen capacity for provincial revenue mobilization of tax sources beyond the STS, non-tax sources and federal receipts in line with the 18th Amendment to the Constitution that gave provinces exclusive competences in several areas and the 7th National Finance Commission (NFC) Award of 2009 that increased the provinces revenues (PAD, para 5, ICR para 4). There were two subcomponents:

i. increasing the effectiveness of collection of provincial tax and non-tax; and
ii. improving management of federal receipts.

Component 2: Strengthening public financial and risk management (*Cost at approval: US$4.00 million. Actual cost: US$5.13 million*). This component aimed to strengthen PFM in the budget process and prioritize improved management of fiscal risks. There were two subcomponents:

i. improving budget formulation and management; and
ii. improving management of fiscal risks.

Component 3: Improving public investment management (PIM) and accountability in public services (*Cost at approval: US$5.00 million. Actual cost: US$6.18 million*). This component aimed to strengthen PIM and public service delivery by using technology and improving accountability. There were two subcomponents:

i. strengthening public investment management; and
ii. technology, efficiency, and accountability in public services.

Component 4: Ensuring effective support for the coordination of governance reforms and the operational management of the GPP (*Cost at approval: US$2.50 million. Actual cost: US$3.16 million*). This component aimed to support the GoB in achieving the outcomes and targets of the project. There were no subcomponents.

Significant changes during implementation

Restructuring No. 1: A first restructuring was approved on June 9, 2020, to address governance challenges resulting from the COVID-19 pandemic and focus on broader areas of governance where service delivery was being affected. This restructuring did not provide AF, but led to the revision of the PDO, expansion of the scope of two project components and adjustment of the Results Framework (RF). The scope of the PDO was expanded from revenue mobilization originally focused on STS collection to include provincial taxes, non-taxes, and federal receipts, and from accountability originally focused on the irrigation and education sectors to include all sectors that impact service delivery. Project indicators, targets and activities were revised, disbursement categories were changed, and the closing date was extended from June 2020 to June 2022.

Two project components were modified (ICR, p. 10). Component 1 was expanded to include STS collection as well as other sources of provincial revenue, and management of federal receipts. Component 2 was expanded to include PFM and risk management. Two sub-components were added to Component 3 to clarify how PIM and accountability would be improved. Component 4 remained unchanged.

The following changes were made to the project components, indicators, and Intermediate indicators in the RF during the restructuring in 2020 (Components from RES 37106, p. 8; Indicators from ICR, Table 1 p. 11):

Components	**Action**	**Revised component**
Increasing effectiveness of sales tax collection.	Revised	Strengthening capacity for provincial revenue mobilization

		and federal receipts management.
Strengthening accountability in public financial management (PFM).	Revised	Strengthening public financial and risk management.
Improving public investment management and accountability in public services.	No change	Improving public investment management (PIM) and accountability in public services.
Ensuring effective support for the coordination of governance reforms and the operational management of the GPP.	No change	Ensuring effective support for the coordination of governance reforms and the operational management of the GPP.
Indicators	**Action**	**Revised indicator**
Increased collection of the Sales Tax on Services (STS)	Revised to cover all revenues.	Increased collection of the province's tax revenues.
Increased average appropriation per project included in the PSDP in education and irrigation sectors	Dropped	
Increased number of public investment projects/ assets in education and irrigation that have been geomapped and published online.	Revised to cover all sectors.	All public investment assets in seven divisions of the province are geo mapped and published online
Increase in the cases related to education resolved by the office of Balochistan Ombudsman.	Revised to include all cases handled by the Ombudsman	Complaints resolved by the Office of the Balochistan Ombudsman (Percentage)
Increased number of officials with certification in FM, procurement, project preparation, project management, M&E, management & leadership	Dropped as PDO indicator; included as revised intermediate indicator to measure trainings.	

