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Report No: PAD1345

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 53.4 MILLION
(US\$75.0 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

FATA TEMPORARILY DISPLACED PERSONS EMERGENCY RECOVERY PROJECT

August 12, 2015

Social Protection and Labor Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2015)

Currency Unit = Pakistani Rupee (PKR)
PKR101.77 = US\$1
US\$1.40639 = SDR 1

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

| | |
|------|--|
| BER | Budget Execution Report |
| BISP | Benazir Income Support Programme |
| BP | Bank Procedures |
| CBOs | Community Based Organizations |
| CDCP | Citizen Damage Compensation Program |
| CFO | Chief Finance Officer |
| CGA | Controller General of Accounts |
| CNIC | Computerized National Identity Card |
| CPO | Chief Projects Officer |
| CPS | Country Partnership Strategy |
| CQ | Consultants Qualification |
| CSOs | Civil Society Organizations |
| CT | Cash Transfer |
| CWG | Child Wellness Grant |
| DA | Designated Accounts |
| DNA | Damage Need Assessment |
| DoH | Department of Health |
| EAD | Economic Affairs Division |
| EPI | Expanded Program for Immunization |
| ERP | Emergency Recovery Project |
| ERG | Early Recovery Grant |
| ESMP | Environmental and Social Management Plan |
| F&A | Finance and Accounts |
| FATA | Federally Administered Tribal Areas |
| FBS | Fixed Budget Selection |
| FDMA | FATA Disaster Management Authority |
| FMS | Financial Management Specialist |
| FP | Focal Person |
| FSMA | Food Security and Market Assessment |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| GOP | Government of Pakistan |

| | |
|--------|--|
| GRS | Grievance Redress Service |
| HR | Human Resources |
| IBRD | International Bank for Reconstruction and Rehabilitation |
| ICB | International Competitive Bidding |
| IDA | International Development Association |
| IEC | Information Education and Communication |
| IFRs | Interim Financial Reports |
| IPF | Investment Project Financing |
| KP | Khyber Pakhtunkhwa |
| LCS | Least Cost Selection |
| LHW | Lady Health Worker |
| LSG | Livelihood Support Grant |
| M&E | Monitoring and Evaluation |
| MDGs | Millennium Development Goals |
| MICS | Multiple Indicator Cluster Survey |
| MIS | Management Information System |
| MNCH | Maternal, Newborn and Child Health |
| MoF | Ministry of Finance |
| NADRA | National Database and registration Authority |
| NCB | National Competitive Bidding |
| NDMA | National Disaster Management Authority |
| NGOs | Non-Governmental Organizations |
| NISP | National Immunization Support Project |
| NWA | North Waziristan Agency |
| OP | Operational Policy |
| OSS | One Stop Shop |
| PDO | Project Development Objective |
| PHC | Primary Health Care |
| PIC | Public Information Campaign |
| PIFRA | Project to Improve Financial Reporting and Auditing |
| PMU | Project Management Unit |
| POM | Project Operational Manual |
| PPRA | Public Procurement Regulatory Authority |
| PSLM | Pakistan Social and Living Standard Measurement |
| PSP | Payment Service Providers |
| QBS | Quality Based Selection |
| QCBS | Quality and Cost Based Selection |
| RFPs | Request for Proposals |
| S&M | Support and Management |
| SA | Special Account |
| SAFRON | Ministry of States and Frontier Regions |
| SMS | Short Messaging Service |
| SSN | Social Safety Net |
| SWA | South Waziristan Agency |
| TA | Technical Assistance |
| TDPs | Temporarily Displaced Persons |

| | |
|--------|---|
| ToRs | Terms of Reference |
| UNDP | United Nations Development Program |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children Fund |
| WB | World Bank |
| WFP | World Food Program |
| WHO | World Health Organization |

| | |
|----------------------------------|--------------------|
| Regional Vice President: | Annette Dixon |
| Country Director: | Rachid Benmessaoud |
| Senior Global Practice Director: | Arup Banerji |
| Practice Manager: | Pablo Gottret |
| Task Team Leader: | Amjad Zafar Khan |

PAKISTAN

FATA Temporarily Displaced Persons Emergency Recovery Project

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PAD DATA SHEET

Pakistan

FATA Temporarily Displaced Persons Emergency Recovery Project (P154278)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

0000009345

Report No.: PAD1345

| Basic Information | | | |
|--|--|---|--|
| Project ID P154278 | EA Category B - Partial Assessment | Team Leader(s) Amjad Zafar Khan | |
| Lending Instrument Investment Project Financing | Fragile and/or Capacity Constraints [X] - Fragile within a non-fragile - Post-Conflict country - Natural or manmade disaster | | |
| | Financial Intermediaries [] | | |
| | Series of Projects [] | | |
| Project Implementation Start Date 01-Sep-2015 | Project Implementation End Date 31-Aug-2018 | | |
| Expected Effectiveness Date 31-Aug-2015 | Expected Closing Date 28-Feb-2019 | | |
| Joint IFC No | | | |
| Practice Manager/Manager Pablo Gottret | Senior Global Practice Director Arup Banerji | Country Director Rachid Benmessaoud | Regional Vice President Annette Dixon |
| Borrower: Islamic Republic of Pakistan | | | |
| Responsible Agency: National Database and Registration Authority (NADRA) | | | |
| Contact: Telephone No.: 0519208604 | Ali Javed | Title: Email: ali.javed@nadra.gov.pk | Chief Projects Officer |

| Safeguards Deferral (from Decision Review Decision Note) | | | | | | | | | | |
|--|--------|--------------------------|-----------|--------------------------|-----------|-----------------------|--------------------------|------|--------------------------|------|
| Will the review of Safeguards be deferred? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | | | | | | | | | |
| Project Financing Data(in USD Million) | | | | | | | | | | |
| <input type="checkbox"/> | Loan | <input type="checkbox"/> | IDA Grant | <input type="checkbox"/> | Guarantee | | | | | |
| <input checked="" type="checkbox"/> | Credit | <input type="checkbox"/> | Grant | <input type="checkbox"/> | Other | | | | | |
| Total Project Cost: | | | 184.54 | | | Total Bank Financing: | | | 75.00 | |
| Financing Gap: | | | 109.54 | | | | | | | |
| Financing Source | | | | | | Amount | | | | |
| BORROWER/RECIPIENT | | | | | | 109.54 | | | | |
| International Development Association (IDA) | | | | | | 75.00 | | | | |
| Total | | | | | | 184.54 | | | | |
| Expected Disbursements (in USD Million) | | | | | | | | | | |
| Fiscal Year | 2016 | 2017 | 2018 | 2019 | 0000 | 0000 | 0000 | 0000 | 0000 | 0000 |
| Annual | 92.27 | 55.36 | 30 | 6.91 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cumulative | 92.27 | 147.63 | 177.63 | 184.54 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Institutional Data | | | | | | | | | | |
| Practice Area (Lead) | | | | | | | | | | |
| Social Protection & Labor | | | | | | | | | | |
| Contributing Practice Areas | | | | | | | | | | |
| Fragile, Conflict & Violence, Governance, Health, Nutrition & Population | | | | | | | | | | |
| Cross Cutting Topics | | | | | | | | | | |
| <input type="checkbox"/> Climate Change | | | | | | | | | | |
| <input checked="" type="checkbox"/> Fragile, Conflict & Violence | | | | | | | | | | |
| <input type="checkbox"/> Gender | | | | | | | | | | |
| <input type="checkbox"/> Jobs | | | | | | | | | | |
| <input type="checkbox"/> Public Private Partnership | | | | | | | | | | |
| Sectors / Climate Change | | | | | | | | | | |
| Sector (Maximum 5 and total % must equal 100) | | | | | | | | | | |
| Major Sector | | | | Sector | | % | Adaptation Co-benefits % | | Mitigation Co-benefits % | |
| Health and other social services | | | | Other social services | | 75 | | | | |
| Health and other social services | | | | Health | | 25 | | | | |
| Total | | | | | | 100 | | | | |

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

| Theme (Maximum 5 and total % must equal 100) | | |
|--|---|-----|
| Major theme | Theme | % |
| Social protection and risk management | Social Safety Nets/Social Assistance & Social Care Services | 60 |
| Social dev/gender/inclusion | Conflict prevention and post-conflict reconstruction | 10 |
| Human development | Child health | 20 |
| Human development | Other human development | 10 |
| Total | | 100 |

Proposed Development Objective(s)

The Project Development Objective is to support the early recovery of families affected by the militancy crisis, promote child health, and strengthen emergency response safety net delivery systems in the affected areas of FATA.

Components

| Component Name | Cost (USD Millions) |
|---|---------------------|
| Component 1: Early Recovery Package for Temporary Displaced Persons | 62.2 |
| Component 2: Promoting child health in selected areas of FATA | 4.8 |
| Component 3: Strengthening program management and oversight | 8.0 |

Systematic Operations Risk- Rating Tool (SORT)

| Risk Category | Rating |
|---|-------------|
| 1. Political and Governance | Substantial |
| 2. Macroeconomic | Moderate |
| 3. Sector Strategies and Policies | Moderate |
| 4. Technical Design of Project or Program | High |
| 5. Institutional Capacity for Implementation and Sustainability | Substantial |
| 6. Fiduciary | Substantial |
| 7. Environment and Social | Substantial |
| 8. Stakeholders | High |
| 9. Other | High |

| | | | |
|--|------------------|-----------------------------------|-----------------------------------|
| OVERALL | | High | |
| Compliance | | | |
| Policy | | | |
| Does the project depart from the CAS in content or in other significant respects? | | Yes [] | No [X] |
| Does the project require any waivers of Bank policies? | | Yes [] | No [X] |
| Have these been approved by Bank management? | | Yes [] | No [X] |
| Is approval for any policy waiver sought from the Board? | | Yes [] | No [X] |
| Does the project meet the Regional criteria for readiness for implementation? | | Yes [X] | No [] |
| Safeguard Policies Triggered by the Project | | Yes | No |
| Environmental Assessment OP/BP 4.01 | | X | |
| Natural Habitats OP/BP 4.04 | | | X |
| Forests OP/BP 4.36 | | | X |
| Pest Management OP 4.09 | | | X |
| Physical Cultural Resources OP/BP 4.11 | | | X |
| Indigenous Peoples OP/BP 4.10 | | | X |
| Involuntary Resettlement OP/BP 4.12 | | | X |
| Safety of Dams OP/BP 4.37 | | | X |
| Projects on International Waterways OP/BP 7.50 | | | X |
| Projects in Disputed Areas OP/BP 7.60 | | | X |
| Legal Covenants | | | |
| Name | Recurrent | Due Date | Frequency |
| Implementation Units I | X | Effectiveness | Throughout Project implementation |
| Description of Covenant | | | |
| EAD to establish and maintain a PMU within EAD, responsible for the carrying out of the technical coordination and day-to-day implementation of Component 1 and 2 of the Project. | | | |
| Name | Recurrent | Due Date | Frequency |
| Implementation Units II | X | One (1) month after Effectiveness | Throughout Project implementation |
| Description of the Covenant | | | |
| EAD to establish and maintain a Steering Committee and a Review Committee to: (i) provide overall operational and decision making support, and (ii) implementation support and interagency coordination, respectively. | | | |
| Name | Recurrent | Due Date | Frequency |

| | | | |
|--|------------------|--------------------------------------|-----------------------------------|
| Project Operational Manual | X | N/A | Throughout Project implementation |
| Description of Covenant | | | |
| EAD/NADRA to carry out the Project in accordance with the Project Operations Manual. | | | |
| Name | Recurrent | Due Date | Frequency |
| Implementation Agreement | N/A | Three (3) months after Effectiveness | N/A |
| Description of Covenant | | | |
| EAD, NADRA and FATA Secretariat to enter into an Implementation Agreement setting forth their respective powers, functions duties and responsibilities under the Project. | | | |
| Name | Recurrent | Due Date | Frequency |
| Agency Agreement | N/A | By first Cash Grant disbursement | N/A |
| Description of Covenant | | | |
| EAD, NADRA, FATA Secretariat and payment agents (financial institutions) to enter into an agency agreement for the payment of the Cash Grants to Eligible TDPs and Eligible Beneficiaries, revising the existing agency contracts | | | |
| Name | Recurrent | Due Date | Frequency |
| Annual Work Plan | X | April 30 of each year | Annual |
| Description of Covenant | | | |
| EAD to ensure sufficient appropriation and availability of resources to finance Cash Grant to all Eligible TDPs willing to participate in the repatriation program, prepare annual work plans detailing activities and resources, and ensure timely allocation of resources and implementation thereof | | | |
| Name | Recurrent | Due Date | Frequency |
| Environmental and Social Management Plan | X | N/A | Throughout Project implementation |
| Description of Covenant | | | |
| EAD and NADRA to carry out the Project, and cause the DOH (FATA Secretariat) to carry out, the activities under the Project in accordance with the ESMP. | | | |
| Name | Recurrent | Due Date | Frequency |
| Grievance Redress Mechanism | X | By first Cash Grant disbursement | Throughout Project implementation |
| Description of Covenant | | | |
| EAD and NADRA to establish and maintain a grievance redress mechanism with reception counters in each OSS in order to address complaints filed by Eligible TDPs, Eligible Beneficiaries and/or applicants to the Cash Grants schemes. | | | |
| Name | Recurrent | Due Date | Frequency |

| | | | |
|--|-----------------------------|--------------------------------------|-----------------------------------|
| Operational Review firm hired | X | Three (3) months after Effectiveness | Throughout Project implementation |
| Description of Covenant | | | |
| NADRA to contract the service of consultancy firm to carry out operational reviews of the Project and provide regular feedback and share its findings with EAD's Review Committee. | | | |
| Name | Recurrent | Due Date | Frequency |
| Engagement and Outreach Campaign | X | Three (3) months after Effectiveness | Throughout Project implementation |
| Description of Covenant | | | |
| NADRA to develop and implement a beneficiary engagement and outreach campaign for Component 1 and 2, in coordination with the FATA Secretariat/DoH. | | | |
| Name | Recurrent | Due Date | Frequency |
| One Stop Shops (OSS) | X | Three (3) months after Effectiveness | Throughout Project implementation |
| Description of Covenant | | | |
| NADRA to establish and maintain OSS in the affected FATAs. | | | |
| Conditions | | | |
| Source Of Fund | Name | Type | |
| IDA | Project Operational Manual | Effectiveness | |
| Description of Condition | | | |
| EAD and NADRA to adopt a Project Operations Manual approved by the Association | | | |
| Source Of Fund | Name | Type | |
| IDA | Establishment of PMU | Effectiveness | |
| Description of Condition | | | |
| EAD to establish a PMU with key financial management personnel employed | | | |
| Source Of Fund | Name | Type | |
| IDA Category (2) | Contractual Agreements | Disbursement | |
| Description of Condition | | | |
| Implementation Agreement and Agency Agreements have been signed by the parties thereto. | | | |
| Source Of Fund | Name | Type | |
| IDA Category (2) | Grievance Redress Mechanism | Disbursement | |
| Description of Condition | | | |
| EAD/NADRA have established the grievance redress mechanisms for the Project | | | |
| Team Composition | | | |
| Bank Staff | | | |
| Name | Role | Title | Specialization |
| | | | Unit |

| | | | | |
|--|----------------------------------|--------------------------------------|--|-------|
| Amjad Zafar Khan | Team Leader (ADM Responsible) | Sr Social Protection Specialist | | GSPDR |
| Khalid Bin Anjum | Procurement Specialist | Senior Procurement Specialist | | GGODR |
| Akram Abd El-Aziz Hussein El-Shorbagi | Financial Management Specialist | Sr Financial Management Specialist | | GGODR |
| Aliya Kashif | Team Member | Health Specialist | | GHNDR |
| Anwar Ali Bhatti | Team Member | Financial Analyst | | SACPK |
| Cem Mete | Team Member | Lead Economist | | GSPDR |
| Chau-Ching Shen | Team Member | Senior Finance Officer | | WFALN |
| Iftikhar Malik | Team Member | Sr Social Protection Specialist | | GSPDR |
| Inaam Ul Haq | Team Member | Program Leader | | SACPK |
| Javaid Afzal | Safeguards Specialist | Senior Environmental Specialist | | GENDR |
| Juan Carlos Alvarez | Counsel | Senior Counsel | | LEGES |
| Laurent Loic Yves Bossavie | Team Member | E T Consultant | | GSPDR |
| Lucian Bucur Pop | Team Member | Senior Economist | | GSPDR |
| Marta Elena Molaes- Halberg | Team Member | | | LEGES |
| Mohammad Aslam Malik | Team Member | Program Assistant | | SACPK |
| Mohammad Omar Khalid | Safeguards Specialist | Consultant | | GEN06 |
| Naoko Ohno | Team Member | Operations Officer | | GHNDR |
| Quanita Ali Khan | Team Member | E T Consultant | | GSPDR |
| Salma Omar | Safeguards Specialist | Senior Social Development Specialist | | GSURR |
| Shahzad Sharjeel | Team Member | Senior Communications Officer | | SAREC |
| Sher Shah Khan | Team Member | Senior Public Sector Specialist | | GGODR |
| Extended Team | | | | |

| Name | Title | Office Phone | Location | | |
|---|--------------------------------------|-------------------------------------|-----------------|---------------|-----------------|
| Dr. Zulfiqar Ali | Health Expert | | | | |
| Naveed Saeed | Consultant | | | | |
| Qasim Zaman | Consultant | | | | |
| Saba Gul Khattak | Gender Specialist | | | | |
| Sumaira Sagheer | Communications | | | | |
| Locations | | | | | |
| Country | First Administrative Division | Location | Planned | Actual | Comments |
| Pakistan | Federally Administered Tribal Areas | Federally Administered Tribal Areas | X | | |
| Consultants (Will be disclosed in the Monthly Operational Summary) | | | | | |
| Consultants Required ? Consulting services to be determined | | | | | |

1. STRATEGIC CONTEXT

A. Country Context

1. With a population of 180 million, Pakistan is the world's sixth most populous country with GNI per-capita of US\$1,360 in 2013-14, classified as a lower middle-income country. In the past few years, Pakistan had faced significant economic challenges with cycles of high economic growth interrupted by shocks and crises and followed by relative stagnation. The country's recovery from the 2008–09 global financial crises was the weakest in South Asia, with growth in Gross Domestic Product (GDP) averaging 2.9 during the 2009-13 period. The historic floods of 2010 and 2011 significantly damaged its economy, in addition to a series of political and security challenges. Despite deterioration of the macroeconomic situation due to political turmoil and floods in summer 2014, the economy has demonstrated signs of recovery. In 2014-15, real GDP growth is expected to reach between 4.4-4.6 percent with inflation estimated to remain low at around 5 percent.

2. Pakistan has made considerable progress in reducing absolute poverty and improving shared prosperity. Between 1991 and 2011, the national poverty rate has fallen from 34.7 percent in 2002 to 13.6 percent in 2011. Real per capita consumption for the bottom 40 percent of the population - a measure of shared prosperity - grew faster than among the top 60 percent. Progress, however, slowed in 2009 due to two massive floods hitting the country, conflict, and the global economic slowdown. Nearly three-quarters of the population are still either poor or vulnerable. Pakistan's recent poverty gains remain fragile partly because many households are clustered near the poverty line.