Increased number of women certified in procurement, project preparation, project management, M&E, management & leadership	Dropped as PDO indicator; included as revised intermediate indicator to measure trainings.	
Intermediate indicators	**Action**	**Revised Intermediate indicator**
Number of STS taxpayers that filed tax returns (percentage).	Revised	Registered Sales Tax on Services (STS) payers who filed returns in the previous year (%).
Number of internal audits conducted.	Dropped	
Number of districts where schools and irrigation facilities are monitored with regular beneficiary feedback; (including women among feedback providers).	Dropped	
Number of schools and irrigation facilities for which follow up actions are taken.	Dropped	
	Added	Enhanced human resource capacity for tax administration.
	Added	Implementation of Balochistan Revenue Mobilization Strategy (BRMS), and improved transparency of revenue performance.
	Added	Strengthened institutional framework for investment promotion.
	Added	Operationalization of the established PFM reform units.
	Added	Improved budget formulation and management process.
	Added	Departments publishing procurement plans online.
	Added	Public sector planning function strengthened.
	Added	Strengthened institutional framework for accountability and integrity.
	Added	Public officials participating in project financed training activities (number) (and % of which are women).

The ICR (Table 1) combined the last two indicators on certification in FM as one: “Increased number of officials (including women) with certification in financial management, procurement, project management, M&E, management and leadership” while the first restructuring report (RES 37106, p. 10) had them as presented above.

Restructuring No. 2: A second restructuring in 2022 extended the project’s closing date from June 30, 2022, to June 30, 2023, following the extension of the MDTF EDD to December 31, 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$16 million. The actual cost was US$15.95 million.

Financing: The project was financed by an IBRD/IDA grant of US$16 million through the Multi-Donor Trust Fund (MDTF) for Khyber Pakhtunkhwa (KP), Federally Administered Tribal Areas (FATA), and Balochistan. The total amount disbursed was US$15.95 million.

Borrower Contribution: The Islamic Republic of Pakistan provided counterpart funding of US$3 million to finance project expenditures, such as salaries of government servants, operations and maintenance, office buildings, and utilities.

Dates: The Bank approved the project on December 28, 2016, and the project became effective on May 6, 2017, with an original closing date of June 30, 2020. The project was restructured twice and closed on June 30, 2023, three years after the planned closing, (ICR, p. 9).

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, nearly three-quarters of the population were still either poor or vulnerable and the performance in regard to human development and Millennium Development Goals (MDG) was one of the weakest in South Asia. At the same time, service delivery was affected by frail private sector environment and weak public sector management and implementation capacity. The security situation was challenging due to rising violence, crime, and uncertainty about geo-political tensions. All of this undermined the country’s law and order situation (CPS, p. 1, 6).

Two key political changes were taking place. First, elections in May 2013 brought a new democratic federal government with a strong reform mandate. Second, devolution of power and resources to the provincial level become a priority, in line with the 18th Constitutional Amendment and the 7th National Finance Commission (NFC) Award of 2010. This included the collection of the STS by the provinces (CPS, p.1).

The province of Balochistan is the largest of the country's four provinces but had the lowest per capita income. Approximately 70 percent of the population lived in rural areas with poor access to public services and about three-quarters of the rural residents lived in poverty. Despite the province's gas and mineral resources, growth rates and social indicators lagged the rest of the country and gender disparities were the widest (PAD, p.1).

Balochistan also required improvements in the security situation. It suffered from ethnic and sectarian violence as well as rising crime and uncertainty. These limited people's mobility and economic activity, particularly job creation (PAD, p.15).

Balochistan was the first province to hold local government elections. A local government was important to articulate demands for improvement in local services and public infrastructure (PAD, p. 2).

The state of service delivery in Balochistan supported PDO2's relevance as it focused on enhancing the efficiency of PFM for public service delivery. It also supported PDO3's relevance as it sought to 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 on the need to strengthen the capacity for revenue mobilization.

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 (CPS, para 34) prioritized public sector development, inclusion, and service delivery as three of its four strategic areas. It was premised on the devolution of more responsibilities to the provinces and had direct 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).

The project's PDO was aligned with the governance outcomes targeted by the RF of the Multi-Donor Trust Fund (MDTF). 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 the public administration through improved management, training, and strengthening of systems used by government institutions.

PDO2 and PDO3 were aligned with the World Bank's strategy for improving transparency and accountability of government services through greater citizen engagement in service delivery and capacity building in the public administration. PDO1 was aligned with the World Bank's strategy on the need to help the government mobilize revenue to create fiscal space (CPS, para 59).

At Project closing, the PDO was aligned with WBG's Report Pakistan @ 100: Shaping the Future (2047). The report contributed to three out of the eight reform focus areas: tax revenues, transparency, and accountability (ICR, p. 13).

The project was informed by previous and ongoing analytical work conducted by the World Bank, such as the 2007 Public Expenditure and Financial Accountability (PEFA) Assessment (ICR, para 11) that identified the weaknesses in the provincial PFM system and the WBG's DPC on Fiscally Sustainable and Inclusive Growth that supported the government's national tax reform agenda. At the subnational level, ongoing work on PERs, PEFAs, and DSA in KPK, Balochistan, Punjab, and Sindh aimed to support provincial tax reforms and inform the project. Finally, the Punjab and Sindh Public Management Improvement Program would also support more efficient use of public resources, while subnational PEFAs aimed to support expenditure reform focusing on improvements in the efficiency of provincial departments (CPS para 59).

Government strategy. The PDO was aligned with the pillars of the government's tax reform covering 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 PDO responded to the reforms proposed in Balochistan' s Comprehensive Development Strategy (2013-20). The reforms included: (i) strengthening PFM and introducing results-oriented budgeting to improve planning and service delivery; (ii) improving public procurement; (iii) expanding the use of information and communication technology (ICT) in business processes and access to information, with a focus on tax administration; (iv) strengthening monitoring and evaluation (M&E) in public services through ICT-enabled reporting of real-time data and external evaluations; and (v) developing the capacity of public officials in core functions (ICR, para 15). The government's reforms to strengthen PFM and service delivery, improve public procurement, and expand the use of ICT with a focus on tax administration were aligned with PDO2 to improve PFM for public service delivery. PDOs 1 and 3 were consistent with the government's priorities on strengthening monitoring and evaluation in public services and capacity development.

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 to the government and World Bank strategies for Pakistan. The PDO was broadened in a timely manner from focusing on improving collection of STS to collection of all tax, non-tax and transfer revenues and from service delivery in the education and irrigation sectors to service delivery in all sectors, with the corresponding adjustment of the RF. Adjusted activities and indicators/ targets were responsive to the changing needs of Balochistan 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
Strengthen the capacity for revenue mobilization.

Rationale

Theory of Change (ToC). The project activities aimed to develop capacity for provincial revenue mobilization of tax and non-tax sources, including the STS, as well as management of federal receipts. The causal links between project activities (inputs), outputs and outcomes were logical.

The outputs of activities such as providing technical support to the government in designing tax and non-tax revenue mobilization strategies for the province; establishing the provincial revenue management unit Balochistan Revenue Authority (BRA); providing technical review of revenue mobilization related proposals; designing e-stamp system (electronic system to issue stamp papers) and e-payment for taxes; and conducting training needs assessments for tax authorities; and providing HR, infrastructure, communication and training for revenue authorities would help to increase the collection of tax and non-tax revenue (ICR p. 46).

The intended outcomes were monitorable.

Outputs (ICR, p. 45)

- Total province's tax revenue collection increased by more than 250 percent in four years.
- Capacity needs assessment of the BRA, Board of Revenue (BoR), and Excise, Taxation, and Antinarcotics Department (ETAD) completed; Trainings provided to 35% of professional staff of three revenue authorities.
- Balochistan Revenue Mobilizaiton Strategy (BRMS) and implementation plan developed. Non-tax revenue strategy prepared.
- Provincial revenue management unit established.
- E-Stamp system designed; and e-payment system launched for STS.