3. Pakistan's progress toward human development and the Millennium Development Goals (MDG) targets has been uneven. Despite some improvements, Pakistan remains one of the worst performers against MDG targets in the South Asia Region, especially with respect to maternal and child health. Child mortality rates are almost twice the MDG targets. Stunting among children under five remained around 44 percent in the past few decades. Routine immunization of children in Pakistan has also been stagnating. The proportion of children fully immunized is less than 60 percent¹, and this figure varies considerably across geographic, social and political boundaries. The regrettable deficits in immunization coverage are reflected in continued incidence of endemic polio transmission and the recent measles outbreaks especially in the Federally Administered Tribal Areas (FATA).

4. Keeping in view the sustenance requirement of returnees and development needs of the region, the government of Pakistan intends to initiate an overarching program for recovery and rehabilitation backed by a comprehensive FATA Sustainable Return & Rehabilitation Strategy. This project supports a part of the Strategy by covering the initial sustenance needs and basic child health support to voluntarily returning families, through cash transfers. Further details of the program are elaborated in the Project Description Section of this document.

¹ PSLM 2012-13

B. Situations of Urgent Need of Assistance or Capacity Constraints

Situation for Urgent Need of Assistance

5. **Background on FATA.** FATA comprises a group of small administrative units in the northwest of Pakistan, placed between the province of Khyber Pakhtunkhwa (KP), Balochistan and the neighboring country of Afghanistan. It is spread over 27,220 sq. km with an estimated population of 4.6 million² and consists of seven tribal agencies and six frontier regions.³ Years of regional instability underpinned by decades of poor governance have shaped the crisis that continues to unravel in FATA. Although significant efforts have been made in recent years to introduce legal and institutional reforms, marginalization and inequity continue to prevail as the current legislation and institutional framework are inadequate for addressing FATA's considerable development challenges. While poverty rates for the entire population of Pakistan were estimated at around 14 percent in 2012, figures for FATA have been estimated to be close to 60 percent. Subsequently, socio-economic indicators for FATA have been significantly lagging behind the national average (see Annex 5 for details).

6. **Militancy crises.** In recent years the FATA and KP regions experienced significant militancy crises. In early 2009, the government launched major security operations to root out the pockets of militants. Significant damage to physical infrastructure and services led to a large number of Temporarily Displaced Persons (TDPs) losing their homes and livelihoods - approximately 3 million people were displaced. The militancy crisis affected not only TDPs but also those who stayed behind, some of whom being just as poor and vulnerable as the TDPs. The majority of TDPs from the 2009 militancy crisis have gone back to their original locations.

7. **The recent crisis.** In response to militancy, in June 2014 the Army launched a second security operation in five FATA Agencies. Approximately 340,000 families were displaced. Survey data reveals that families in militancy-crisis areas, especially displaced families moved out because of significant damage to infrastructure by militancy, lack of social services and severe shocks. These include significant losses of livelihood and a drop in earnings, leading to insufficient food consumption and harmful coping strategies. Infrastructure also suffered significant damages: initial assessments⁴ show that damages in infrastructure spread to all sectors providing basic services to population - such as water, electricity, livelihood, education, and health (Annex 2 for details).⁵

8. **The return process.** With conclusion of military operations in most areas, the Government has started the TDPs repatriation process and as of June 2015, 38,000 families voluntarily returned

² FATA Sustainable Return and Rehabilitation Strategy, 2014

³ Seven tribal agencies include: Bajaur, Mohmand, Khyber, Orakzai, Kurram, North Waziristan and South Waziristan. Six frontier regions include: Bannu, Central Kurram, Dera Ismail Khan, Kohat, Lakki, Peshawar and Tank. These are directly controlled by the Governor of KP.

⁴ FATA Sustainable Return & Rehabilitation Strategy- 2015

⁵ The project satisfies conditions under paragraph 12 of OP 10.00, "Projects in Situations of Urgent Need of Assistance or Capacity Constraints" due to the volatile situation in FATA.

to FATA. The return process was accompanied by a registration process validated through the national identity database.

9. Returning families require immediate support to restore their livelihoods and restart their lives. A recent survey (Multi-Sector Assessment of FATA Returnees) of 802 households and 71 key respondents in Bara and Khyber Agency, found that the insecurity concerns of returnees is relatively low and that the three major problems/challenges experienced by the households in areas of return are: lack of basic facilities faced by 90% of households, followed by a lack of livelihood opportunities (84%), and restricted movements at 49%. The three major needs that emerged from survey findings are; employment/job opportunities (52%), closely followed by health services (50%), and need for education facilities (38%). Housing reconstruction needs were reported as crucial at around 36%, livelihood at 29% and water-sanitation/hygiene facilities' need stood at 25% (Protection Cluster Quarterly Bulletin, April-June 2015). Keeping these considerations in view, the Government has devised a comprehensive Return and Rehabilitation Strategy which ensures that needs identified by the people are catered to and sequenced with the return of TDPs. The Government, international organizations, and national civil society institutions are already contemplating relief and rehabilitation assistance. The Government has already started the provision of early recovery measures such as a lump-sum grant of Rs. 35,000 (US\$350) for each beneficiary family. In addition, the World Food Program (WFP) is distributing a basic food basket for TDP families to cover their food consumption needs.

Government' strategy for the rehabilitation of FATA

10. After the first militancy crisis in 2009, given the severity of the situation, in 2010 a **post-crisis needs assessment (PCNA)** was carried out by the Government. The Assessment resulted in the emergence of four strategic objectives aiming to address the root causes of the crisis: (i) to build the state's responsiveness and effectiveness in order to restore citizen trust, (ii) to stimulate employment and livelihood opportunities, (iii) to ensure the delivery of basic services, and (iv) to counter radicalization and foster reconciliation. To facilitate the implementation of these objectives, nine key sectors were identified, including social protection, governance, education, infrastructure, and health. Since the launch of PCNA in 2010, total investments have reached US\$1,072 million with 78 percent of contributions coming from the Government of Pakistan (US\$834 million) and the remaining from development partners. The KP, FATA and Balochistan Multi-Donor Trust Fund (MDTF), established in 2010 and administered by the Bank, is one of the main financing mechanisms supporting implementation of PCNA. The first round of the MDTF financing resulted in the implementation of five projects in FATA in the areas of governance, economic development and infrastructure.

11. **The FATA Sustainable Return and Rehabilitation Strategy (FSRRS)** was formulated by the Government in March 2015 and is based on the needs assessment for the 2014 militancy crisis with inputs from UN agencies and other development partners. The FSRRS comprehensively identifies the short, medium, and long term development needs of FATA and is structured around five pillars: (i) physical infrastructure; (ii) law and order; (iii) government service delivery; (iv) reactivation and strengthening of the economy; and, (v) social cohesion and peace building. Under FSRRS, social protection was identified as one of the top priority sectoral interventions, with cash transfers as an important tool for emergency response and recovery. The timeline for this

rehabilitation strategy as envisaged by the FATA Secretariat is 24 months (2015–2016), linked to a phased return of the TDP families planned to be completed by December 2016⁶. Due to the region’s volatile security situation, this project will mainly rely on the Government’s assessment and return strategy based on a phased approach for the safe return of TDPs to their areas of origin as elaborated in FSRRS which received approval from all key Government of Pakistan stakeholders.

12. According to FSRRS, the support to returning TDPs will be divided in three phases: (i) humanitarian support, (ii) recovery and rehabilitation, (iii) long-term reconstruction and development. Given the specific circumstances of FATA, the reconstruction phase will be initiated in parallel to the early recovery and rehabilitation phases, and will continue for the coming years. Beyond rehabilitation and reconstruction of damaged infrastructure, the Strategy prioritizes restoration of livelihoods and interventions in education, health, housing, together with improved governance and service delivery as complementary development activities. The holistic view taken in the Strategy is also reflected in its commitment to introduce complementary institutional, legal and administrative reforms.

13. The 2010 PCNA and the recent FSRRS both recognize the importance of safety nets in post crisis situations and both recommend cash transfers as the appropriate tool for early recovery and to catalyze rehabilitation of the displaced population. The proposed project builds on FSRRS recommendations and aims to directly support implementation of the return and rehabilitation phases of the Strategy. In parallel, projects supported by MDTF and other development partners (including USAID, Islamic Development Bank) will contribute to the reconstruction phase (Phase 3) by building service delivery systems that can strengthen the state-citizen relationship and ensure the sustainable and long-term development of FATA⁷. The Government of Pakistan (GoP) has estimated that the total registered TDPs families will be 340,000. These registered families will receive the cash transfer packages under the program supported by IDA’s partial contribution of US\$ 75 million, including a TA component of US\$ 8 million⁸. This partial contribution will support a maximum of 120,000 crisis affected families, whose return will be staggered over a two year period spread over four phases⁹. Moreover, the funding gap over and above IDA support will either be covered through support of other Development Partners and if not then through GoP funds. This funding gap will meet financing requirements for the remaining caseload and any exchange rate variations or an increase in the number of eligible families.

C. Sectoral and Institutional Context

14. **In 2007, the Government of Pakistan endorsed the Social Protection Strategy to Reach the Poor and the Vulnerable, recognizing social safety nets as a key objective of the Poverty Reduction Strategy.** In 2008, the Government of Pakistan created the Benazir Income Support Program (BISP), a national safety net, supporting the poorest households of Pakistan,

⁶ The detailed return schedule for TDP families can be found in Annex 2.

⁷ Further details on Development Interventions provided in Annex 2

⁸ Details highlighted in the Project Description section of the document

⁹ Ibid, p 19-20. This is essentially a sequencing of the return of 340,000 TDP families, which will follow a clearance by Pakistan army that the respective area is safe for the returnees.

identified and selected through an objective targeting mechanism based on a poverty scorecard. BISP provides quarterly cash transfers of US\$45 to approximately 4.9 million beneficiary families. More than 90 percent of beneficiaries receive their payments through technology based mechanisms. In FATA, this regular safety net covers about 150,000 families out of a total of 220,000 families registered in the National Socio-Economic Registry (NSER). It is estimated that around 30 percent of households in FATA are receiving some form of safety net support. 90 percent of this support is provided through BISP¹⁰. BISP coverage in the region is expected to expand as the security situation improves allowing the Program to conduct a poverty scorecard survey for beneficiary identification. In addition to the poverty scorecard, the BISP targeting mechanism relies on biometric identification and verification of beneficiaries, supported by the National Database and Registration Authority (NADRA). The NADRA database and its Computerized National Identification Card (CNIC) were also efficiently used for the Citizen Damage Compensation Program (CDCP) which provided cash support to approximately 1.1 million families affected by the 2011 floods.

15. FATA is lagging behind in terms of child health indicators compared to the rest of Pakistan. In the aftermath of the militancy crisis and with the return of TDP families, the already inadequate child health outcomes are expected to deteriorate further. Infant mortality is estimated to be as high as 87 deaths per 1,000 live births, compared to 74 throughout the country, and the under-five mortality rate is 104 per 1,000 live births compared to 89 in the rest of Pakistan. In addition, stunting rates in FATA are close to 50 percent and 30 percent of children are classified as underweight¹¹. Child immunization rates also remain extremely low. This region contributes a high number of polio cases within the country with only 3 percent of children in FATA receiving full immunization¹². The situation requires urgent intervention to address both supply and demand side challenges. The National Immunization Support Project (NISP), designed by the Government with Bank support, aims to strengthen immunization systems and access to services leading to improvements in immunization coverage nationwide. In addition, the Government has started to address the low polio immunization rates in FATA by providing polio immunization to children of TDP families in camps and at FATA entry check-points.

D. Higher Level Objectives to which the Project Contributes

16. The proposed project is consistent with Pakistan’s Country Partnership Strategy (CPS) for FY15-19 (Report No. 84645-PK), which recognizes the need to support “Reduced Vulnerability for Groups at Risk (CPS Outcome 3.2)” and supporting “Increased Resilience to Crisis and Disasters in Targeted Regions (CPS Outcome 3.3)”. The project will contribute to both CPS outcomes by reducing vulnerability and increasing resilience of returning TDPs through income support. Improvement in services, in particular health, has been also articulated as the service delivery pillar of the CPS. “Improved Access to Maternal and Child Health Services” is explicitly formulated as Outcome 4.2 of the CPS, with a particular focus on the poor. It also establishes targets for a 20 percent increase in children immunization coverage throughout the country. The

¹⁰ FATA Development Indicators Household Survey 2013-2014

¹¹ FATA Development Indicators Household Survey 2013-2014

¹² FATA multi-year immunization plan. For additional details on child health outcomes and socio-economic indicators in FATA, see Annex 5

proposed project aims to support the achievement of this objective by facilitating the provision of child health services in the FATA region.

17. The proposed project also contributes to achievement of sectoral objectives formulated in the National Social Protection Strategy of the Government of Pakistan, including prevention of households and individuals falling into poverty due to shocks. The project is also consistent with the World Bank Social Protection and Labor Strategy objective of building crisis responsiveness into social protection. The project will support the development and delivery of crisis response safety nets that will also contribute to the presence of the state in the region. A recently completed household survey by the FATA government¹³ shows that safety nets delivery is perceived as an important pillar of the government's presence and involvement in the area.

2. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

18. The Project Development Objective is to support the early recovery of families affected by the militancy crisis, promote child health, and strengthen emergency response safety net delivery systems in the affected areas of FATA.

B. Project Beneficiaries

19. The main project beneficiaries are TDP families from five FATA Agencies, namely North Waziristan, South Waziristan, Orakzai, Kurram and Khyber. The Government program will support approximately 340,000 registered TDP families. Given the IDA envelope, the proposed project aims to cover up to 120,000 eligible families of the Government's program that voluntarily return to their region of origin. As the average family size¹⁴ in FATA is 6.5, a total of 780,000 beneficiaries are expected to benefit. In addition, the project will aim to provide a basic child health services package to all families¹⁵ with children aged 0 to 24 months in up to four locations¹⁶ of the targeted areas which comes to around 64,000 families. The remaining eligible families intending to benefit from the program will be covered through additional funds raised from other development partners or through GOP funds. This intervention will be subject to a phased approach, to be rolled out based on the results of the initial phase. More detail on the project beneficiaries and return schedule are provided in Annex 2.

C. PDO Level Results Indicators

20. The following set of quantitative indicators will be used to assess project performance¹⁷:

¹³ FATA Development Indicators Household Survey 2013-2014

¹⁴ FATA Sustainable Return and Rehabilitation Strategy -2015

¹⁵ These include all families belonging to the 5 affected agencies and not only the TDP families. The total families in 5 Agencies is 480,000.

¹⁶ The locations will be identified by the One Stop Shops to be set up for the purpose of program delivery

¹⁷ Results should be read with details in the Project Description section of the document

- (a) Number of families receiving the Early Recovery Package
- (b) Number of families with children aged 0 to 24 months attending child health awareness sessions
- (c) Number of fully functional One Stop Shops with access to MIS.

3. PROJECT DESCRIPTION

A. Project Components

21. **Component 1: Early Recovery Package for Temporary Displaced Persons** (total estimated cost – US\$62.2 million). This component will aim to support the early recovery of approximately 120,000 TDP families from FATA through two unconditional cash grants; (i) a one-time Early Recovery Grant (ERG) of US\$350 per family and; (ii) a Livelihood Support Grant (LSG) of US\$160 per family in four monthly installments of US\$40. These two cash grants are complementary interventions to facilitate the early recovery of TDP families. All registered TDP families from the five targeted Agencies are eligible for the ERG, irrespective of their destination, to help them cover large initial expenses to restart their lives and livelihood. For the ERG the Government of Pakistan will initially register all families based on dual biometric¹⁸ and citizen identity checks. For families that choose to voluntarily return to FATA, the LSG will provide a predictable source of income over a limited period of time to help covering basic subsistence needs while livelihoods are being restored. The LSG will be delivered through One-Stop-Shop (OSS) registration and delivery centers to be set up in FATA through a phased rollout.

22. **Component 2: Promoting child health in selected areas of FATA** (total estimated cost – US\$4.8 million). Under this component, a selection of child health services are envisaged to be offered to families with children aged 0-24 months in four pilot OSSs. The number of potential beneficiary families is estimated at about 64,000 families. The selected services include child health awareness and counseling, screening of children for malnutrition using growth monitoring, immunization services, and referral of complicated cases. Human resources and vaccines required for the services under this component will be supplied by FATA DoH. Registration of eligible families and periodic attendance of awareness sessions at OSS will be accompanied by a Child Wellness Grant (CWG). The cash grant aims to compensate for the opportunity costs of participating in the health awareness and counseling sessions and bringing children to health facilities for regular check-ups. A cash grant of USD 75 is being proposed to be provided in three installments of USD 25 each for promoting positive health seeking behavior of families for their children. This component will be available to all families with children aged 0-2 years, belonging to the targeted agencies of FATA irrespective of whether they are TDPs. Based on the learning and outcomes from the initial phase of testing the component in 4 OSS, the Government will decide on the roll out to other areas.

¹⁸ The biometric verification will be done through the already existing biometric civil registration data available with NADRA.

23. **Component 3: Strengthening program management and oversight** (total estimated cost – US\$8.0 million). This component will provide technical assistance to enhance program management, transparency and accountability at the federal, FATA Secretariat and local level administration through capacity building, stakeholder consultation, social mobilization and awareness, strategic communication, and monitoring. The component will be implemented by NADRA and has been designed to help the Government establish a robust system for cash transfer to beneficiary families, with adequate safeguards, fiduciary oversight, accountability and transparency. The main areas of technical assistance include MIS development, hardware provision, communication, outreach and social mobilization, Operational Review, beneficiary surveys, and capacity building. The component will finance training and capacity building of FATA Department of Health staff, improving their ability to oversee and deliver services under Component 2, as well as to staff of other FATA agencies involved in project implementation.

24. This component will also support the operational costs related to the establishment, operation, and management of OSSs, as well as the costs of setting up and operation of the grievance counters and child health services within each OSS. The OSSs will be managed by NADRA, the project implementing entity. Separate Grievance Counters will be maintained at each OSS to manage beneficiary grievances and complaints. The component will also finance NADRA’s related costs for end-to-end beneficiary registration based on CNIC data and biometric enrollment, including verifications of payments.

25. In addition, the component will support administrative, financial management, disbursement, procurement and audit activities related to Project implementation. A Project Management Unit (PMU) will be set-up within the EAD with key technical staff contracted by the project.

B. Project Financing

26. The lending instrument for the project is Investment Project Financing (IPF), with a total amount of SDR 53.4 million (US\$75.00 million equivalent) to be financed by an IDA Credit out of the total financing of the overall Government program of US\$184.5 million. To cover all affected families in the five targeted agencies of FATA, the GoP will raise remaining requisite financing of US\$109.5 million from other development partners and will cover any remaining costs through GOP funds. However, for Component 1, IDA funds will be disbursed from the beginning of the project at 100% up to the committed amount and once IDA funds are exhausted, government’s counterpart funds will be accessed to continue support to the program.