Outcomes

The outputs listed above were expected to contribute to the outcome of increasing revenue mobilization, including the collection of STS. Achievement of PDO 1 was to be assessed by the following indicator (ICR, Annex 1):

- Increase collection of the province's tax revenues. Baseline: PKR 8.437 billion total provincial revenue collected in FY 2018-19. Target: At least PKR 12 billion total provincial revenue collected. Actual: PKR 29.8 billion in FY23 from which about 65% was collected from Service Sales Tax. The project exceeded the target by 148 percent. **Achieved**.

The targets for the previous years were also achieved: PKR16.44 billion in FY20; PKR21.8 billion in FY21; and PKR23.5 billion in FY22.

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

- **IOI1: Registered Sales Tax on Services (STS) payers who filed returns in the previous year**. Baseline: 43% of registered STS payers filed returns in FY20. Target: 60% of registered STS payers filed returns in the previous year. Actual: 68% of registered STS payers (8166 taxpayers) filed returns in FY23 and 73% (6916 taxpayers) in FY22. The target was exceeded. **Achieved.**
- **IOI2: Enhanced human resource capacity for tax**. Baseline: HR/staffing and training plans are not available in FY20. Target: (i) Staffing and training plans are approved for implementation. (ii) Training

provided by BRA to, at least, 45% of the professional staff (including women) of three tax agencies. Actual: Staffing plan available in the form of a list of sanctioned and filled positions, but an approved training plan is not available. A capacity needs assessment was completed for three tax authorities and trainings were provided to around 35% of their professional staff. Approximately 99 professional staff from three tax authorities of Balochistan were trained, with 10% of participants being women. For the Balochistan Revenue Authority, 35 staff members were trained, (of which 17% were women). The target was partially achieved. **Partially Achieved.**

- **IOI3: Implementation of Balochistan Revenue Mobilization Strategy (BRMS), and improved transparency of revenue performance**. Baseline: BRMS and implementation plan being prepared. Revenue performance related report/s not available in FY20. Target: FD publishes an annual progress report on the implementation of the BRM plan, including provincial revenue performance (tax and nontax collections and federal transfers data). Actual: BRMS and implementation plan was developed. The annual progress reports on the implementation of the BRM plan was not published. GoB published provincial revenue performance in annual budget documents - which is published on the website but sometimes delayed (ICR p. 35). The project partially achieved the target. **Partially Achieved**.

Rating
Substantial

OBJECTIVE 2

Objective
Improve public financial management (PFM) for public service delivery.

Rationale
ToC. The project activities aimed to strengthen PFM for public service delivery. The causal links between project activities (inputs), outputs and outcomes were logical. The outputs of activities such as sector profiling and regulatory mapping of five sectors; preparing a debt database and publishing a debt bulletin; preparing a fiscal framework (approved by the Provincial Cabinet); publishing Department procurement plans; establishing a Provincial Revenue Management unit (PRMU), Debt, Risk and Investment Management Unit (DRIMU), and Internal Audit Unit at the Finance Department FD; establishing an Ease of Doing Business Cell in BBOIT which drafted an investment policy (draft was not approved by the Cabinet by project closing); providing IT infrastructure, HR and capacity building support - including development of a learning management system (LMS) for online procurement certification - and local and international trainings would contribute to improved PFM operations in their respective departments and improve overall PFM efficiency over time (ICR, p. 46).

The intended outcomes were monitorable.

Outputs (ICR, p. 45)

- PRMU, DRIMU, and internal audit unit established in FD. PFM Act approved.

- Debt database established, and debt bulletin published (bi-annual and annual report FY23).
- Fiscal framework prepared and approved.
- PIM: Sector profiling and regulatory mapping of five productive sectors completed.
- GoB's first investment policy drafted.
- Ease of Doing Business cell established in BBOIT.
- Procurement plans of 30 departments published online.

Outcomes

The outputs listed above would contribute to the desired outcome of improving PFM for public service delivery. Achievement of PDO 2 was to be assessed by the following indicator (ICR, Annex 1):

- **All public investment assets in 7 out of 8 divisions of the province were to be geomapped and published online**. Baseline: No division had public investment assets geo-mapped in FY20. Target: Public investment assets in four divisions geo-mapped and published online. Actual: 34,169 assets geo-tagged in 8 divisions (33 districts) of the province, but not published online. The project partially achieved the target. (This indicator also contributed to PDO3 on accountability). **Partially Achieved.**

There were also **Intermediate Outcome Indicators (IOI)** that informed the achievement of PDO2:

- **IOI4: Strengthened institutional framework for investment promotion**. Baseline: There is no investment profile and no investment policy for Balochistan in FY20. Target: Investment policy developed and approved by the Cabinet. Actual: A draft investment policy was available but was not approved by the Cabinet in FY23 by the time of project closing. **Partially Achieved**.
- **IOI5: Operationalization of the established PFM reform units**. Baseline: Various units are under establishment in the FD, but incomplete. Target: (a) Fiscal Management Unit established and has produced at least two quarterly debt bulletins. (b) First draft of the Medium-Term Fiscal Framework (MTFF) prepared for FY22. Actual: Specialized units to support revenue, fiscal and debt management were established and formalized under the PFM Act. Bi-annual and annual debt bulletins were published. The Fiscal Framework was approved in FY23. **Achieved.**
- **IOI6: Improved budget formulation and management process**. Baseline: Existing budget formulation process is characterized by informality. Target: Medium Term Fiscal Framework developed. Actual: The fiscal framework was approved by the provincial cabinet in FY23, however, the budget law was not approved. **Partially Achieved**. As per GOB, in the presence of a comprehensive PFM law, a separate budget law is not required, however, financial rules will be required. The final ISR noted that a draft budget manual was available. A committee was formed in December 2023 to review available drafts before presenting them to the Cabinet for approval.
- **IOI7: Departments publishing procurement plans online**. Baseline: 0 procurement plans online in FY20. Target: 5 procurement plans online. Actual: 30 procurement plans online in FY23. **Achieved**.

Rating
Modest

OBJECTIVE 3

Objective

Improve accountability for public service delivery.

Rationale

ToC. The project activities aimed to strengthen accountability for public service delivery. The causal links between project activities (inputs), outputs and outcomes were logical. The outputs of activities such as supporting automation of the Public Sector Development Plan (PSDP) and public assets geo-mapping; developing a PAC information system; arranging trainings, exposure visits, communications and awareness activities; establishing a PPP Unit, Strategic Planning and Reforms Cell in P&D; and establishing a Center of Excellence and Results Based Management (CERBM) in the University of Balochistan to function as a local think tank and provide analytical support; and providing HR, infrastructure and technical support to PAC were likely to help improve accountability for public service delivery (ICR, p. 46).

The outputs of activities such as supporting the Ombudsman office through HR, training, exposure visits (peer learning), communication to increase citizens' awareness about its functions and services, development of its website, and dissemination of results through annual reports were likely to help improve accountability for public service delivery (ICR, p. 32).

The intended outcomes were monitorable.

Outputs (ICR, p. 45)

- Assets of eight divisions and 33 districts are geo-tagged.
- The PIM framework and action plan developed; PIMIS and PSDP system automation developed.
- Integrity risk audits conducted in five of the highest spending departments; three pending audit reports reviewed by PAC.
- Deployed PAC information system and training conducted.
- 78% of registered cases disposed of by the Ombudsman.
- Establishment of PPP unit and strategic planning and reforms cell.