Project Cost and Financing

27. The estimated project costs and IDA disbursements are provided in Table below, and a detailed project costing table is presented in Annex 3.

| Project Component Cost | Total program cost | IDA financing | Funding Gap to be covered by GOP and other development partners | % of IDA financing out of total program financing |
|------------------------|--------------------|---------------|---|---|
|------------------------|--------------------|---------------|---|---|

| | | | | |
|--|-------------|------------|-------------|---------|
| Component 1 - Early Recovery Package for Temporary Displaced Persons | 171,748,620 | 62,200,000 | 109,548,620 | 36.22% |
| Component 2 - Promoting child health in selected areas of FATA | 4,800,000 | 4,800,000 | - | 100.00% |
| Component 3- Strengthening program management and oversight | 8,000,000 | 8,000,000 | - | 100.00% |
| Total | 184,548,620 | 75,000,000 | 109,548,620 | 40.64% |

C. Lessons Learned and Reflected in the Project Design

28. **The project design includes and applies lessons learned** from previous in-country experience and international experience with cash transfers in emergency response operations of similar nature. Lessons on critical elements of design and implementation of cash transfers such as cash grant amount, payment modalities, delivery of child health services, and third party monitoring are being applied to this project.

29. The Early Recovery Package supported by the proposed project builds on lessons learned from international experience, which suggest that early recovery livelihood support is best delivered through cash assistance, as a preferred option for return processes. Cash transfers have been used successfully to address returnees' situation in post-conflict/fragile countries. Large cash transfer programs have been implemented by UNHCR in support of return and reintegration, including three million returnees in Afghanistan and 370,000 returnees in Cambodia. Transfers were shown to be spent mostly on basic needs, especially food expenditure, and productive assets. Evaluations of larger lump-sum grants for returnees in Burundi and Uganda show that cash grants to returnees accelerated livelihood restoration and provided a bridge towards self-sufficiency¹⁹.

30. Cash transfers have been used successfully used in Pakistan in the aftermath of various natural disasters, with significant positive impact on beneficiaries. For instance, the Bank supported emergency cash transfer programs to families affected by 2005 earthquake and 2010 floods have shown positive effects. The impact evaluation of Pakistan Citizen Damage Compensation Program (CDCP), a cash transfer initiative for the population affected by 2010 floods revealed a significant positive impact on livestock ownership and productive assets, and a significant reduction in vulnerability to shocks. The proposed project will benefit from lessons learnt from the Eastern Recovery Project in the Democratic Republic of Congo and the Flood Emergency Cash Transfer Project in Pakistan, with respect to utilizing third parties to build and implement robust beneficiary engagement and outreach mechanisms, operational reviews, and beneficiary surveys.

31. The project design includes elements coming from well-known flagship programs such as Brazil Bolsa Familia, Mexico Prospera (former Oportunidades), and Pakistan BISP. Important elements incorporated in the proposed project include: (i) unanimous buy in from all key stakeholders; (ii) strong Federal and FATA Secretariat collaboration on design and

¹⁹ More evidence on the effectiveness of cash transfers to returnees is provided in Annex 5.

implementation; (iii) credible implementing institutions such as NADRA with prior experience in such projects; and, (iv) extensive use of Information Technologies (IT) for registration (including biometric verification) and payment (debit/ATM card).

32. Evidence regarding the use of ICT and technology based systems from cash transfers in emergency situations globally has also been incorporated into the design of the project. Robust online systems will be used for real time enrolment and verification of beneficiaries being supported by NADRA at OSS. Platforms of Payment Service Providers (PSP) will be used to deliver real time electronic payments to beneficiaries using branchless banking infrastructure. These best practices are based on lessons learnt in Pakistan and Mali, where ICT solutions were used in remote conflict-affected communities.

4. IMPLEMENTATION

A. Institutional and Implementation Arrangement

33. **The EAD will be responsible for the overall coordination and monitoring of the project.** The EAD assumes the responsibility for donor coordination and reporting, and for managing fund flows to Payment Service Providers' accounts. The EAD will also provide a platform for project coordination with NADRA and key FATA government agencies, including the FATA Secretariat, Law and Order Department, Return and Rehabilitation Unit, Planning and Development Department, Department of Health (DoH), and FATA Disaster Management Authority (FDMA). To ensure effective coordination, an agency agreement will be signed by all project implementing stakeholders including FATA Secretariat (representing DoH & FDMA), Payment Service Providers, and NADRA to agree on respective responsibilities and to get the stakeholders consent to translate these responsibilities into implementation in accordance with the Project Operational Manual. In addition to this, it has been agreed with the government that the existing PSPs engaged for disbursement of the ERG will continue to provide services for LSG and CWG disbursement and that the government will hire PSP services through its own resources and not through the Technical Assistance funds under Component 3 of the project.

34. **NADRA will be the implementing entity of the project.** NADRA will provide all technical and operational support for field implementation of the project. NADRA's competency is based on the institution's experience gained from past emergency operations including the earthquake and flood responses, as well as supporting the implementation of BISP. NADRA has already developed the proposed project's operational procedures, which have now been fully detailed in the Project Operational Manual (POM) with inputs from the Department of Health. The POM will provide all concerned stakeholders with guidance on implementation procedures along with any necessary training, follow-up support and advice on their respective roles. NADRA's key responsibilities will be: (i) implementation of a comprehensive communications campaign; (ii) further development and maintenance of the project MIS; (iii) setting up and operation of OSSs; and, (iv) acquisition and subsequent verification of biometric data on-site. Annex 3 includes the list of responsibilities by each participating agency.

35. **Key decisions and oversight.** An Steering Committee (SC) composed of key stakeholders including EAD, Ministry of Finance, Ministry of States and Frontier Regions (SAFRON), Support

and Management (S&M) Secretariat, and the allied government departments' agencies of FATA (which include FDMA, Department of Health, and Return and Rehabilitation Unit) will provide overall operational oversight and decision making support in terms of key project outcomes and deliverables. The SC will be convened by EAD every quarter. EAD can call upon the SC in case of emergency. Furthermore, a Review Committee (RC) will be established and meet on a monthly basis to resolve project operational issues. The POM and key process-based agreements with stakeholders will be endorsed by the members of the SC. In addition, the PMU set up in EAD will report progress to both the SC and RC as their Secretariat.

36. **Phased-rollout establishment of OSS.** The 18 planned OSSs to be set up by NADRA will support project implementation and operations in the field for registration, verification and payment of all eligible beneficiaries, as well as provision of child health services for eligible beneficiaries. Opening of OSSs will be phased according to TDPs return schedule. The implementation of the OSS by NADRA will involve close coordination and work relationship with FATA government agencies including the FATA Secretariat. A suitable location for each OSS will be identified by NADRA, in discussion with local authorities. Child health services will be rolled out in four pilot OSSs in the first stage. The potential rollout will follow a careful assessment of the intervention with respect to take-up of various services and delivery of benefits.

37. **Grievance Redress Systems.** The project beneficiaries will be able to access the OSS to submit complaints and appeals concerning targeting, registration, enrollments, verification, ERG, LSG, and CWG payments, and the quality of services being provided. Beneficiaries will also be able to obtain information updates. The OSSs will use a MIS based grievance redress module to be managed by NADRA and DoH, partner agencies and partner banks that will address grievances as per the agreed procedures laid on in the POM. NADRA will maintain records of the details of lodged, resolved and pending cases as well as actions taken by each OSS. NADRA will provide updates on cases and actions to the RC in a timely manner. The project will also maintain a referral mechanism at each OSS for any appeals and grievances which are beyond the scope of the project but are related to the overall government program. These cases will be referred to respective GRM established by the government with appropriate counselling support.

38. **Social Mobilization, Strategic communication and beneficiary feedback mechanisms.** The overarching goal of beneficiary mobilization, outreach and communications is to support and facilitate the design and implementation of the project. A comprehensive beneficiary awareness and mobilization campaign will be implemented to sensitize potential beneficiaries about the early recovery package and child health services prior to the activation of the OSS. Standardized communication guidelines for beneficiary facilitation at the OSS will also be prepared, including counseling and awareness sessions for the beneficiary families to apprise them on the package of services that are being offered (See Annex 7 for more details). Finally, beneficiary feedback surveys will provide information on stakeholder engagement and outreach.

B. Results Monitoring and Evaluation

39. Project activities will be monitored on an ongoing basis to support the PDO achievement. NADRA will be in charge of planning and executing the Monitoring and Evaluation of the project. The key PDO indicators and intermediate outcome indicators detailed in Annex 1 will be collected

and reported in regular monitoring reports and quarterly progress reports. To monitor the progress of each component over the life of the project, NADRA will develop and maintain administrative indicators and reports accessible through the program MIS.

40. In addition to administrative data collected and reported by NADRA, Beneficiary Surveys will be conducted to collect information on progress against intermediate indicators. Due to the difficulty in collecting baseline data on TDPs, an impact evaluation will not be conducted. Instead, these beneficiary surveys will allow monitoring of progress towards achieving outcomes. On a sample basis, beneficiary surveys will examine the experience of beneficiaries, to provide qualitative and quantitative assessment of performance from the beneficiaries' angle and provide insights on levels of food and non-food consumption, allocation of cash grants by different types of expenditures, investments in productive assets and child health visits. Any potential difficulties in converting cash into consumption goods due to supply-side constraints will also be identified for subsequent course correction. The beneficiary surveys will exploit the staggered return of displaced families to capture the experience and outcomes of returnees at different stages of the project life cycle.

41. Under the proposed project, access of Bank teams to project areas in FATA is likely to remain limited given the prevailing security situation. This limited access to project areas will adversely influence the Bank's ability to monitor the project activities. Project monitoring will therefore require combination of several proven mechanisms such as third party monitoring and process evaluations, which are usually part of any cash transfer program. The Government project team will be concurrently undertaking the Spot Check and Process Evaluation exercises to ensure that real time feedback is provided to the project for timely course correction. These two mechanisms are scheduled to start at a very early stage during the first year and will cover the complete cycle of operations starting from hiring of the team to training, enumeration, data entry, payment & case management exercise. For effective triangulation of these findings, the Bank team will simultaneously initiate a similar exercise of spot check, process evaluation and beneficiary assessment but with a much smaller sample. Other strategies including third party validation and evaluation of outcomes and integrating Management Information Systems (MIS) to be established through Component 3 into the monitoring framework will also be part of the project M&E strategy.

C. Sustainability

42. **Government ownership.** The Government is committed to supporting the early recovery and sustainable rehabilitation of FATA affected areas through a comprehensive approach laid out in the FATA R&R Strategy. The proposed project will support implementation of the early recovery phase presented in the Strategy by setting up systems and providing an early recovery package to about 120,000 families in five FATA Agencies. The Government's commitment to the overall program will extend this support to the remaining eligible families.

43. The proposed project is part of a comprehensive assistance package and represents an initial necessary step towards the longer-term rehabilitation of TDP families. In parallel to the income support interventions to be provided by the proposed project, the Government Strategy includes a set of other programs, from rehabilitation of basic physical infrastructure (such as

housing, schools, health centers, irrigation, etc.) to providing short, medium and long term livelihood opportunities (including public works, skills training, asset transfers, etc.).

44. **Systems building.** Since the scope of the proposed project is limited to the early recovery phase, its sustainability is bounded by definition. However, the safety net delivery systems built by the proposed project will enhance the capacity of the government to better respond to future crises, by strengthening the emergency response safety net delivery systems in FATA in a sustainable manner. Moreover, the registration of cash grant beneficiaries by NADRA will enable poor families to register with BISP, once its coverage in FATA will expand.

5. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

| Systematic Operations Risk- Rating Tool (SORT) | |
|---|-------------|
| Risk Category | Rating |
| 1. Political and Governance | Substantial |
| 2. Macroeconomic | Moderate |
| 3. Sector Strategies and Policies | Moderate |
| 4. Technical Design of Project or Program | High |
| 5. Institutional Capacity for Implementation and Sustainability | Substantial |
| 6. Fiduciary | Substantial |
| 7. Environment and Social | Substantial |
| 8. Stakeholders | High |
| 9. Other (Security) | High |
| OVERALL | High |

45. Given the exceptional context and nature of the support as well as the challenging location in which project implementation will occur, the project faces a series of serious risks during project preparation and implementation. The Bank team therefore assesses the overall risks as high. Major project risks are: security, stakeholders and counterpart funds. Pakistan's political landscape is subject to sudden change with a history of political instability and changes of government through non-constitutional means. Social risks are closely related to mobility issues especially for children, cultural attitudes to vaccination and the ability of partner organizations to operate in the area. Most of these risks have been addressed in project design but remain potentially significant.

46. **Technical Design.** The proposed project includes many innovative features; however, there are multiple inherent uncertainties. For cash support, a critical concern is the possible delay of TDPs return. The government has announced a repatriation schedule, however the situation remains fluid. If the return is delayed, implementation of cash payments will also be delayed, leading to slowdown in project implementation and disbursement. Furthermore, it is likely that cash payments may not reach all beneficiaries due to issues in identity verification, or

unavailability of CNICs. To mitigate these concerns, the project will utilize the existing back-end database to ensure a robust approval process using NADRA biometric, bank registration databases, and CNICs. If security situation permits, NADRA may also use their mobile CNIC registration vans to facilitate potential beneficiaries in obtaining their CNICs.

47. Another concern is that the child health component will add complexity to emergency operations. OSSs to be set up as single window operation and maintenance of close coordination with the DoH, will help ensure that the operation remains simple and coordinated. TDPs need to be fully informed about the purpose of cash payments as well as CWG, therefore the inclusion criteria will be announced through a proper communication, outreach and mobilization campaign. A communication campaign requires thorough consideration and support from local opinion leaders²⁰ to promote acceptance of CWG. The program design deliberately restricts the conditionality for the CWG to only awareness sessions to avoid any misunderstanding by the community that they are being involuntarily asked to receive health services. This will also alleviate their concerns that might have arose earlier on after being provided health assistance under the guise of support by the security personnel in the camps. These and other challenges will need to be mitigated through support of local community organizations active in FATA and supplemented through other mechanisms. A POM endorsed by all stakeholders will help in bringing all parties on board with shared understanding of technical and operational aspects of program implementation and supervision. Given the increased risks associated with an emergency environment, the Bank will seek to increase oversight and supervision, adapting methods to the specific context of the project.

48. **Communication with Stakeholders and Beneficiaries.** The project involves many non-conventional stakeholders, possibly with different priorities and interests. Coordination between these entities will become extremely difficult. EAD and the SC will mitigate this coordination risk by formalizing regular information sharing processes and protocols among stakeholders. Standardized communication guidelines for beneficiary facilitation at the OSS will also be prepared, including counseling and awareness sessions for the beneficiary families to apprise them on the package of services that are being offered (See Annex 7 for more details).

49. **Security.** Effective assessment of the current security situation is curtailed by the limited accessibility to FATA's affected areas for the Bank team. This necessitates an assessment on the basis of information gathered from various sources, generated primarily by government agencies. The team foresees the difficulties in direct monitoring and supervision in the field. High security-related risks may interfere with timely achievement of project outcomes. It is uncertain whether the TDPs return will proceed as scheduled that may result in delayed project implementation. Even if TDPs go back as scheduled, some may find the location unsafe and choose to stay outside FATA. Furthermore, due to uncertainty, TDPs may choose not to bring the entire family back home until they feel that the situation is satisfactorily safe. In this case, the head of the family may get cash payment while the family stays outside FATA – the cash payment may not be used to restore their livelihood in the location of origin. Despite the external security risks, the flexibility of the OSS design and NADRA's experience in quick mobilization will assist the

²⁰ Community elder, tribal leaders, religious

project in adjusting to the changing environment. The project is cognizant of the reality that some TDPs may move back to safe havens if they perceive the environment unsafe and resultantly does not put any conditionality for them to stay back.

50. **The recurrence of militancy** draws another risk which is linked to the overall security in the region and is a matter of concern for the government, more specifically in the context of the project. Currently the government is ensuring that repatriation is announced for only those areas which have been cleared by the army and declared as safe. These areas are fully cordoned off by either the army or the paramilitary forces and all movement in and out are being strictly monitored. Though there is a chance for retaliation by the militant groups but the current feel is that they will not be organized enough to attempt a direct confrontation with the government in areas that have already been secured by the military. However, the existing OSS model allows for a quick roll back of the facility in case of such an eventuality. The Bank team will work closely with EAD and NADRA to update and assess the situations and be prepared for any necessary change of course. As a mitigation measure, the government will maintain a close communication with local community leaders to ensure that early warnings are effectively communicated to the population for a possible evacuation. The Bank team has obtained assurance in the legal agreements that the Government shall remain responsible for the safety of participating TDPs as well as the OSSs and their personnel.

51. **Political & Governance.** Due to continued militancy in the region and lack of formal control of the government, the institution set up and the writ of the government did not exist. This led to deterioration of the informal governance structures that were being managed through the traditional authority of local leaders (Khans and Maliks). The social fiber of the region post militancy, has been completely destroyed and challenged, which has led to chaos posing challenges for the government to re-establish linkages. For local people, the time tested reliance on the local elders and leaders has also grown weak. It is understood from the government's strategy that it will try to establish state-citizen linkages by introducing alternatives to the loose traditional social structures to which the local population had been familiar with. This may affect the social structure of the communities and pose a risk as the population will consider the project as one of the government's ways to challenge their traditions and autonomy. However, political commitment, ownership and public opinion in favor provision of support to TDPs is high. Moreover, citizen-state relationship, improved governance and service delivery are important components of long term development and governance reforms embedded in the FSRRS, envisaged to be initiated parallel to rehabilitation support phase. In addition to this, the operational audit of the project will also ensure that any risk of misuse of resources during implementation of the project or by the militant groups are also highlighted in advance through regular monitoring so that timely and effective steps are taken to mitigate.

6. APPRAISAL SUMMARY

A. Economic Analysis

52. Given the lack of representative data for FATA, the economic analysis discusses the economic rationale of the project, the benefits level and structure, and its cost and expected impact,

rather than providing a complete cost-benefit analysis. The FATA post-crisis needs assessment and the Food Security and Market Assessment for FATA conducted under similar conditions in 2010 shed light on the situation that would be faced by TDP families in the absence of the project. It suggests that (i) households in FATA experience poverty and vulnerability to a much larger extent compared to the rest of Pakistan, (ii) shocks associated with the militancy crisis significantly worsened pre-existing difficulties, and (iii) poverty and vulnerability are particularly pronounced among TDP households and returnees.

53. Under these circumstances, the impact of the proposed project is expected to be threefold. First, evidence from cash transfer programs for returnees suggests that the project impact on food security and vulnerability of returning families will be significant. The ERG and LSG could in addition produce returns beyond the benefit period, by facilitating livelihood restoration and reducing the necessity to adopt coping strategies that are harmful in the long-run. Second, very poor health outcomes of children in FATA combined with previous evidence on the positive impact of interventions promoting child health, suggests that child health services impact can be substantial. The child health component of the project is anticipated to promote positive health seeking behavior and increase children health check-up visits. Finally, the proposed project is expected to generate returns beyond the life cycle of the project, by strengthening emergency response safety net delivery systems that could be used for future emergency interventions in the targeted areas. The detailed economic analysis is presented in Annex 5.