Outcomes

The outputs listed above were expected to contribute to the desired outcome of improving accountability for public service delivery. Achievement of PDO3 was to be assessed by the following indicator (ICR, Annex 1):

- **Complaints resolved by the Office of the Balochistan Ombudsman the premier accountability institution in Balochistan.** Baseline: 55% of registered cases resolved in FY19. Target: 70% of registered cases resolved. Actual: 78% of registered cases (1,124 cases disposed of, out of total 1,450 cases registered) in FY23. The project exceeded the target. **Achieved**.
- **All public investment assets in 7 out of 8 divisions of the province were to be geomapped and published online**. Baseline: No division had public investment assets geo-mapped in FY20. Target: Public investment assets in four divisions geo-mapped and published online. Actual: 34,169 assets geo-tagged in 8 divisions (33 districts) of the province, but not published online. The project partially achieved the target. (This indicator also contributed to PDO2 on PFM). **Partially Achieved.**

There were also **Intermediate Outcome Indicators (IOI)** that informed the achievement of PDO3:

- **IOI8: Strengthened institutional framework for accountability and integrity**. Baseline: Legal rules for the Anti-Corruption Establishment of Balochistan Act developed in FY20. Target: Integrity risk audits conducted in five of the highest spending departments. Actual: Integrity risk audits were conducted for five high spending departments in FY23. The project achieved the target; however, the previous year target was not achieved. The Project's target of resolving 75 percent of pending audit reports was not achieved. The indicator is therefore partially achieved. **Partially Achieved**.

Rating
Substantial

OVERALL EFFICACY

Rationale
Overall project efficacy under the revised objectives is rated as Substantial. The efficacy rating for PDO1 and PDO3 is Substantial, the project fell short of achieving PDO2 - rated Modest. A Medium-Term Fiscal Framework was approved but the budget law was not approved by the Provincial Cabinet. In the case of PDO3, integrity risk audits were conducted for five high spending departments in FY23, and while the previous year target with 75 percent of pending audits was not achieved, there is sufficient progress to rate PDO3 Substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency: The Economic Rate of Return (ERR) was calculated at appraisal, but not updated during implementation or following restructuring. At appraisal, the ERR was based on sales tax increase (doubling of sales tax to US$21 million, corresponding to an ERR of 21%). The ICR attempted to assess efficiency gains with respect to operational costs by linking project activities to medium and long-term gains on development (Annex 4). For example, by increasing the province's own-source tax revenues, the project expanded fiscal space for financing future public services and by improving PFM, the project will have an impact on future financial and efficiency gains. Better PFM is also likely to improve accountability and transparency.

The ICR does not provide sufficient information to allow for an assessment of the cost-benefit analysis. Assessments of project benefits were largely qualitative. Most of the project's interventions involved activities geared at increasing capacity building and accountability as well as the establishment of specialized units and support for the legal framework. However, project interventions did not result in the Cabinet's approval of a PIM framework and action plan, budget law and budget manual for improved budget formulation and management, and Balochistan' s investment policy. Project interventions did not result in publication of geo-mapped data of public investment assets and availability of training plans for three tax authorities. These were some of the risks to the effectiveness of project interventions.

Operational Efficiency: The duration of the project was from 2017 to 2023 and its overall financing remained unchanged at US$16 million. It was restructured twice. By the closing date, 99.7% of the approved allocation was utilized with 19.5% of funds used for operation management (OSU cost).

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 geopolitical tensions, and the interruption of activities due to the pandemic. The project's implementation yielded some positive outcomes, and the actual cost remained the same as appraisal, despite the broader scope after restructuring.

Efficiency Rating

Substantial

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 Balochistan. Overall efficacy is rated as Substantial. In most cases, important laws or legislative frameworks were prepared but were pending approval by the Provincial Cabinet. Overall efficiency is rated as Substantial given that the project demonstrated operational efficiency despite shortcomings in achieving improved PFM and accountability and despite its good value for money in a fragile country context. The overall outcome of the project is rated as Moderately Satisfactory.

a. **Outcome Rating**
Moderately Satisfactory

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, para 89).

Technical risk

- The continuation of the pending audits by Public Accounts Committee, delays in the regular publication of debt bulletin, regular capacity building of officials, implementation of the investment policy, etc., that carry substantial risks of being ignored after the project closure.

Financial risk

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

Social risk

- Risks associated with inadequate public support for sustaining accountability and transparency reforms due to limited media coverage, low investment and little institutionalization of citizen awareness and engagement mechanisms.