B. Technical

54. The Early Recovery Grant (ERG) amounting to US\$350 was calculated to cover large fixed costs associated with transportation, livelihood restoration, and ensuring adequate living conditions. This would include the purchase of immediate necessities, potential housing repair/reconstruction, but also possible investment in assets and productive activities. The Livelihood Support Grant (LSG) will be delivered in four monthly installments of US\$ 40 per family after return to FATA. Since the aim of the LSG is to provide returnees with regular and predictable subsistence income while livelihood activities restarted, it was decided that delivery of this component would be in monthly installments. The benefit period of 4 months corresponds to the average length of an agricultural cycle for wheat or maize, the main crops cultivated in FATA. It will allow coverage of families basic food needs before revenues are generated from the next agricultural cycle. The benefit amount will be set at US\$ 40 per month per family, which is the median food consumption level (net of the WFP food basked distributed to returnees) of the bottom 40 percent in KP, adjusted for the average family size in FATA. The benefit amount will be independent of family size due the low variance of family size in the targeted areas, and the limited capacity to deliver differentiated benefits in emergency situations.

55. The Child Wellness Grant (CWG) amounting to US\$75 will be provided on a trial basis in 4 OSS to selected areas of FATA, to each family with children under 24 months in FATA after registering their children with the program and upon the completion of child health visits. The CWG will be received in three installments of US\$25 corresponding to three visits to the point of service, occurring at the first contact, 2 months later, and 9 month later. This periodicity corresponds to key episodes of health check-ups and immunization for young children. The grant amount was calculated to cover both the opportunity cost and transportation cost of families to go

to the OSS. Round-trip costs per family for one visit were estimated at US\$12. The opportunity cost of bringing children to the health center was proxied by two average daily wages for FATA, estimated at US\$13. In that regard, emerging evidence on monetary or in-kind compensation for health visits suggests a rather large elasticity of child health services utilization to cash transfer amounts. The CWG is therefore thought to be sufficiently large to facilitate child health visits during the lifespan of the project, but sufficiently small to avoid expectations of compensation for health visits beyond the life cycle of the project.

56. Other technical aspects and experiences taking account in country experiences, pertaining to implementation and operations, include CNIC and biometric based identification and enrolment of eligible beneficiaries, including technology based cash transfers, robust MIS based grievance and case management systems, as well as ensuring local communication channels are effectively utilized. Additional detail on the rationale behind the benefit amount, duration and coverage of the project interventions provided in Annex 5.

C. Financial Management

57. The project's overall financial environment was reviewed and provides reasonable assurance that financing will be used for the intended purposes, subject to the implementation of mitigating measures for the identified risks. Specific attention was devoted to the principles of economy, efficiency, effectiveness, transparency, and accountability, and the project appears to be able to support implementation and achieve the desired results.

58. EAD will be responsible for managing the financial flows of cash transfers to eligible beneficiaries under Components 1 and 2. NADRA will manage all agreed implementation, procurement and operational requirements, including capacity enhancement support for EAD, FATA Secretariat, FDMA and DoH under Component 3.

59. EAD and NADRA will have separate Designated Account (DA) established in US Dollars. Disbursements will follow the 'report-based' disbursement. Funds will be front loaded to the respective DA, based on the cash forecasts for the following semi-annual basis provided in the Interim Financial Reports (IFRs). Implementing entities will submit their respective semi-annual IFRs within forty-five days of the close of six months. A Project Operational Manual is being prepared, which would define the policies and guidelines for funds flow control including the delivery of cash grants to the TDPs, financial reporting and auditing. The Financial Management arrangement is further discussed in Annex 3.

60. There are six IDA-financed operations in Pakistan which have not refunded or provided documentation on the use of Designated Accounts/Special Accounts (DA/SA) after the deadline of two months after the end of the "grace period" (i.e., the "lapsed loan" date, normally six months after the Closing Date). In line with the Disbursement Guidelines (para 5.2, failure to refund unused Designated Accounts/Special Accounts balances results in the Bank not permitting the use of DA under new loans/credits.

D. Procurement

61. NADRA, which was established in March 2000 as an autonomous agency under the Ministry of Interior, will be responsible for carrying out procurements under this project. NADRA has the mandate to manage the civil registration database of all the citizens of the Pakistan. It follows Public Procurement Rules, which were promulgated in 2004. Procurement function is centralized and is being carried out by Procurement Department. NADRA has worked with the Bank on a recent Flood Emergency Cash Transfer Project. The project was executed smoothly and the procurement performance has remained satisfactory during the project. However, there is a need to strengthen the contract management, complaint management and record keeping mechanism.

62. The Bank's guidelines for "Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants January 2011" (Revised July, 2014) and "Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers January 2011" (Revised July, 2014) will be followed for the implementation of this Project. Project procurements would largely cover selection of consultancies, both firms and individuals, besides some goods. These goods will include IT Equipment, Vehicles, Office Furniture, Communications Equipment etc. Overall procurement risk is rated as Substantial.

63. NADRA has already prepared a procurement plan for first 18 months of the project, and this being an emergency project it is highly recommended that NADRA should start procurement of key activities for the first year so as soon as the project gets effective. The necessary preparation to get to the contracting stage by the time the project gets effective, need to be initiated immediately.

E. Social (including safeguards)

64. No resettlement or displacement of people is expected to take place as no land acquisition is involved for building infrastructure or any other activities. No physical works, construction, reconstruction or rehabilitation activity is envisioned as part of the project. Therefore, OP 4.12 will not be triggered. The Project is located in an area with no traces of indigenous communities as per Bank's screening process. Hence OP 4.10 will also not be triggered. The project will mitigate the devastating impacts on livelihoods faced by TDP communities in crisis affected areas and facilitate their early livelihood recovery.

65. The Project undertook consultations with a range of stakeholders during the preparation phase. This included consultations with male and female TDPs, health service providers, NGOs/CBOs working in FATA and other partners. Consultations will continue during the implementation phase through social mobilization.

66. The project has comprehensive consultation and beneficiary outreach mechanism with regard to early recovery cash transfers and child health promotion. A gender and conflict-sensitive Social Mobilization Strategy will be prepared in the initial phase and will be implemented through partner NGOs and CSOs already working in FATA. The mechanism will rely on local third parties, as well as government departments and local leaders who will be involved to stimulate demand

through identifying potential beneficiaries, creating awareness, devising solutions for suitable travel arrangements and dispel misconceptions surrounding vaccinations. Mobilization at the household level can be sourced out to local CBOs (contrary to popular perceptions, there are a number of women led CBOs actively working in FATA). These local CSOs will be effective conduits between the local people, the government and military and can potentially be the key to the success of the Child Health Promotion intervention.

67. A communication strategy will also be developed to create awareness. Beneficiary feedback surveys will take place to obtain continuous feedback and to fine tune project activities (see Annex 7 for details). Beneficiary feedback will be ensured through regular surveys. This will include both quantitative and qualitative aspects and will include women as far as possible.

68. A Grievance Redress Mechanism²¹ (GRM) will be developed and implemented as part of project activities. This will assess and include innovative technology-based mechanisms for grievance redress as far as possible.

F. Environment (including Safeguards)

69. Most of the activities under the project are environmentally benign and will not result in any environmental degradation. However, the CWG is linked to incentivizing uptake of child health visits by the affected families, while though not funded by the project, the supply side arrangements for vaccination as part of child health services will be prepared by the FATA Secretariat/Health Department along with the One Stop Shops in the villages where TDPs would be returning. Inappropriate practices during provision of the health services at these facilities can potentially cause health and safety hazards for the health service providers as well as for the children, their parents, and public at large. These include not using safe/sterilized syringes and needles, health services providers/ vaccinators not observing appropriate safety protocols and not disposing used syringes and needles in a safe and environment-friendly manner. However, immunization services in FATA and Pakistan have well defined protocols and in accordance with these protocols, hands-on trainings and supply of consumables including auto-destruct syringes, needle cutting devices and disposable containers to reduce health and safety hazards will be included in the project. With the help of these protocols, the environmental concerns of the project will be sufficiently addressed and therefore, the project has been classified as Category B in accordance with the OP 4.01. No other safeguard policy is triggered.

70. To address the above concerns, the GoP has prepared an Environmental and Social Management Plan (ESMP) in accordance with the national regulatory requirements as well as World Bank guidelines. The ESMP identifies and assesses the potentially negative environmental including public health and social impacts of the health services to be provided under the project. It also proposes appropriate mitigation and precautionary measures to address these negative impacts. In addition, monitoring, reporting, and capacity building requirements are also included in the ESMP.

²¹ For details on GRM, please see Annex 2

71. NADRA through the FATA Health Department will be overall responsible for the ESMP implementation. ESMP focal points will be designated within EAD, NADRA, and the Health Department to ensure implementation of various elements of the ESMP.

72. Stakeholder consultations have been carried out while preparing the ESMP and will continue thereafter. These consultations have been carried out with the beneficiaries (TDPs), the key officials of the health department and environmental protection agency as well as with some relevant CSOs.

G. World Bank Grievance Redress

73. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit www.worldbank.org/grs. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project (P154278)

Results Framework

The Project Development Objective is to support the early recovery of families affected by the militancy crisis, promote child health, and strengthen emergency response safety net delivery systems in the affected areas of FATA.

| Project Development Objective Indicators | | | | | |
|---|-----------------------|--------------------------|------------------|------------------|------------|
| Indicator Name | Baseline (FY 2015) | Cumulative Target Values | | | |
| | | YR1 (FY 2016) | YR2 (FY 2017) | YR3 (FY 2018) | End Target |
| Number of Families Receiving Early Recovery Package (Number – Sub-Type: Breakdown) - (Core) | 0 | 20,000 | 70,000 | 100,000 | 100,000 |
| Number of families with children aged 0 to 24 months attending child health awareness sessions (Number) | 0 | 5,000 | 20,000 | 50,000 | 50,000 |
| Number of fully functional One Stop Shops with access to MIS (Number) | 0 | 4 | 10 | 15 | 15 |
| Intermediate Result Indicators | | | | | |
| Indicator Name | Baseline (FY 2015) | Cumulative Target Values | | | |
| | | YR1 (FY 2016) | YR2 (FY 2017) | YR3 (FY 2018) | End Target |
| Proportion of grievances attended within 60 days (Percentage) | 0 | 40% | 45% | 50% | 50% |
| Beneficiary Families of Child Wellness Grant (Number – Sub-Type: Breakdown) - (Core) | 0 | 5,000 | 20,000 | 50,000 | 50,000 |
| Number of One Stop Shops providing child health services (Number) | 0 | 2 | 4 | 4 | 4 |
| Proportion of beneficiaries satisfied with the Early Recovery Package (Percentage) | 0 | 0 | 60.0 | 60.0 | 60.0 |
| Proportion of beneficiaries satisfied with the Child Wellness Package (Percentage) | 0 | 0 | 60.0 | 60.0 | 60.0 |
| Public information campaign carried out as per the agreed communication strategy (Yes/No) | No | Yes | Yes | Yes | Yes |

| | | | | | |
|---|----|-----|-----|-----|-----|
| Proportion of beneficiary families informed about their eligibility for the Child Wellness Grant (Percentage) | 0 | 25% | 65% | 85% | 85% |
| Number of NADRA and stakeholder staff trained on the MIS | 0 | 100 | 150 | 200 | 200 |
| Dissemination of monitoring and evaluation report on a semi-annual basis, within one month from the end of the previous 6 months (Number) | 0 | 1 | 2 | 5 | 5 |
| MIS for enrollment and payments in place (Yes/No) | No | Yes | Yes | Yes | Yes |
| Process evaluation of project cycle conducted (Yes/No) | No | Yes | Yes | Yes | Yes |

Indicator Description

| Project Development Indicators | | | | |
|---|--|-------------|--|------------------------------------|
| Indicator Name | Description (indicator definition etc.) | Frequency | Data Source/methodology | Responsibility for data collection |
| Number of Families Receiving Early Recovery Package (Number – Sub-Type: Breakdown) - (Core) | This indicator provides data on families that have benefitted from the Early Recovery Package (Livelihood Support Grant and Early Recovery Grant) and keeps the target of around 80% of the total 120,000 families to be supported through the project. This indicator will be disaggregated by gender (in absolute numbers) | Quarterly | Administrative data from MIS | NADRA |
| Number of families with children aged 0 to 24 months attending child health awareness sessions (Number) | This indicator measures the extent of utilization of services. It will include all beneficiary families who have attended at least one child health awareness session (in absolute numbers) | Quarterly | Administrative data from MIS | NADRA |
| Number of fully functional One Stop Shops with access to MIS (Number) | This indicator measures the availability of one stop shop centers. To be categorized as fully functional, a One Stop Shop must perform three key tasks of service delivery: a) Identification and enrollment of beneficiaries, b) Payments for cash transfers, c) Grievances and case management | Semi-annual | Operational Review Reports | NADRA |
| Intermediate Results indicators | | | | |
| Proportion of grievances attended within 60 days (Percentage) | This indicator captures citizen feedback on the project delivery | Semi-annual | Administrative data from MIS, beneficiary survey | NADRA |
| Beneficiary Families of Child Wellness Grant | This indicator provides data on families that have benefitted from the Child Wellness Grant. | Quarterly | Administrative data from MIS | NADRA |

| | | | | |
|---|--|-------------|---------------------------------------|-------|
| (Number - Sub-Type: Breakdown) – (Core) | This indicator will be disaggregated by gender (in absolute numbers) | | | |
| Number of One Stop Shops providing child health services (Number) | This indicator measures the availability of one-stop-shop centers able to provide child health services. In addition to the three key tasks of delivery a fully functional OSS must fulfill, such an OSS must meet the following additional conditions: a) A continuous supply of vaccines for routine immunization, as prescribed in the national EPI b) Availability of equipment for child malnutrition screening: Scales or MUAC (mid upper arm circumference) tapes, growth charts and growth cards c) A buffer stock of vaccines of at least four weeks and optimum conditions for storage of vaccines d) Functional cold chain with temperature maintained at 4-8 degree centigrade or less e) Lady Health Worker, Female Health Technician, or paramedic trained in growth monitoring. f) Waste management in place g) Trained staff for conducting counselling and awareness sessions h) Vaccination counters issuing vaccination cards | Semi-annual | Administrative data from MIS | NADRA |
| Proportion of beneficiaries satisfied with the Early Recovery Package (Percentage) | This indicator measures the overall satisfaction of beneficiaries with the Early Recovery Package program | Once | Beneficiary survey | NADRA |
| Proportion of beneficiaries satisfied with the Child Health Grant (Percentage) | This indicator measures the overall satisfaction of beneficiaries with the Child Health program | Once | Beneficiary survey | NADRA |
| Public information campaign carried out as per the agreed communication strategy (Yes/No) | This indicator will be collected as part of the Operational Review Exercise | Semi-annual | Monitoring report | NADRA |
| Proportion of eligible families informed about their eligibility for the Child Wellness Grant (Percentage) | This indicator measures the effectiveness of the beneficiary mobilization campaign | Annual | Monitoring report, Beneficiary survey | NADRA |
| Number of NADRA and stakeholder staff trained on the MIS | This indicator reflects the number of NADRA and stakeholder staff engaged in the Project who receive training on the MIS | Semi-annual | Monitoring report | NADRA |
| Dissemination of monitoring and evaluation report on a semi-annual basis, within one month from the end of the previous 6 months (Number) | NADRA will publish M&E reports based on data generated with MIS. Quarterly feedback of the Operational Review firm will also be part of this reporting | Quarterly | | NADRA |

| | | | | |
|--|--|-----------|-------------------|-------|
| MIS for enrollment and payments in place (Yes/No) | MIS installed and functional at the OSS | Once | Monitoring report | NADRA |
| Operational Review of project cycle conducted (Yes/No) | Operational Review will be conducted on a continuous basis by a third party firm and reports are expected to be submitted every quarter. | Quarterly | Monitoring report | NADRA |

Annex 2: Detailed Project Description

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project

1. The Project Development Objective is to support the early recovery of families affected by the militancy crisis, promote child health, and strengthen emergency response safety net delivery systems in the affected areas of FATA.

A. Context of the intervention

2. **Background on FATA.** The Federally Administered Tribal Areas (FATA) span the region situated along Pakistan's border with Afghanistan with the Durand Line forming the region's western border. FATA comprises seven agencies (Bajaur, Khyber, Kurram, Mohmand, North Waziristan, Orakzai and South Waziristan) and six frontier regions (FRs) (Bannu, FR Dera Ismail Khan, FR Kohat, FR Lakki, FR Peshawar and FR Tank). The population of FATA as per the 1998 Census was 3.18 million, which is presently estimated to have increased to 4.6 million. The region has long been an area of strategic importance, but has experienced high levels of instability and insecurity since the former Soviet Union's invasion of Afghanistan. Years of regional instability underpinned by decades of poor governance have shaped the crisis that continues to unravel in FATA. Although significant efforts have been made in recent years to introduce legal and institutional reforms, marginalization and inequity continue to prevail. Lack of access to basic services and productive livelihood opportunities continue to hinder the development of a large part of the population. The situation is exacerbated by the region's insecure environment due to militancy which remains a concern for most residents of FATA, given its continued impact on their daily lives.

3. **Start of Militancy crises in FATA.** In early 2009, the government launched major security operations in KP and FATA to root out pockets of militants. Significant damage to physical infrastructure and services led to a large number of Temporarily Displaced Persons (TDPs) losing their homes and livelihoods - approximately 3 million people were displaced. The militancy crisis affected not only TDPs but also those who stayed behind, some of whom being just as poor and vulnerable as the TDPs. Majority of TDPs from the 2009 militancy crisis have gone back to the original locations.

4. **The 2009 PCNA.** Given the severity of the situation as outlined above, the Government of Pakistan carried out a Post-Crisis Needs Assessment (PCNA) in 2009 to identify the root causes of the militancy crisis and possible areas of intervention. Based on the PCNA, four strategic objectives were defined to address the drivers of the crisis: (i) to build the state's responsiveness and effectiveness in order to restore citizen trust; (ii) to stimulate employment and livelihood opportunities; (iii) to ensure the delivery of basic services and; (iv) to counter radicalize and foster reconciliation.

5. To facilitate the implementation of these objectives, nine key sectors were also identified: (i) governance, (ii) the rule of law, (iii) agriculture, (iv) non-farm economic development, (v) education, (vi) infrastructure, (vii) health, (viii) social protection, and (ix) strategic communication. Since the launch of the PCNA, total investments have reached US\$ 1,072 million

with 78 percent of contributions coming from the Government of Pakistan (US\$ 834 million) and 22 percent from its development partners (US\$ 238 million). Although this represents a substantial financial commitment on the part of all actors, the investment has been concentrated in a few sectors (mostly infrastructure, agriculture, health and education), while other sectors have been relatively neglected (strategic communication, social protection, non-farm economic development and governance).

6. **The Recent crisis.** In response to militancy, in June 2014, the Army launched a second security operation in various agencies of FATA, approximately 340,000 families were displaced. Survey data reveals that families in militancy-crisis areas, especially displaced families, were hit by severe shocks. These include significant losses of livelihood resulting into a drop in earnings, leading to insufficient food consumption and harmful coping strategies. FATA's infrastructure and installations also suffered significant damages; the initial damage assessment²² shows that damages in infrastructure widespread to all sectors necessary to provide basic services to population, such as water, electricity, livelihood, education, and health.

7. **The TDP situation.** The latest wave of displacement has brought the total FATA displacement caseload up to an estimated 340,000 families – around 2 million of TDPs – of which around 70 percent are women and children. Most of the displaced population has chosen to reside in hosting communities within the neighboring province of Khyber Pakhtunkhwa (KP). Only a small percentage – around five percent - of families have chosen to live in the formal camps set up and supported by the Government of Pakistan and various humanitarian partners. The continued presence of this additional population is increasing pressure on the already stretched resources (particularly water, education, and health) of the hosting districts in KP.

8. **The return process.** With the conclusion of the recent military operations in FATA, the government has finalized a strategy to support the voluntary return of TDP families to their areas of origin in FATA over the next two years as part of the code of conduct of the agreed Return Policy Framework. The “Return Policy Framework”, (as outlined in Annex 8) ensures the voluntary, safe and dignified return of the displaced persons from FATA in conformity with the United Nations internationally recognized guiding principles. Overall the return process is sequenced in four phases. In all cases, returns will only take place once the area of origin has been de-notified, the political administration is on board and an agreement has been reached with the tribal elders of the returning tribes and sub-tribes whereby they agree to return voluntarily to their areas of origin and adhere to the code of conduct of the Return Policy Framework, that will promote peaceful returns. These consultations and agreements precede any public announcement of a final date for return. In order to ensure that all TDP families are aware of the return plan and timeline, the government will execute a massive communication campaign to this effect. Clear messages will be sent out to all TDP families (through radio, TV, mobile phone and local organizations) to inform them in advance about the proposed plans for return and to make sure that they have sufficient information.

²² FATA Sustainable Return & Rehabilitation Strategy- 2015

9. Since the start of the repatriation process in April 2014, till start of June 2015 about 36,000 families have voluntarily returned to their homelands by following a registration process. Returning families require immediate support to recoup the source of income and restart their lives. To alleviate these challenges, the Government as well as international and national organizations are contemplating relief and rehabilitation assistance. The Government has already started the provision of early recovery measures such as a lump-sum grant of Rs. 35,000 (US\$350) per beneficiary family. The lump-sum grants are expected to be administered in five out of seven agencies. The World Food Program (WFP) has also put in place the distribution of a food basket for TDP families from all FATA agencies to cover basic food consumption needs. The return schedule originally envisioned by the government can be seen in the following table but the progress is comparatively slow so far even which is explained to some extent by the section that provides details of the return intention survey conducted by the UN.

Number of TDP families from FATA, as of March 2015

| Agency | Families | Duration (months) |
|------------------|----------------|-------------------|
| Khyber | 114,796 | 3 |
| South Waziristan | 2,496 | 1 |
| North Waziristan | 18,117 | 1 |
| Kurram | 1,038 | 1 |
| Orakzai | 4,708 | 1 |
| TOTAL | 141,155 | |

| Phase 2: returns by 31 December 2015 | | |
|--------------------------------------|---------------|-------------------|
| Agency | Families | Duration (months) |
| South Waziristan | 9,026 | 1 |
| North Waziristan | 30,986 | 3 |
| Kurram | 920 | 2 |
| Orakzai | 6,204 | 1 |
| TOTAL | 47,136 | |

| Phase 3: returns by 30 June 2016 | | |
|----------------------------------|---------------|-------------------|
| Agency | Families | Duration (months) |
| South Waziristan | 10,135 | 1 |
| North Waziristan | 11,110 | 2 |
| Kurram | 2,937 | 1 |
| Orakzai | 755 | 1 |
| TOTAL | 24,937 | |

| Phases 4 and 5: returns by 31 December 2016 | | |
|---|----------------|-------------------|
| Agency | Families | Duration (months) |
| South Waziristan | 49,467 | 3 |
| North Waziristan | 40,867 | 5 |
| Kurram | 20,970 | 3 |
| Orakzai | 17,384 | 2 |
| TOTAL | 128,688 | |

Source: FATA Sustainable Rehabilitation and Return Strategy

10. **Return Intention Survey by UN.** Based on a survey carried out the UN Protection Cluster in December 2014, among the 5 tribes of the de-notified areas of Shalobar, Aka Khel, Kamar Khel, Malik Din Khel and Stori Khel in the Bara Tehsil (Kajhoori Plain) of Khyber Agency. 54 percent of displaced persons indicated their intention to return to their place of origin while 38 percent of the IDPs indicated that they do not intend to return while 4 percent of the respondents did not answer the question. The three main reasons for the 38 percent of TDPs not wanting to return to their places of origin are: house destroyed or damaged (35%); safety issues/security concerns (17%) and lack of health services (11%). However, during the debriefing with the enumerators of the UN Protection Cluster, it was explained that many TDPs belonging to the 38 percent indicated that ‘they do not want to return as they were waiting for any announcement from the government’. This clearly shows a lack of information regarding the return process. The survey revealed that the reasons for wanting to return of consulted TDPs (58% of the respondents), was largely because they feel ‘that they have no other options/life in displacement is worse. Also 18 percent said they going back because ‘everybody else is going’ while 7 percent and 6 percent respectively believe that the situation is safe and conducive, and that it is a good time to rebuild their houses. As for the dynamics of the return within the family, 95 percent of respondents stated that they intend to return with the whole family. This seems to indicate that family separation/splitting will not be a common trend. To cater to these identified concerns, the government has prepared a comprehensive FATA Sustainable Return and Rehabilitation Strategy that looks into meeting the requirements of return and rehabilitation of these crisis affected families. In addition to this project taking care of the immediate needs of this population through cash transfers, the government along with other Development Partners is providing support to different phases of the strategy to ensure longer term sustainability to repatriation.

11. **FATA Sustainable Return and Rehabilitation Strategy (FSRRS)** was formulated by the Government in March 2015, based on the needs assessment for the 2014 militancy crisis with inputs from the UN agencies and other development partners. The FSRRS comprehensively identifies the short, medium, and longer term development needs of the entire FATA and is structured around five pillars: (i) physical infrastructure; (ii) law and order; (iii) government service delivery; (iv) reactivation and strengthening of the economy; (v) social cohesion and piece building. Under the FSRRS, social protection was identified as one of the top priority sectoral interventions with cash transfers as an important tool for the emergency response and recovery. The timeline for the rehabilitation strategy as proposed by the FATA Secretariat is 24 months (2015–2016), linked to planned return of the TDP families in phases to be completed by December 2016.

12. As depicted above the comprehensive support to the TDPs will be divided into three phases: (i) Humanitarian support, (ii) Immediate rehabilitation, (iii) Long-term reconstruction and development. Given the specific circumstances of the FATA Region, the reconstruction phase will be initiated in parallel to the early recovery and rehabilitation phases, and will continue for the coming years. The phases not only focus on the rehabilitation and reconstruction of damaged facilities, but also prioritize restoration of livelihoods and interventions in education, health, housing and improving governance and service delivery as complementary development activities. The holistic view of the strategy is reflected in its commitment to introduce, in parallel, the complementary institutional, legal and administrative reforms. This restoration of services and reforms will ensure facilitation to the population when it moves back into their respective regions

13. The PCNA of 2009 and the FSRRS both recognize the importance of safety nets in post crisis situation and recommend cash transfers as the appropriate tool in the early recovery phase to assist in rehabilitation of displaced population, and the proposed project directly contributes to the recovery and rehabilitation phases of the FSRRS. In parallel, the Bank administered MDTF projects will contribute to its reconstruction phase as well, by building service delivery systems that can strengthen the state-citizen relationship. While the scope of the proposed project is limited, it complementarily ensures the sustainability and long-term development of FATA along with the MDTF and other development partners' support, as part of the implementation of the Government program.

14. **The Multi-Donor Trust Fund (MDTF).** The KP, FATA and Balochistan Multi-Donor Trust Fund (MDTF) was established in 2010 as one of the main financing mechanisms to address the recommendations of the PCNA. Administered by the World Bank, the MDTF remains an important source of funding for the implementation of the PCNA recommendations in FATA: Eleven projects with commitments of US\$205.2 million have been implemented in the areas of governance, economic development, education, health, and infrastructure. Currently, the total funds pledged to the MDTF stand at \$205.2 million, allocated to 11 multi-sectoral projects. The MDTF has made gains both in terms of establishing robust delivery mechanisms, as well as achieving solid results on the ground including building of state –citizen trust.

15. In June 2014, the MDTF was extended for five years, from 2015 till 2020, and it was planned to strengthen its delivery mechanisms to make them more efficient and effective. Drawing

from lessons learned, Round II will adopt a programmatic approach which is more flexible, strategic, responsive, and less fragmented. Three program pillars identified include: (i) growth and job creation; (ii) policy reform and; (iii) governance and service delivery. Round two will also incorporate a crisis response mechanism for support to the Internally Displaced Persons to which the proposed project fully contributes.

16. The proposed project as well as the MDTF support livelihoods for the affected TDPs in FATA to facilitate the return of TDPs. The MDTF will continue to support the government's program during the second phase (rehabilitation) of the FSRRS. In this context, the proposed TDP Emergency Recovery Project is an initial necessary step towards the longer-term rehabilitation of TDP families by intervening in an immediate area of support and among others, contributing to an effective state-citizen relationship. A multi-stakeholder Steering Committee has already endorsed the design of the proposed project.

B. Proposed Project & Complementarity With Other Development Initiatives.

17. Keeping in view the Bank's relevant experience and following the request of the Government of Pakistan for support, the World Bank is has prepared the TDP Emergency Recovery Project. The project will provide an early recovery package comprising of a lump-sum transfer of USD 350 per family to help TDPs to restart their lives and livelihoods, and a monthly income support of USD 40 per month per family for 4 months as predictable cash assistance to TDP families that voluntarily return to FATA. The lump-sum transfer and monthly income support complement very well other parallel development initiatives being taken by the Government under the 5 pillars of the FSRRS. The proposed project will also provide a Child Wellness Grant to support families with young children linked to children health visits to be delivered in partnership with the Department of Health. This intervention is part of a broader policy by the government to enhance the take up rate of the National Immunization Program among the vulnerable population in these regions. Finally, the project will build systems for on-going registration of TDP's returning to their homes and provide the foundation for design and delivery of other medium term programs.

18. For the complete set of three different cash grants: the Early Recovery Grant, (ERG), Livelihood Support Grant (LSG), and Child Wellness Grant (CWG), all registered TDP families from the five targeted Agencies are eligible for the ERG, irrespective of their destination. For families that choose to return to FATA, the LSG will also become available upon return to the original locations and all families in the affected Agencies with children aged 0-2 years at the time of the project will be eligible for the CWG. The project will continue to support beneficiaries for a period of three years based on the return scheduled laid out by the government of Pakistan.

19. In addition to the package of early recovery cash assistance to be provided through the proposed project, the Government is in the process of setting up other programs such as rehabilitation of basic physical infrastructure (such as housing, schools, health centers, irrigation, etc.) and providing short, medium and long-term livelihood opportunities (including public works, skills training, asset transfers, etc.). The Government, with support from other Development Partners, has already started to set up initiatives such as the reconstruction of damaged Public Sector infrastructure (schools, hospitals etc.) with support from USAID; six months return rations

provided by WFP; provision of safe drinking water, life-saving basic sanitation, and shelter to the most vulnerable return families by UNHABITAT; and housing reconstruction with possible support from Islamic Development Bank. Since 2010, total investment in KP & FATA has reached US\$ 1,072 million with 78 percent of contributions coming from the Government of Pakistan (US\$ 834 million) and 22 percent from its development partners (US\$ 238 million).

20. During the recent crisis, the government has been able to conjure considerable support from various Development Partners ranging from USD 150 million for the return and immediate rehabilitation, USD 100 million for Housing to USD 423 million for reconstruction. This represents a substantial financial commitment from all actors covering infrastructure, agriculture, health, education and Social Protection.

21. The project will make efforts to ensure complementarity between support provided by Government, World Bank and UN Agencies' for relief, return and rehabilitation of the displaced population of FATA. Coordination with respective UN agencies would allow the project, to benefit from the support for restoring and strengthening of the supply side of health services and child nutrition package, provided by UNICEF & WFP to FATASecretariat; to leverage support for harmonization of efforts in implementing the governments programs, provided to FATA Rehabilitation & Reconstruction (R&R) Unit which led to the establishment of Agency level R&R units supported by UNDP; and, to develop linkages with Agency level R&R units, that already have access to potential program beneficiaries, for enabling effective outreach and communication.

B. Project Components

Component 1: Early Recovery Grant and Livelihood Support Grant

22. After consultation with EAD, FATA Secretariat, Department of Health FATA, FDMA and NADRA it has been agreed that both Early Recovery Cash Transfers and Child Wellness Support be part of the project operations, in addition to a one time Early Recovery Grant of US\$350, after due verification and registration of beneficiaries. In terms of cash transfers, payments consisting of US\$40 per month for 4 months would be provided to the beneficiaries. All beneficiaries will be verified and registered by NADRA and informed of the amount, payment period, and made payments at the One Stop Shops set up within the district by NADRA to facilitate the beneficiaries. The Payment Service Providers will set up Point of Sale at the One Stop Shops, creating branchless banking accounts for payment of these beneficiaries that undergo CNIC and biometric verification by NADRA.

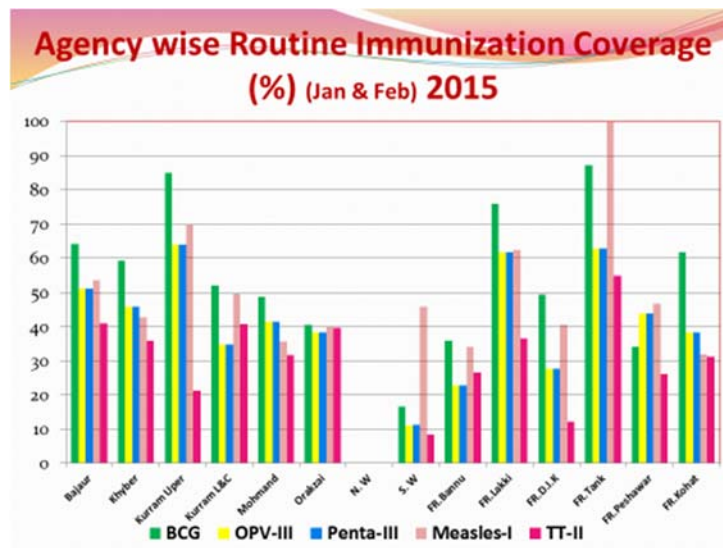
23. **Coverage of Early Recovery Grant and Livelihood Support Grant** - Families with a family head having both addresses (temporary and permanent) on their CNICs from the affected areas of FATA will be eligible for the ERG The FDMA database of TDP families will be used for identification and registration of beneficiary families, which will then be verified by NADRA using CNIC and biometric information. Only families that have received the ERG and are included in the FDMA database will be then eligible for the monthly LSG. The early recovery cash transfer can be received once registered families return to any of the five FATA agencies covered by the project. Once families return to FATA, they must visit the OSS for registration and verification by NADRA. The OSS operated by NADRA in collaboration with the FATA Government and its

allied departments including FDMA and Department of Health, will facilitate the beneficiaries by; (i) completing their eligibility and verification checks based on biometric and CNIC information; (ii) ensuring timely and efficient cash disbursements; (iii) facilitating immunization of children and; (iv) establishing an easily accessible grievance redress system.

24. The overall program will provide payments to affected TDP families belonging to FATA in accordance to the return plan of the TDPs as agreed with the Government of Pakistan, according to the detailed process flow as outlined in Component 3 description. The GoP has already started the provision of ERG broken into two installments to families prior to their return to FATA, based on the FDMA database. As part of the Early Recovery Package to beneficiaries, the Bank will reimburse the ERG to the GoP, only if a beneficiary family satisfies the conditions set down in the Project Operational Manual (POM). Further, the LSG of Rs.16,000 (US\$160) per beneficiary family will be provided in four equal installments staggered over four months to help cover the subsistence needs of returning families and facilitate consumption smoothing while livelihoods are being restored.

Component 2: Promote Child Wellness Services in the affected areas of FATA

25. **Background and the case for child health Services.** FATA is lagging behind in terms of child health outcomes and the aftermath of the influx of TDPs in Khyber Pakhtunkhwa and FATA, the already inadequate health resources face even more challenges. The health indicators of the FATA and Khyber Pakhtunkhwa are low. Infant mortality is estimated to be as high as 87 deaths per 1,000 live births, under-five mortality rate in FATA was 104 per 1,000 live births, while maternal mortality is thought to exceed 600 deaths per 100,000 live births, providing a grim situation. Child related health indicators are considered to be the most sensitive indicator towards the level of poverty and socio-economic human health development, and in FATA some indicators showing severely low child wellbeing outcomes such as only 38 percent births are attended by a skilled birth attendant, and availability of trained health staff for health checkups is a major issue, with one doctor for every 7,670 persons in FATA, compared to 4,916 persons per doctor in the KP and 1,226 persons for every doctor in Pakistan. Stunting rates in FATA are close to 50 percent and 30 percent of children are classified as underweight. Under five mortality rates are 104 per 1,000 live birth compared to 89 in the rest of Pakistan. Child immunization rates have remained extremely low. Only 43 percent of children in FATA are fully immunized with a very large contribution to polio cases within the country. The situation requires urgent major interventions to bring about both supply and demand sides interventions. Immunization rates in FATA are far below that of other areas of Pakistan's. Due to the security situation, no reports for immunization have been received from North & South Waziristan Agencies in the first quarter of 2015. The reported coverage for EPI in FATA is given in the table below:



26. Influx of population due to displacement have further increased the burden on the already under-resourced health care system of the Southern districts of KP including Kohat, Hangu, Tank and DI Khan as well as in Kurram Agency. According to an assessment of WHO essential medicines team field visits in the affected areas, the situation of health facilities is poor in terms of stock outs for months in the year. The already resource constrained DHQ hospitals have increased load of TDPs especially on specialized pediatric care.

27. Preventive programs specially Lady Health Workers Program, MNCH Program and EPI are the most affected. Due to security situation and restriction on movement of females, community health workers (LHWs) were not able to perform their duties optimally. Similarly Community Mid wives of MNCH program have faced multiple issues leading to them becoming almost non-functional.

28. Under the immunization coverage during the displacement, most vaccination services and activities were interrupted in the government-run health facilities due to weak or non-functional facilities, unavailability of electricity or fuel for generators, distribution and delivery of vaccines and shortage or absenteeism of health facility or field staff.

29. During an assessment mission carried out by UN agencies in 2012, it was observed that overall basic nutrition services within the essential PHC package, which were low before the crisis have further worsened. Growth monitoring of under five children to detect malnutrition, counselling on infant and young child feeding as well as micronutrient supplementation have decreased during from 21%, 31% ND 12% respectively to 13%, 21% and 6%.

30. **Current response of the FATA Department of Health (DoH):** The current component being the Child Wellness Grant supports the overall government efforts in trying to restore, rehabilitate and strengthen the health care delivery system in FATA in the post conflict scenario with support from various development partners. Some of the steps for improvement in availability of services includes the provision of health services 24/7 in communities with referral system to

static health units for complicated cases, and the government has already allocated resources for rehabilitation of the health centers and hospitals that were damaged in the conflict.