Political risk

- Risks associated with the loss of government commitment to the completion of the Balochistan Assembly's five-year term in August 2023 and the establishment of a caretaker government until elections in February 2024. This transition poses a risk of losing reform momentum and ownership of the project-related reforms. Budget reductions and personnel turnover could further weaken new initiatives.

Other risks not noted in the ICR are associated with the sustainability of the decentralization reforms and the new sources of own tax and non-tax revenues at the provincial level. Both could imply a reduction in the resources available at the provincial level for continuation of the reforms.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project design was relevant to the government strategy and responded to the specific governance and service delivery needs of the Balochistan province. However, the Bank may have been overambitious with the original Project timeline, given the capacity constraints of the GoB.

The design benefited from previous World Bank technical and analytical work, including the World Bank’s CPS for Pakistan (2015–2020); the MDTF- financed Governance Support Projects (GSP); the 2007

Public Expenditure and Financial Accountability (PEFA); and the Bank's experience in the use of ICT innovations for accountability and governance reforms in regions with fragility, conflict, and violence (ICR, para 84).

Government ownership and coordination was strong due to incorporation of lessons from previous Bank operations together with the strong partnership with the GoB forged under the MDTF-financed GSP. The ICR does not mention the Assessment and the Post-Conflict Needs Assessment (PCNA) of 2010 which should have also informed the project design.

Nonetheless, there were moderate shortcomings in the quality at entry. The original RF had indicators that were out of the project's control such as the approval of the Fiscal Framework or the Investment Law in the national Cabinet.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The supervision of the project was moderately satisfactory. The Bank's team was active and engaged throughout the project, but access to the client and the project was impacted by the country's FCV condition and the COVID-19 pandemic which led the team to implement virtual communication and extend the project's end date to allow for the completion of some activities. In addition, there were also multiple Task Team Leaders during the project's lifetime which may have contributed to shortcomings in supervision and continuity of institutional advice. (ICR, p. 86). The quality of supervision and implementation support provided by the Bank was slow during the first half of the project but improved notably after restructuring. This was reflected in an acceleration of the pace of implementation and the achievement of most project targets.

There is lack of information on the number of supervision missions and documentation of supervision missions according to Bank procedures, such as information on whether timely reporting of progress against project targets was done or timely coordination and suggestions for solutions to new challenges was implemented.

There was some optimism in the September 2019 ISR in that the Project was rated Satisfactory and on track to disburse the remaining 66% within the remaining nine months of the Project. At that point, five results indicators showed achievement of results at 50% or less. The project was restructured shortly after in 2020, with several revisions as described in Section D (Restructuring No. 1) above, inclusive of a two-year extension to 2022, and a change in the implementation schedule. The pace of disbursements increased after the easing of the pandemic and the project's restructuring in 2020 (ICR p. 24). Despite the challenges and delays, the project was able to disburse fully and the impact on the targets was minimal.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The original RF had a few shortcomings mentioned in quality-at-entry (ICR, p. 24) related to indicators either out of the project's control or difficult to measure or unrealistic to achieve given the lack of capacity-building experience of the GoB. The PDO and the majority of its indicators were revised during the restructuring process.

Post restructuring, the design of M&E was comprehensive, but discrepancies existed. A consistent component title was not used for some PDO and intermediate indicators – for example, 'strengthening capacity for provincial revenue mobilization and federal receipts management' was used for relevant PDO indicators, and 'increased effectiveness of collection of provincial tax and non-tax revenues' was used for relevant intermediate indicators.

The ToC is clear in articulating the causal links between project activities, intermediate outcomes/outputs, and outcomes. The activities financed under Technical Assistance (TA) were mostly aligned with Project results. However, the ICR based its evaluation on the project components instead of the three objectives from the PDO statement.

b. M&E Implementation

Project M&E data helped to 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 Implementation Status Reports (ISRs) was adequately supported through an Operational Support Unit (OSU). There were also regular supervision missions, consultations, and meetings with other provincial governments. In addition, TA activities were aligned with Project's objectives and reviewed and approved by the Bank. Their design and implementation were led by the relevant departments, and they were monitored through an annual work plan that was cleared by the Project's Steering Committee and approved by the Bank (ICR, p. 76).

c. M&E Utilization

The M&E data on performance and progress against the project's targets were satisfactorily used to inform strategic project direction, resource reallocation, monitoring utilization of funds, project management, and decision-making.