31. While the population is in transition and as an interim measure, health posts within camps or a Basic Health Unit (BHU) have been established by FATA DoH where the area has been cleared. The services provided at this level are for promotion, prevention and curative nature. Outreach and community based services are part of the package provided by the BHU/ health post in camp. The BHU / health post also provides primary care to patients referred by LHWs and further refers more serious patients which cannot be managed at that level to the secondary or tertiary level. Provision of essential medical equipment is being ensured by the FATA DoH.

32. Currently the FATA DoH is supporting mobile teams to deliver the health return package, which includes polio vaccination of children at the time of embarkation, Toxoid Tetanus vaccination for pregnant women, clean delivery kits for women, ambulance for moving and delivery of essential lifesaving primary health care services to women of the returning population in their areas of return, which include, treatment of common illness, provision of essential medicines including treatment of chronic illness, ante natal and post natal care, normal deliveries with referral of complicated cases, family planning services, mental health services.

33. Initially these return health services are being delivered through mobile units. These mobile units visit the areas as per plans prepared in consultation with the local health authorities with at least twice weekly coverage of population. Each mobile unit has one male and female health care provider with one dispenser and essential medicines and supplies for PHC services and these services will be deputed to the local health centers once the area is cleared.

34. **Child Wellness Grant component description:** Under this component the TDP families returning to their areas will be encouraged to bring their children for periodic health checkups and assessment for growth and development of their children and for regular vaccination under 2 years of age. While the families may bring their children each month when they visit the One Stop Shops, at least three visits will be mandatory for receiving the cash grant. During each visit a complete physical examination of the children under two years of age will be carried out. During the visit the family will be provided a detailed counselling and awareness raising session about the package of services that are being offered and the benefits and regular immunization for children will be offered. The choice of utilization of services lies with the family but efforts will be invested in ensuring that the family uses regular medical check-ups and get their children screened and get their children immunized for routine vaccination. At this examination, the health care provider will screen the child for malnutrition either by using the scales or in the absence of scales by using the MUAC (mid upper arm circumference) tapes and will record the information on the growth cards. The health care provider will record the child's height, weight, and other important information. Human resources and vaccines required for the services under this component will be supplied by the FATA DoH. In each One Stop Shop a Lady Health Worker/a LHW/ or a Female Health Technician trained in growth monitoring will be assigned. For recording the growth of the children, the standard Growth Charts being used in the Basic Health Units and by the Lady Health Workers will be utilized. In areas where LHWs are not available the services of a paramedic who has received the basic training will be used. The health care provider will also assess the children for their immunization status and will provide immunizations according to the age group being

presented and in line with the National Immunization protocols. In case the child being presented has an immediate health issue, he/she will be immediately referred to the nearest health facility after being provided basic immediate care.

35. **Eligibility to the Child Wellness Grant.** All families with children aged 0-2 and both addresses on their CNICs from the affected areas of FATA are eligible, irrespective of their TDP status. The amount to be paid to families with children under 2 years of age was determined based on the opportunity and transaction costs of bringing the children to health centers. However, since family information for children under two is unavailable for TDP families, this will be collected by NADRA at One Stop Shops from the eligible Head of Family as per the lists shared by FDMA, and this information will be re-verified at the time of CWG payments. Any other beneficiary claiming eligibility for the benefit and having permanent or temporary address from the affected region of FATA, will need to apply through NADRA's Grievance Redressal Mechanisms. Close cooperation between the staff of the FATA DoH and the OSS will ensure efficient delivery.

36. Eligible beneficiaries will receive US\$ 75 per child in three equal installments, conditional on completion of three health visits for children under two years of age. Payments will be made in three installments, upon the completion of the following health visit schedule:

- (i) First payment US\$25. First child health visit (including attendance of counselling and awareness session).
- (ii) Second Payment US\$25. Second child health visit after two months. (Including attendance of counselling and awareness session).
- (iii) Third & Final Payment US\$25: Third child health visit after nine months (including attendance of counselling and awareness session).

At each visit, the health care provider at the OSS will:

- Check the child's health and weight
- Screening for malnutrition– growth chart
- Provide childhood immunizations, according to EPI schedule
- Referral to nearest health facility in case of a complication.

Component 3: Strengthening program management and oversight

37. Establishment of a One Stop Shops Facility for the Project: The One Stop Shops set up by NADRA will ensure that strengthened management and technology enabled local structures are in place to support beneficiary identification, enrolments, payments and grievances for both the early recovery cash transfers and CWG. In addition, all beneficiary identification will be based on biometric and CNIC verification by NADRA. These benefit delivery systems will be backed by robust MIS and biometric-based electronic payment mechanisms for quick and real time disbursements, to ensure transparency and efficiency in cash transfers. These systems will use POS machines and finger print scanners all connected to online databases made available at each of the service delivery points of the OSS maintained by NADRA at the field level, in compliance with the payments service providers.

38. **Capacity Enhancement of the FATA Department of Health:** Capacity of Department of Health will be strengthened to support implementation of the CWG component, this includes a) provision of staff trained in screening of children for malnutrition b) provision of supplies/equipment for screening (weighing scales and/or MUAC tapes) c) provision of trained staff for conducting counselling and awareness sessions and for explaining the CWG d) provision of IEC material in the local language e) ensuring an adequate supply chain of vaccines and presence of trained vaccinators at OSS. These vaccinators ought to have a clear understanding of the CWG compliance conditionality's in concurrence with the payment points and the immunization schedule for children under 2 years of age. Furthermore equipment necessary to store and maintain the vaccination will also be supported as Technical Assistance provided through NADRA.

39. **Payments:** Accountable and transparent systems will be used for payments that will ensure end-to-end electronic beneficiary payments based on CNICs and biometric verification through NADRA's database following the established best practices of BISP and CDCP/Flood emergency project. Payments will be made using the branchless banking infrastructure in collaboration with the Payment Service Providers after the successful beneficiary CNIC and biometric verification at the One Stop Shops.

40. **Benefit Delivery.** The OSS will ensure that strengthened management and technology enabled local structures are in place to support beneficiary identification, enrolments, payments and grievances for both the early recovery cash transfers and CWG. In addition, all beneficiary identification will be based on biometric and CNIC verification by NADRA. These benefit delivery systems will be backed by robust MIS and biometric-based electronic payment mechanisms for quick and real time disbursements, to ensure transparency and efficiency in cash transfers. These systems will use POS machines and finger print scanners all connected to online databases made available at each of the service delivery points of the OSS maintained by NADRA at the field level, in compliance with the payments service providers.

41. **Effective social mobilization, communication, and beneficiary consultation and feedback mechanisms:** The overarching goal of beneficiary mobilization, outreach and communications is to support and facilitate the design and implementation of the project. A multi-layered approach will be followed to engage stakeholders effectively. Firstly, the social mobilization process will ensure that eligible households are identified, stakeholders consulted and mobilized to avail the grants and CWP and grassroots level interventions are supported to facilitate their access to services. Secondly, the Project will support an effective communications campaign. This is fundamental to engage and educate beneficiaries and also for ensuring long term sustainability in behavioral change. A scoping exercise was therefore conducted to map the ongoing communications efforts as part of various complementary programs supported by WHO, UNDP and UNICEF. A standardized outreach model for the OSS will also be put in place and this model is expected to include awareness sessions for the beneficiary families to apprise them on the immunization cycle for their children. Effective beneficiary communications will be designed to ultimately help the project to deliver more efficiently by improving the two-way flow of communication and information for both the CT and CWG components. Thirdly, beneficiary

feedback will be sought through regular surveys and the analysis will lead to fine tuning of project interventions.

42. **Grievance Redress System:** Grievance redress counters will be opened and staffed by NADRA at the One Stop Shops. NADRA will then coordinate with the concerned stakeholders being Payment Service Providers, District Administration and beneficiaries to resolve the grievances related to targeting, payments, quality of services and updating family information, etc. The program will include provisions for a 10 percent contingency to attend the grievances of eligible beneficiaries. Payments will be delivered using the same system as used in the FECT and BISP projects using technology based payment mechanisms with the support of branchless banking, in addition to CNIC and biometric verifications undertaken by NADRA. The NADRA Grievance counters will provide a mechanism for social accountability of the Project and facilitate all participating families to interact with the Project, further enabling beneficiaries and non-beneficiaries to understand the procedures to grievance. It is foreseen that the grievance redress system shall include three main categories:

- a. **Appeals:** These are grievances related to eligibility where a family member has not been included as “Beneficiary” and he/she feels that he/she fulfils the eligibility criteria of the project. Appeals will be mainly linked to exclusion in targeting. These will be lodged by NADRA and forward to the respective authority for approvals including FATA Secretariat and FDMA.
- b. **Complaints:** These include grievances against the system or processes which have been put in place to assist the applicants/beneficiaries but are not functioning properly or catering to the complainants’ needs. These can both include complaints against the enrolment and payment processes, and may also include complaints on behavioral issues, malpractices / bribery etc.
- c. **Updates:** These include grievance related to updates in the family information, such as update of CNICs after marriage, etc.
- d. **Referrals:** The GRM will also include a referral system to ensure that all grievances or appeals that concern the government’s larger development program under the R&R are being redirected to the government’s existing complaint mechanisms.

43. **Social Accountability and Transparency:** To ensure as much transparency as possible the eligibility criteria and beneficiary lists will be published locally, as well as displayed in District offices, including the Return checkpoints for TDPs, these also include hard copies notices at the Tehsil offices and One Stop Shops. In addition, the program implementing entities will engage community organizations and other local institutions, (e.g. council of elders) in the social mobilization, communication and outreach. This will also account as far as practically possible for gender issues and a voice for women in the process. Furthermore, a mobile-based SMS enquiry and response system will also be set up by NADRA that will also provide web-based beneficiary status updates, including program progress on a dedicated website of the program. For more details on Monitoring Arrangements, see Annex 7.

44. **Last resort for unanswered grievances or maladministration.** The Federal and Provincial Ombudsmen will be available to the public to settle disputes. As a last resort for unanswered grievances or maladministration, the Federal Ombudsman is available to the public to settle disputes. The Federal Ombudsman is empowered to investigate the affairs of all Federal Agencies, it should provide administrative justice where there is poor service delivery or lack of quality governance by the federal government.

45. **Extension of existing Federal Safety Net (BISP) to FATA:** In parallel, the BISP is planning to extend its poverty scorecard census to the remaining agencies of FATA and as soon as it is done and the data is available, those poor and vulnerable families qualifying BISP eligibility will continue to receive the safety net benefits given by the government through BISP.

D. Project financing

46. The below tables present a detailed project costing by source (total program costs, estimated Government contribution, and IDA financing), by year, and by component.

| Program Component Cost | Year 1 | Year 2 | Year 3&4 | Total |
|--|-------------------|-------------------|---------------------|--------------------|
| Component 1 - Early Recovery Package for Temporary Displaced Persons | 85,874,310 | 51,524,586 | 34,349,724 | 171,748,620 |
| Component 2 - Promoting child health in selected areas of FATA | 2,400,000 | 1,440,000 | 960,000 | 4,800,000 |
| Component 3- Strengthening program management and oversight | 4,000,000 | 2,400,000 | 1,600,000 | 8,000,000 |
| Total | 92,274,310 | 55,364,586 | 36,909,724 | 184,548,620 |

| Project Component Cost (from IDA) | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Component 1 - Early Recovery Package for Temporary Displaced Persons | 31,100,000 | 18,660,000 | 12,440,000 | 62,200,000 |
| Component 2 - Promoting child health in selected areas of FATA | 2,400,000 | 1,440,000 | 960,000 | 4,800,000 |
| Component 3- Strengthening program management and oversight | 4,000,000 | 2,400,000 | 1,600,000 | 8,000,000 |
| Total | 37,500,000 | 22,500,000 | 15,000,000 | 75,000,000 |

| GoP coverage of Program Cost | | | | |
|--|-------------------|-------------------|-------------------|--------------------|
| Component 1 - Early Recovery Package for Temporary Displaced Persons | 54,774,310 | 32,864,586 | 21,909,724 | 109,548,620 |
| Component 2 - Promoting child health in selected areas of FATA | - | - | - | - |
| Component 3- Strengthening program management and oversight | - | - | - | - |
| | 54,774,310 | 32,864,586 | 21,909,724 | 109,548,620 |

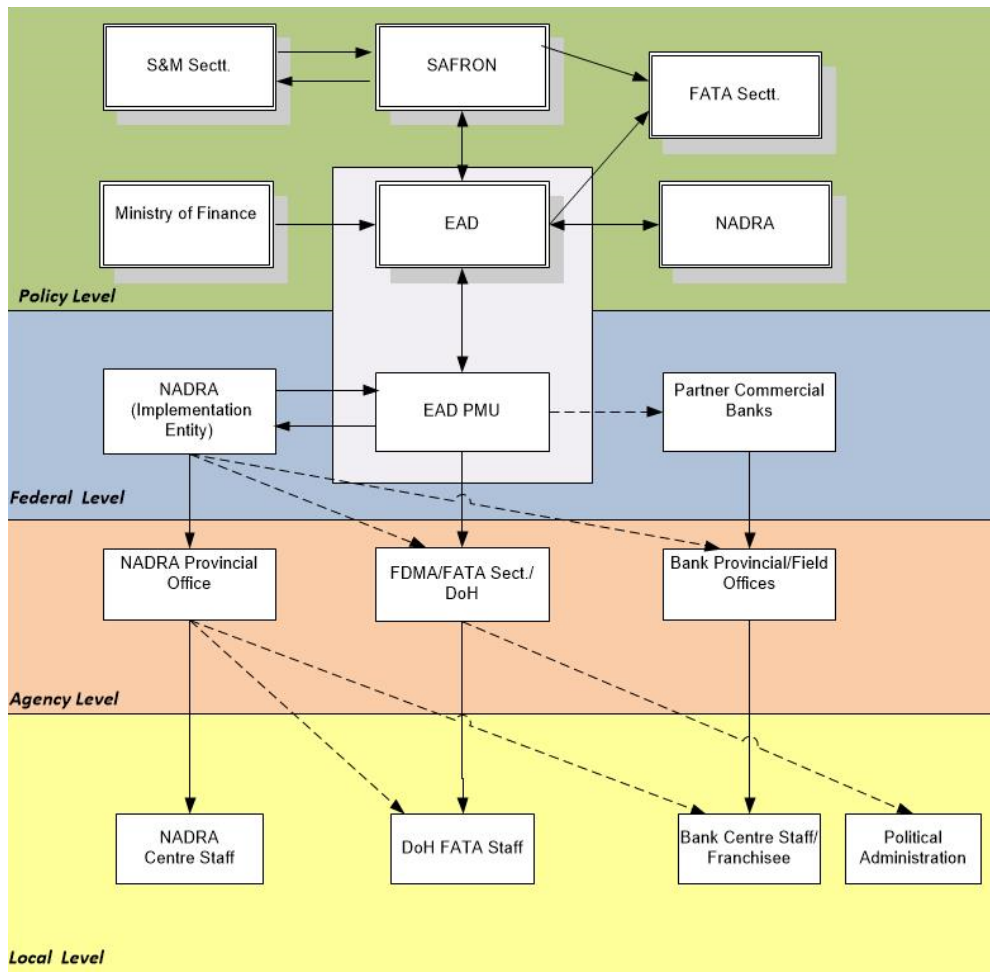
Annex 3: Implementation Arrangements

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project

Project Institutional and Implementation Arrangements

1. The implementation arrangements of the project closely follow the GoPs tested cash transfer delivery mechanisms of Phase 2 of the Citizen’s Damage Compensation Program (CDCP). Throughout project implementation, the Bank will continue to facilitate coordination between the GoP and other stakeholders. The Project Operational Manual (POM) outlines the criteria for independent operational audit and impact evaluation, the lessons from which will be applied during project implementation and beyond allowing for fraud or corruption to be discovered and addressed.

Implementation Arrangements



2. A Steering committee has been formed which is headed by EAD and represented by MoF, SAFRON, TDP S&M Secretariat, FATA Secretariat, DoH FATA, FDMA and NADRA. The Steering Committee will review project implementation progress and decide on key policies related to project implementation. The Committee is expected to also harmonize stakeholders for provision of necessary support in terms of security, project deployment, beneficiary outreach, return of TDPs and overall project milestones' achievements. The relationships between concerned agencies and a set of responsibilities to be fulfilled by each agency will be clearly articulated in an Implementation Agreements. The entering into such agreements by the concerned agencies are set as the conditions for Disbursement.

3. Specific roles and responsibilities of each stakeholder are summarized below, and these organizations will work in coordination FATA Secretariat, more specifically with respective FATA Return and Rehabilitation Unit, FDMA and Department of Health FATA, who will have the broader role of beneficiary identification/mobilization and implementation of the Child Wellness Grant. Both EAD and NADRA will work in partnership with Partner banks for the delivery of the cash to beneficiaries and for overall coordination at provincial level.

a. Ministry of Finance

- Allocate federal share of funds for the Project wherever applicable.

b. EAD

- Steer the project in collaboration with Federal and Provincial Government Departments.
- Overall coordination, monitoring and reporting of the program.
- Facilitate approval of operational parameters of the Project in line with the overall design principles.
- Managing flow of funds from Finance and donor(s) to the Partner Commercial Banks/Payment Service Providers as per the agreed formula and timelines under intimation to NADRA.
- Coordinate with procured / hired firms & manage / settle their funds / claims as per signed agreements
- Provide the platform for the required coordination of the project with NADRA, FATA Secretariat, FDMA and Health department FATA.
- Ensure reconciliation of FATA TDP-ERP funds.
- Coordinate with TDP S&M Secretariat (through SAFRON) for provision of security at sites
- Overall coordination / facilitation for project implementation through FATA Secretariat including DoH FATA, FDMA & concerned political administration

c. NADRA

- Plan and execute the technical assistance component of the project as the implementing entity in coordination and collaboration with EAD, FATA Secretariat, FDMA and other stakeholders.
- Selection of firms and hiring of services in consultation with EAD.
- Provide all technical and operational support for both the field implementation of FATA TDP-ERP and the data management and reporting.
- Execute beneficiary mobilization, outreach and communication campaign at various levels in coordination and collaboration with key stakeholders.
- Establish One Stop Shops (OSS) to enroll bio-metrically project beneficiaries (before payment of each tranche) and facilitate payment by banks, grievance redress and immunization by health officials at the centers.
- Set up grievance redress mechanisms at One Stop Shops (OSS) in coordination with concerned stakeholders and through them with the local Administration
- Develop and maintain the management information systems (monitoring and reporting framework and MIS) for the Project including populating the MIS and maintaining the FATA TDP-ERP beneficiary lists (CT & CWG).
- Provide technical assistance as identified by NADRA (as agreed and budgeted) necessary for capacity enhancement of concerned stakeholders of the project
- Ensure transparency and accountability in every stage of the FATA-TDP ERP project execution and apprise EAD of any misconduct and the consequent action taken.
- Submit progress reports to EAD and Development Partners as and when required, as well as any other reports that may be required.

d. SAFRON

- Facilitate EAD and NADRA by coordinating with FATA Secretariat to provide necessary support for execution and implementation of project operations
- Engage TDP S&M Secretariat for provision of security at FATA TDP OSS sites

e. FATA Secretariat

- Support EAD & NADRA for liaison and coordination with local government departments (like DOH FATA, FDMA, Local/Political Administration etc.) for all activities of Project implementation.
- Direct Local Administration to facilitate NADRA in setting up One Stop Shops (OSS) in FATA that includes provision of local sites, utilities, security and all other allied requirements (as communicated by NADRA).
- Mobilize and schedule beneficiaries to OSS systematically in coordination with NADRA.
- Coordinate with NADRA in implementation of beneficiary mobilization, outreach and communications

- FATA Secretariat will be responsible for resolution of all the relevant grievances as per the approved guidelines (through political administration) and ensure transparency and accountability as well as apprise EAD & NADRA about actions taken in this regard.

f. FDMA

- Provide TDP's data to NADRA and endorse the final beneficiary list prepared as per agreed business rules.
- Provide any support deemed necessary by EAD / NADRA / FATA Secretariat for projects operations, communications and grievance redress.

g. Department of Health (FATA)

- Department of Health will be the focal organization for liaison and coordination for all activities relating to Child Wellness Grant (CWG) for beneficiary Children (aged 2 years or below).
- Ensure mobilization of resources including trained medical staff, supplies/equipment and vaccines with functional cold chain.
- Ensure delivery, vaccination and sign off on all required vaccines to the children (aged 2 years or below) as per WHO guidelines & FATA EPI, cMYP.
- Liaise and coordinate with EAD, NADRA, and other stakeholders for the smooth implementation of the project.
- Ensure regular (at least monthly) review of the project progress.
- Provide sites for setting up OSS wherever deemed appropriate (in coordination with political administration and FATA Secretariat).
- Ensure effective implementation of ESMP particularly infection control and safe handling and disposal of medical waste.
- Train staff for immunization including waste disposal and integrate with CWG payments (in consultation with NADRA).
- Train staff for screening of malnourished children and for referrals of malnourished children to the nearest health facility.
- Provide required support for awareness and execution of beneficiary mobilization campaign with regards to health visits and CWG.
- Ensure transparency and accountability with regards to health visits and CWG throughout project life cycle.
- Manage the allocated funds as agreed with the concerned stakeholders.

h. Payment Service Provider(s) / Partner Banks

- Open formal branchless banking Level 0 accounts for all beneficiaries, to disburse cash under the project, as per the minimum protocol laid out for Branchless Banking payments to beneficiaries by the State Bank of Pakistan. To ensure a robust verification systems where biometric verification is done by NADRA of all TDP beneficiaries at the time of issuance of the Branchless Banking payment instrument to the beneficiaries.

- Ensure that an electronic trail of payment/cash transfers exists in real time, and the payment instruments is electronically swiped at each transaction when cash is withdrawn by the TDP beneficiary.
- Electronically integrate with NADRA for two-way communication of beneficiary list, biometric verification results, payment authorization, feedback of cash disbursement and other allied activities.
- Establish at least one payment counter or Cash Transfer Payment Points at OSS established in FATA in coordination with NADRA, based on the TDP beneficiaries' case load for the respective agency in FATA. This payment counter will be managed by the Payment Agency to facilitate the beneficiaries in obtaining payments directly in the area of return at the Agency Level.
- Provide regular (indicative daily) progress reports and payment feedback in real-time to NADRA with a copy to EAD.
- Provide any other information to NADRA as and when required under intimation to EAD.
- Ensure timely disbursement of cash transfer payments to eligible beneficiaries, based on initial biometric verification, as per the agreed project payment schedule
- Ensure timely availability of cash, adequate bank staff, necessary equipment to establish and operate Bank / Franchisee Counters at designated OSS to be established in FATA (as and when intimated by NADRA)
- Ensure all timelines as communicated by NADRA and EAD are met without lapse.
- Ensure all financial transaction are Transparent, Accountable and Auditable that adhere to the relevant policies laid down by State Bank of Pakistan
- Provide all support and any relevant information as and when required by NADRA or/and EAD.
- Resolve Complaints relevant with payments in a timely fashion
- Ensure that all funds are reverted to EAD account when requested based on project closure timelines or any other key decisions made by EAD.
- Provide a real time web interface to allow access and monitoring of payments made to beneficiaries, to both NADRA and EAD.
- Provide all support and any relevant information, as and when required, by NADRA or/and EAD.

Financial Management and Funds Flow

4. The Project will be implemented by the EAD and NADRA. EAD will be responsible for managing the financial flows of cash transfers to eligible beneficiaries under Components 1 and 2, while NADRA will be the project implementing entity responsible for managing the Technical Assistance (TA) under Component 3. The overall emergency Project will cover all TDPs from FATA for the ERG, LSG and the CWG will be provided to all families belonging to FATA.

5. The financial management systems and operational audit including review of accountability mechanisms, grievance redress system and public disclosures as detailed in the Project Operational Manual would provide a reasonable assurance in this Project that funds are used for intended purposes.

A. Economic Affair Division (EAD)

6. Executive Summary: The EAD would be implementing the component that involves delivery of cash grants to the beneficiaries. The detailed Project Operational Manual is being developed by NADRA for delivery of cash and monitoring thereof, which will be critical to ensure accountability in this Project and it will be reviewed and approved by the Bank and is a conditional of Effectiveness of the Project. EAD Division has not implemented a Bank-financed Project before and consequently a Project Management Unit (PMU) will be established in EAD right from the start headed by a Director General who will be supported by a Project Coordinator. A team comprising of Financial Management Specialist, MIS Specialist and a Monitoring & Evaluation Specialist and a Regional Director at FDMA will support the DG and Project Coordinator in the implementation of the Project. EAD's audit has been conducted up to FY 2013/2014 by the Auditor General of Pakistan and there are no issues that could have an impact on the Project.

Risk Analysis

| Risk | Initial FM Risk | Risk Mitigation | FM Risk After Mitigation | Condition for Effectiveness |
|----------------------|-----------------|--|--------------------------|--|
| Inherent Risk | | | | |
| Country Level | High | | High | NA |
| Control Risk | | | | No |
| Budgeting | Moderate | Regular monitoring of budgetary control | Low | No |
| Accounting | Moderate | Follow government approved accounting and reporting policies | Low | No |
| Internal control | Substantial | 1. Approval of Project Operational Manual. 2. Engagement of adequately experienced staff. 3. Internal audit of the Project on semi-annually basis. | Moderate | 1. Yes – Condition for effectiveness 2. Yes – Condition for effectiveness |
| Fund Flow | High | Timely release of funds and reporting of expenditures and independent verification of payments to beneficiaries. | Substantial | No |
| Financial Reporting | Moderate | Timely submission of reports | Moderate | No |

| | | | | |
|--------------------------------|----------|--|-------------|----|
| Auditing | Moderate | Submission of audited financial statements on timely basis | Moderate | No |
| Detection Risk | High | Adequate financial controls and alternate supervision arrangements or less restriction on movement of Bank staff for this Project. | Substantial | |
| Residual FM Risk Rating | High | | Substantial | |

7. **Staffing:** An experienced and suitably qualified FMS will be hired at PMU for managing accounting and financial reporting affairs of the Project. The FMS will be supported by an accountant cum cashier and a computer operator in maintaining Project's books of account.

8. **Accounting Policies and Procedures:** Government's cash basis of accounting system is used in the EAD. Separate books of account would be kept for the Project using New Accounting Model introduced under PIFRA. The Project Operational Manual being developed for the Project would have a chapter on cash transfers.

9. Controller General of Accounts (CGA) would be requested to computerize Project accounts as has been done for some other Bank funded projects. This would provide reasonable assurance on the adequate accounting of the Project finances. Expenditure would be recorded in the books of the project only when the beneficiaries have withdrawn the funds from the participating banks and such reports in the agreed formats have been received by the EAD from the participating banks.

10. **Fund Flow Arrangements:** A segregated Designated Account (DA) would be opened by the EAD in which the funds would be received from IDA to be used for financing of cash transfers to the Payment Service Providers for releasing cash grants to all eligible beneficiaries of FATA. The account would be jointly operated by two senior officials of the PMU. The DA shall be opened by following the Government procedures laid down by the Finance Division, Government of Pakistan relating to the maintenance and operation of revolving fund accounts of IDA credits. Payment of EAD PMU contracted staff's monthly salaries including incremental operating costs will be made through Technical Assistance under Component 3.

11. Necessary funds, under IDA Credit, for the anticipated TDP-ERP cash transfers to beneficiaries would be transferred to the EAD DA based on the verified eligible list from NADRA and FDMA.

12. The EAD will open accounts in each of the partner banks, comprising of Payment Service Providers (PSP) services which will be used for disbursing funds to eligible beneficiaries of FATA. EAD will transfer funds to the PSPs from the IDA Designated Account, based on yearly expected repatriation schedule of the program. For component 1 (ie ERG and LSG), IDA funds will be disbursed at 100 percent, inclusive of taxes if any, from the beginning of the project, up to the

committed amount. Once IDA funds are exhausted, government's counterpart funds committed to this project will continue to provide funding. The PSPs will disburse the funds to the Project eligible beneficiaries as per the bio-metrically verified identification from NADRA using the banking system Level 0 Branchless Banking Accounts opened in beneficiary names. Component 2 and 3 are fully financed by IDA at 100%, inclusive of taxes.

13. Beneficiaries will be able to withdraw funds in cash against a Branchless Banking Level 0 opened for each named beneficiary by the PSP. EAD will instruct the participating banks to make a payment into each beneficiary account of the agreed amount according to an agreed timetable. Cash can then be collected by the verified beneficiary at the centers for the CWG and Early Recovery Package on compliance verification by NADRA.

14. The PSPs shall provide EAD with a monthly reconciliation report by 10th day of the immediate next month on disbursed and undisbursed payments. The amount disbursed to the beneficiaries account and subsequently withdrawn by beneficiaries will be considered as expenditure for Project purposes and will be accordingly accounted for in the books of the EAD. Expenditure would be recorded in the books of the project only when the beneficiaries have withdrawn the funds from the participating banks and such reports in the agreed formats have been received by the EAD from the participating banks.

15. Further details on the funds flow procedures to the PSPs and onward to the beneficiaries are contained in the Project Operational Manual (POM), which will need to be approved by the Government, satisfactory to the Bank, as a condition for the project effectiveness. The draft POM adequately covers identification/verification of beneficiaries, payments, reconciliation, spot checks and operational review including grievances redress mechanism.

16. **Financial Reporting and Disbursement:** Public sector accounting standards issued by the Auditor General of Pakistan are followed by the EAD. Semi-annual financial reports would be submitted by the project. Withdrawals for the IDA Credit would be, 'Report – Based' (Interim Financial Reports- IFRs), which will allow for adequate funds to be at the EAD's disposal based on its cash forecast for six monthly in advance. The semi-annual IFRs must be provided within forty-five days of the close every six months, duly reviewed by the internal auditor of NADRA. The format of IFRs has been prepared and agreed with the EAD. While the report on disbursement will be used for tracking, monitoring and reporting expenditure in the IFRs, the forecast of funds will be based on the funds to be disbursed to the participating banks. The PMU management will be required to provide explanation on variances exceeding 15% between what was requested in the IFR and actual expenditures. Further, an online and real time business intelligence dash board will be used to track and disbursement of funds to eligible beneficiaries of FATA.

17. **Budgeting:** Government's budgeting system is being used in the EAD which will also incorporate TDP-ERP annual expenditures, based on the planned activities. A monthly Budget Execution Report (BER) showing budget and actual expenditure is prepared for the management.

18. **Internal control including monitoring:** This will be specified in detail in the Project Operational Manual (POM), which will need to be finalized by the Government and approved by the Bank task team for project effectiveness. However, the PMU finance team will be required to

maintain proper segregation of duties and carry out monthly reconciliation of accounts. There will be project operational reviews which will also covers grievances redress mechanism will be carried out at regular intervals (quarterly) to review the performance of the Project as outlined in the POM. This review will be conducted by a third party, engaged by NADRA under TA component using Bank’s procurement guidelines. The review will provide regular and timely feedback to EAD and NADRA. Operational review reports will be shared with the Bank on timely basis.

19. The project implementing entity will ensure that the Bank’s guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the project, as envisaged in the POM.

20. **Internal audit:** The internal audit of the EAD is carried out in accordance with the Government Financial Rules by the Administrative Wing headed by a Joint Secretary with the support from a Section Officer (Accounts). The Administrative Wing reports to the Principal Accounting Officer, i.e. Secretary of the EAD.

21. However, internal audit of the Project activities including review of accounting transactions, control effectiveness, and disbursement of funds to eligible beneficiaries among other areas shall be carried out by the specifically assigned internal audit team of NADRA’s internal audit department. The internal audit reports will be shared with the Bank’s team during supervision mission.

22. **External audit:** Audit of the EAD has been completed by the Auditor General of Pakistan (AGP) up to FY’2013/2014. No major control weaknesses were reported and the reported weaknesses are under review by the Departmental Accounts Committee. The nature of the audit observations does not have any impact on implementation of this Project.

23. The project financial statements for the funds managed by EAD shall audited by the Auditor General of Pakistan (who is acceptable to the Bank as auditors) shall submitted audited financial statements and their audit report thereon along with the management letter to the Bank within six months of the close of financial year. As per Bank’s Access to Information Policy, these would also be displayed on Bank’s web site.

| Audit Report | Due Date |
|---------------------|-----------------|
| Project | December 31 |

B. National Database Registration Authority - NADRA

24. Executive Summary NADRA: NADRA has implemented few Bank financed Project before successfully and has the wherewithal to manage the TA component of the Project. Their Finance &Accounts Department is adequately staffed. NADRA is using a computerized accounting system and following international standards for financial reporting. NADRA’s audit has been conducted up to FY2013/2014 by a firm of chartered accountants who have given an un-qualified opinion and there are no major issues. Report based disbursement would be used for the

Project. Financial management arrangements for the Project provide a reasonable assurance that the Project funds would be used for intended purposes.

Risk Analysis

| Risk | Initial FM Risk | Risk Mitigation | FM Risk After Mitigation | Condition for Effectiveness |
|--------------------------------|-----------------|--|--------------------------|--------------------------------------|
| Inherent Risk | | | | |
| Country Level | High | | Substantial | NA |
| Control Risk | | | | No |
| Budgeting | Substantial | Regular monitoring of budgetary control. | Moderate | No |
| Accounting | Moderate | Follow International Accounting Standards in the preparation of financial statements and use of approved accounting SOPs for reporting purposes. | Low | No |
| Internal control | Moderate | 1. Approval of Project Operational Manual. 2. Engagement of adequately experienced staff. 3. Internal audit of the Project on semi-annually basis. | Moderate | 1. Yes – Condition for effectiveness |
| Fund Flow | Substantial | Timely release of funds and reporting of expenditures. | Moderate | No |
| Financial Reporting | Moderate | Timely submission of IFRs. | Moderate | No |
| Auditing | Moderate | Submission of audited financial statements on timely basis | Moderate | No |
| Detection Risk | Substantial | Adequate financial controls and alternate supervision arrangements or less restriction on movement of Bank staff for this Project. | Moderate | N/A |
| Residual FM Risk Rating | Substantial | | Moderate | N/A |

25. **Organizational assessment:** NADRA is established as an independent corporate body with requisite autonomy to operate independently including an independent Board of Governors. NADRA is headed by a Chairman and comprises departments of Finance and Accounts, Administration, Operations, Technology, Software Engineering, Human Resources, Projects and 'NADRA Technologies Limited'. The Projects Department will be responsible for implementing the TA Component -3 under the Project. It is headed by an experienced Chief Project Officer with three Deputy General Managers - Project Management, Strategic Partnerships Development and Special Projects - alongside various other executives. The Director Internal Audit Department reports directly to the Audit Committee.

26. **Staffing:** NADRA's Finance and Accounts Wing is headed by the Chief Finance Officer (CFO) who reports to the Member Finance, NADRA and is responsible for financial management

and reporting. CFO is supported by sufficient number of accounting staff, working in the Finance, Accounts, and Government Accounts. FM Staff is a mix of fully qualified and partly qualified professionals. The Finance Department is currently providing services to more than nine projects for which separate books of account are maintained. Job descriptions clearly lay down roles and responsibilities of the staff that assures adequate segregation of functions. Additional staff may be engaged for the Projection on a needs basis under TA.

27. **Accounting Policies and Procedures:** NADRA uses accrual basis of accounting in a computerized accounting system (Oracle Financials). The chart of accounts is adequate to cater to Project's financial reporting requirements. The General Ledger module is linked with the sub - modules comprising of: Receivables; Payables; Cash Management; Assets; and Payroll.

28. The Accounting Manual prepared by a leading firm of chartered accountants adequately covers all aspects of accounting, safe custody of assets and financial reporting. Salient feature of the system are: Effective budgetary control; Automatic payment of vendors/suppliers invoices; Automatic generation of cheques; Automatic reconciliation with banks; Auto numbering of fixed assets; and Tracking of assets by location.

29. **Fund Flow Arrangements:** A segregated Designated Account (DA) would be opened in US Dollars with National Bank of Pakistan by NADRA in which the funds would be received from IDA to be used for the Technical Assistance (TA) Component. The account would be jointly operated by two designated officials of NADRA. The DA shall be opened by following the Government procedures laid down by the Finance Division, Government of Pakistan relating to the maintenance and operation of Revolving Fund Accounts for Credits, Loans, and Grants. NADRA will be handling all agreed procurement, operational requirements for the Project for FATA Secretariat, FDMA, Department of Health and EAD. The mechanism of disbursement for this technical assistance would be that of regular TA disbursements.

30. Withdrawal against the IDA Credit would be 'Report – Based' (Interim Financial Reports), which will allow adequate funds to be at the NADRA's disposal based on its cash forecast for two calendar quarters in advance. The semi-annual IFRs shall be provided within forty-five days after end six months period. The format of IFRs has been shared with NADRA and shall be agreed during negotiations of the Project.

31. **Budgeting:** Finance Department is responsible for the preparation of budget, duly approved by the Chairman. Project specific budget is prepared by the Project Management Team in consultation with the Chief Project Officer. Budget is approved by the Chairman.

32. **Internal control:** NADRA has developed their own SOPs that depict the controls applied, accounting and reporting cycles and same SOPs will be applied to the project as well. Internal audit department headed by a Director Internal Audit who reports to the Audit Committee through the Chairman. The Annual Audit Plan, based on Risk Based Audit, covers all NADRA activities including Projects. Audit staff includes qualified and partly qualified professionals. The department keeps track of actions to be taken on their recommendations. The transactions pertaining to the Project would also be covered in the scope of internal audit.

33. The NADRA will ensure that the Bank’s guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the Project.

34. **Financial reporting:** Semi-annual interim financial reports (IFRs) would be produced in respect of the TA Component of the Project. These IFRs shall be submitted to the Bank within forty-five days after the end of the semester, duly reviewed and signed by the internal auditor of NADRA. The format of IFRs has been prepared and agreed during negotiations.

35. **External audit:** Audit of the NADRA is conducted by a firm of chartered accountants. This arrangement for audit is acceptable to the Bank. NADRA’s financial statements have been audited up to FY 2013/2014 and auditors have given an unqualified opinion. International Financial Reporting Standards are used for preparation of financial statements. The auditors have not issued Management Letter citing no material control issues. There are no outstanding reports from the envisaged implementing entities of the project.