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 E&S risk as “Moderate,” during implementation E&S risk was adjusted to “Low.” The Project continuously built capacity of the Balochistan Ombudsman for citizen engagement and grievance redress. The e-complaint module/ mobile application of the Balochistan Ombudsman enabled citizens to launch complaints online. The Project also trained government functionaries on grievance redress techniques. Category C was maintained during implementation (ICR, para 79-80).

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 the Annual Financial Statements satisfactory to the Bank. The External and Internal Audit reports prepared by the Director General Audit Balochistan and an external firm, respectively, showed satisfactory performance of the overall FM function (ICR, para 82).

Procurement. Procurement was carried out in accordance with Bank’s procedures, but some weaknesses were identified. Hiring processes for staff and procurement procedures were not carried out as the Bank’s guidelines mandated. During 2021, it was determined that fiduciary staff had provided themselves generous increases in remuneration. During 2021, the Bank team undertook a detailed fiduciary review, and it was determined that fiduciary staff had provided themselves generous increases in remuneration, ICR p. 26). The review found that there was selective interpretation for deciding on contract management approaches for individual consultants (ICR p. 26). The Bank subsequently proposed a better control regime through a mandatory fiduciary review to be taken within 12 months of Project effectiveness to set the tone for compliance and avoid such issues in future projects (ICR p.26).

c. Unintended impacts (Positive or Negative)

There were no unintended impacts.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Moderately Satisfactory	No Difference, the ICR is Moderately Satisfactory
Quality of M&E	Modest	Substantial	No Difference, the ICR is Substantial
Quality of ICR	---	Modest	

12. Lessons

The ICR draws the following three main lessons from the experience of implementing this project (ICR, p. 28-29).

Ownership is needed to sustain momentum in governance reforms and ensure successful implementation of project activities. A significant factor contributing to the success of the Governance and Policy Project for Balochistan was its strong alignment with the government's priority areas and reforms defined under the Balochistan Comprehensive Development Strategy 2013–2020 and its responsiveness to the governance challenges that appeared during project implementation.

There is a need to enhance focus on gender issues. The Governance and Policy Project for Balochistan had limited focus on gender issues. Before restructuring, the Project had a PDO level indicator on women officers' participation in trainings, and an intermediate indicator on women feedback providers on school and irrigation facilities. After restructuring, the Project monitored women's participation in training, and supported trainings in gender responsive budgeting, gender audit, and anti-harassment of women at workplace. But the Project did not monitor gender disaggregated data for complaints resolved by the Balochistan Ombudsman, thereby missing an opportunity for insight on women beneficiaries of government services.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR presented a clear and coherent narrative on 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, Efficiency and Results Matrix in Annex 1 - central to the overall Outcome rating - is focused on the components of the project. As a result, IEG reformulated the PDO into three objectives or PDOs and selected some of the indicators listed in Annex 1 to evaluate the project's performance and outcome.

The ICR uses the 4-point scale: High, Substantial, Modest, or Negligible (Manual for IEG ICR Reviewers) for rating the Relevance of objectives. However, for Efficacy, it switches to a 6-point scale for individual efficacy ratings and averages across them to report an Overall Efficacy rating using the 4-point scale. The Overall Efficacy rating is incorrectly averaged in the ICR even with 6-point scale.

The ICR also rates Bank Performance and M&E inconsistently. There is a difference in the Bank Performance rating on page 2 of the ICR template (rating of S) and page 27 of the ICR (assigned rating of MS). A similar difference is noted with respect to the M&E rating. IEG recommends that the Region correct these differences in the Operations Portal.

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