36. A separate audit would not be required for the Project. NADRA’s audited financial statements would by way of a note show the sources and application of funds for the project.

37. NADRA financial statements shall be audited by a firm (using International Standards on Auditing) of Chartered Accountants (acceptable to the Bank as auditors). The audited financial statements along with auditors’ management letter would be submitted to the Bank within nine months of the close of financial year. As per Bank’s Access to Information Policy, this would also be displayed on Bank’s website.

| Audit Report | Due Date |
|---------------------|-----------------|
| NADRA | March 31 |

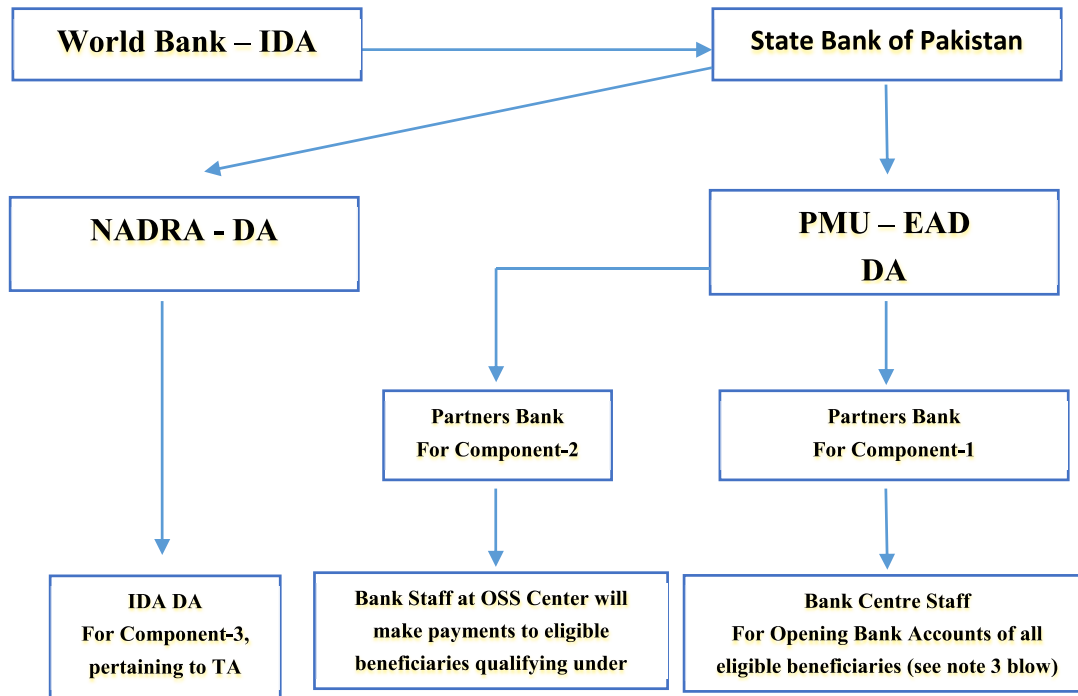
38. **Financial Management Project Supervision plan:** Supervision will be required in the first few months and regularly every six months. Implementation reviews will include the review of internal control arrangements, financial reports including audit reports, results of operational audits and spot checks.

Disbursement Arrangements

39. Subject to satisfactory FM assessment of EAD and NADRA, disbursement under the Project will be made on the basis of IFRs. Format for the IFRs has been shared with the abovementioned implementation agencies and have also been agreed during negotiations. The IFRs will have to be submitted within forty five days of the end of six months.

40. The Bank will provide funds to the NADRA/EAD on the basis of the respective estimated cash forecasts for the next two quarters, and on the basis of the information provided by NADRA, the EAD, will transfer funds to the participating banks for further disbursement to the eligible TDPs of FATA, on grant basis.

FLOW CHART OF FUND FLOW ARRANGEMENTS



NADRA

1. Share final verified list of eligible beneficiaries with PMU and Partner banks.
2. For component-2 NDRA's field office first biometrically verify eligible beneficiaries for payment of funds at the partner banks counter established at selected OSS.

PMU - EAD

1. Bank accounts will be open in each partner banks.
2. Transfer of funds to partner banks from the IDA DA in the proportion agreed in the financing plan based on the case load of TDPs repatriation schedule, as advised by FDMA, duly verified by NADRA.
3. Partner banks will disburse funds to the eligible beneficiaries as per the bio-metrically verified identification from NADRA using the banking level-0 branchless banking accounts open in beneficiary name.

41. **Payment for Early Recovery Grant (ERG):** This will be based on the verifications on the process of payment for Rs.35,000 cash transfer being, CNIC and biometric verification of identity of the beneficiary based on the FDMA list with NADRA .. In the second check the World Bank will request the original web based files for eligible beneficiary payment records from the PSP for performing the checks.

42. The IDA Credit will be disbursed over a period of three years. The allocation of the Credit proceeds by eligible expenditure category will be made as indicated in the table below:

| Category | Amount of the Credit Allocated (expressed in USD) | Percentage of Expenditures to be Financed (inclusive of Taxes) |
|---|---|--|
| (1) Goods, non-consulting services, consultants' services, Incremental Operating Costs and Training | 8,000,000 | 100% |

| | | |
|--|------------|------|
| for Component 3 of the Project | | |
| (2) Cash Grants amounts disbursed for: | | 100% |
| (a) ERG | 42,686,275 | |
| (b) LSG | 19,513,725 | |
| (c) CWG | 4,800,000 | |
| TOTAL AMOUNT | 75,000,000 | |

43. **Designated Accounts:** In accordance with agreed procedures for operation and maintenance of the Designated Accounts (DA), circulated by Finance Division, Government of Pakistan, from time to time, two separate segregated Designated Accounts (DAs) will be opened in US Dollars with the National Bank of Pakistan by EAD and NADRA, for receipts of funds under IDA Credit. On a semi-annual basis, the IDA will front-load funds into the DAs keeping in view the forecast cash requirements for the following two quarters.

44. There are six IDA-financed operations in Pakistan which have not refunded or provided documentation on the use of Designated Accounts/Special Accounts (DA/SA) after the deadline of two months after the end of the “grace period” (i.e., the “lapsed loan” date, normally six months after the Closing Date). In line with the Bank’s Disbursement Guidelines (Para 5.2), failure to refund unused Designated Accounts/Special Accounts balances results in the Bank not permitting the use of DA under new loans/credits.

45. Based on the Bank’s assessment, the FM arrangements for the Project are considered satisfactory and there is sufficient assurance that the requirements of OP10.00 will be met. The project implementing entity will ensure that the Bank’s guidelines on Preventing and Combating Fraud and Corruption in Bank Financed Projects (dated January 2011) are followed in the Project.

46. **Retroactive financing:** The Project qualifies for provision of retroactive financing under paragraph 12 of OP10.00, to meet eligible expenditures incurred over the past one year before the signing of the Financing Agreement, provided that the expenditures to be financed are made in accordance with the Bank’s approved guidelines. The maximum amount available for retroactive financing will be 40% of the Project value. The government has communicated that the earliest date for retroactive coverage of expenditure is March 1, 2015 and the estimated amount to be covered under retroactive financing will US\$28.1 million covering all components of the project.

Procurement

47. Procurement for the proposed Project would be carried out in accordance with the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD

Loans and IDA Credits & Grants January 2011” (Revised July, 2014); “Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers January 2011” (Revised July, 2014), as well as the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure categories are described below. For each contract to be financed by the Project, the different procurement methods or consultant selection methods, estimated costs, prior review requirements, and time frame are to be agreed between the Borrower and the Bank Project team in the Procurement Plan. A full plan is yet to be developed. The Procurement Plan will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. A General Procurement Notice shall be published as soon as procurement plan is prepared.

48. **Procurement of Works:** No works are envisaged in this project.

49. **Procurement of Goods:** There is no other requirement envisaged so far. Contracts for goods under ICB are not expected at this stage. Procurement methods for goods under the Project will consist of shopping for contracts costing up to USD 50,000, NCB for contracts up to USD 600,000, and ICB for contract costing more than USD 600,000. Direct contracting may be used for any urgently required goods after prior approval of the Bank.

50. **Improvement of Bidding Procedures under National Competitive Bidding:** The following improvements in bidding procedures will apply to all procurement of Goods and Works under National Competitive Bidding, in order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Guidelines:

- (i) Invitation to bid shall be advertised in at least one national newspaper with wide circulation, at least thirty (30) days prior to the deadline for the submission of bids;
- (ii) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (iii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (iv) bidding shall not be restricted to pre-registered firms;
- (v) qualification criteria shall be stated in the bidding documents;
- (vi) bids shall be opened in public, immediately after the deadline for submission of bids;
- (vii) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (viii) before rejecting all bids and soliciting new bids, the Association’s prior concurrence shall be obtained;
- (ix) bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;

- (x) contracts shall not be awarded on the basis of nationally negotiated rates;
- (xi) a single bid shall also be considered for award;
- (xii) contracts shall be awarded to the lowest evaluated and qualified bidder;
- (xiii) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xiv) draft National Competitive Bidding contract would be reviewed by the Association in accordance with prior review procedures;
- (xv) any firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association;
- (xvi) each contract financed from the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.
- (xvii) Recipient-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient
- (xviii) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.

51. **Selection of Consultants:** Details of firms to be hired are not identified yet. Contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultants' Guidelines. Consulting services selection would be carried out through Quality and Cost Based Selection (QCBS) for contracts with consulting firms costing more than USD 600,000 equivalent, and through Consultants Qualification (CQ) for contracts costing up to USD 600,000. Other methods as mentioned in Section III of Consultants' Guidelines shall be used as required.

52. **Individual Consultants:** This is envisaged to include any full-time or part-time technical assistance required for the Project. Services for assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines, which stipulate that the selection should be made through comparison of at least 3 CVs that meet the requirements of the Terms of Reference including those for qualifications and experience. Under the circumstances described in paragraph 5.4 of the

Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

53. **Assessment of the Agency's Capacity to Implement Procurement:** The NADRA Procurement Department is responsible for conducting Procurements of this project. The department has adequate capacity to process the procurement for the project. The Bank's Procurement Specialist has conducted the capacity assessment for NADRA. The assessment reviewed the organizational structure, staffing and capacity for implementing the project. Assessment of NADRA are given above in the Procurement paragraph.

54. **Capacity of Procurement Department (NADRA):** NADRA is an independent and autonomous agency under Ministry of Interior, Government of Pakistan. A separate and independent Procurement department is established at NADRA for processing procurement at a central level. Tender Evaluation Committees are constituted on case to case basis. Committees are usually constituted on the nature of the procurement whether its works, consulting services or goods. DG (Administration) approves procurements up to Rs. 500,000; procurements above Rs. 500,000 are approved by Chairman, NADRA. The average time to obtain approval from competent authority is around one week. Procurement Department is headed by Director Procurement. There are three Deputy Directors and 2 Assistant Directors. There are 25 resources who work as supervisors and data entry operators. Director Procurement is MBA (Finance), two Deputy Directors are also MBA (Finance) and one Deputy Director hold Master's Degree in Political Sciences. NADRA completed Flood Emergency Cash Transfer Project funded by the Bank. NADRA is also working with UNHCR project on Afghan Registration Cards. The same team who worked on FECT is again engaged for this project. During the execution of FECT, NADRA staff has attended trainings on Bank's Procurement Policies and Procedures. Procurement Performance has remained satisfactory in earlier project however there is a need to build contract management capacity for smooth execution of the project. NADRA do not have a formal firm debarment procedure, however upon receiving a complaint from the departments or Quality Control Department for diverse problems, vendor is given an opportunity to explain their stance. Vendor may dispute the claim and give his interpretation of the same. After receiving the reply of the vendor, a meeting of the Committee for blacklisting of vendors is convened. Vendor is also invited to address the Committee. Following consideration of all information obtained in the complaint, vendor's response and the meeting, the Committee decides whether to suspended or debar the vendor for a period of one year. For the procurements up to Rs. 100,000, shopping method is used i.e. three quotations. Procurements over Rs. 100,000 and up to Rs. 2,000,000 are advertised on the website of Public Procurement Regulatory Authority (PPRA) only. Procurements above Rs. 2,000,000 are uploaded on PPRA's website and advertised.

55. Procurement plans are prepared by Director (Procurement). Duration of each activity is calculated, keeping in view the ground realities. Fifteen days are given for submission of bids, ten days for the approvals and 6 to 8 weeks are given for the delivery of items. As mentioned, these procurement plans are based on ground realities, Since NADRA is always trusted with implementation of very important projects by the Government.

56. Three members of the procurement staff i.e. Director Procurement, Deputy Director Procurement and Assistant Director Procurement are familiar with the Bank's Procurement

Policies as all three of them were part of Bank's Flood Emergency Cash Transfer Project and have filled all relevant documents to the Bank. Director Procurement was also Procurement Specialist of Bank financed Thar Coal Project. There is no pre-registration of suppliers or vendors. Recently NADRA Director Procurement has left the organization. Though the Deputy Directors supporting the outgoing Director on FECT project are still present, but a well experienced staff is required to oversee the overall procurement process. A fresh open process is initiated for any new procurement. Bid documents are sold to any bidder who is GST registered and if they are registered is it valid or suspended and whether they are not on the list of blacklisted firms on PPRA's website. Negotiations on the technical aspects are carried out in consulting services only and that too after the selection of the vendor. NADRA has a Quality Control Department which ensures compliance to specifications. It is ISO 9000:2008 and CMMI level 3 certified. NADRA has a very large storage which is located in Awami Markaz and in Bara Koh. Covered area of both stores is around 18,000 sq. foot. The store uses Oracle based Procurement and Inventory Management System. Currently NADRA does not have a standard Procurement Manual but PPRA Rules are strictly followed and are considered as Procurement Manual.

57. There are no financial powers delegated to the procurement unit. The evaluation committees recommend the award of the contract and afterwards the same is sent to Chairman NADRA for approval through pre-audit department for review. During the procurement cycle pre-audit of all files is carried out by the Accounts Department. At the end of financial year three audits are carried out i.e. Internal Audit, third party audit by KPMG and Federal Audit.

58. Major vendors like Oracle Systems Pakistan, CNS Engineering Pakistan, Safran Morphio France, Teradata Pakistan, Innovative House Pakistan, Megaplus Pakistan, Interactive Convergence Pakistan are working with NADRA.

Market Constraints

59. As this is a large project, consulting firms may be reluctant to participate in the selected areas of the project given the law and order situation. The assignments shall be developed in a manner that local as well as external participation is encouraged and the contract sizes are large enough to solicit good response. There shall be adequate dissemination of the opportunities.

Transparency

60. All procurement notices, bid documents /RFPs, evaluation reports, and award data shall be posted on the NADRA website. Bank's guidelines on publication of award paragraph 2.28 of consultancy guidelines and 2.60 of the procurement guidelines shall be followed for disclosure. These websites shall also be used for posting of grant evaluations, awards, and performances.

Complaints

61. Procurement Department (NADRA) in consultation with Director Projects (NADRA) would manage the complaint handling system. This system would include documentation and addressing of complaints within a period of 7 days. Procurement Department (NADRA) shall keep

the Bank informed by forwarding to it any complaints within 3 days of the receipt. For ICB/international selection of consultants the Bank-prescribed complaint redress mechanism will apply.

Table 1: Procurement Actions (Summary of the above identified issues and agreed actions)

| | Issues | Action | Timeline | Responsibility |
|------|---|---|---|-----------------------|
| i. | Hiring of well experienced Procurement Consultant | Consultant to be hired on priority | Immediate | NADRA |
| i. | Capacity NADRA | Training session | To commence as soon as the Procurement Plan is identified | Bank |
| ii. | Market Constraints | Adequate packaging Wide circulation | TBD | NADRA NADRA |
| iii. | Transparency | Disclosure on website | TBD | NADRA |
| iv. | Complaints | Letter from NADRA notifying Independent complaint redressal mechanism | TBD | NADRA |
| V | Approve and adopt SOPs | Notification for developing and adopting SOPs/ Manual | TBD | NADRA |
| Vi | Record keeping system | To be developed by NADRA | TBD | NADRA |
| | Other measures (mentioned in Procurement Para above) will be added after agreement of NADRA | | | |

Procurement Plan

62. The Recipient has developed a Procurement Plan for Project implementation which provides the basis for the procurement methods. This plan will be made available in the Project's database, NADRA website, and the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity Frequency of Procurement Supervision. The Procurement Plan will be appended once prepared.

63. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the project implementing entity has recommended frequent supervision missions to visit the field to carry out post review of procurement actions.

Review of Procurement by the Bank:

64. Thresholds for prior review of contracts under eligible expenditures are given in the table below. All other contracts will be subject to Post-Review by the Bank. NADRA will send to the Bank a list of all contracts for post-review on a quarterly basis. Post-reviews as well as the implementation reviews would be done six monthly. Such review of contracts below threshold will constitute a sample of about 15-20 percent of the contracts.

Table 2: Thresholds for Procurement Methods and Prior Review

Prior Reviews Identified in Approved Procurement Plan

| Expenditure Category | Contract Value (Threshold): US\$ | Procurement Method | Contracts Subject to Prior Review : US\$000 |
|-------------------------------|---|---------------------------|--|
| 1.Civil Works | Not applicable | | |
| 2. Goods | > 600,000 | ICB | All |
| | < 600,000 | NCB | First two contracts, thereafter as provided in Proc. Plan |
| | < 50,000 | Shopping | First contract, thereafter as provided in Proc. Plan |
| | Regardless of value | Direct Contracting | All |
| 3.Consulting Services | | | All TORs and Training Programs to be reviewed by Bank's TTL |
| -3.A Firms | >300,000 | QCBS | All |
| | < 300,000 | CQS | First contract by any process and thereafter as provided in Proc. Plan |
| | Regardless of value | Single Source | All |
| Individual Consultants | | Comparison of 3 CVs | First contract and thereafter as provided in Proc. Plan |

Note: ICB = International Competitive Bidding; NCB = National Competitive Bidding; QCBS = Quality- and Cost-Based Selection; QBS = Quality-Based Selection; FBS = Fixed Budget Selection; LCS = Least-Cost Selection; CQS = Selection Based on Consultants' Qualifications; TOR = Terms of Reference.

SOCIAL AND ENVIRONMENTAL (INCLUDING SAFEGUARDS)

Social

65. No resettlement or displacement of people is expected to take place as no land acquisition is involved for building infrastructure or any other activities. No physical works, construction, reconstruction or rehabilitation activity is envisioned as part of the project. Therefore, OP 4.12 will not be triggered. The Project is also not located in an area with no traces of indigenous communities as per the Bank's screening process. Hence OP 4.10 will also not be triggered.

66. Mainly beneficial social impacts are foreseen as the project, shall enable TDPs to return home and have income support in the short and medium terms. The project priorities include reduced inequality for marginalized and vulnerable population groups, including women and children. It will mitigate the devastating impacts on livelihoods faced by displaced communities in crisis affected areas and facilitate relocation to their original homes. By registering all beneficiaries including eligible women belonging to FATA, people will receive CNICs that make them eligible as full citizens for other services provided by the state including ensuring eligibility

for BISP payments later if they qualify through the BISP Poverty Score Card Household Survey. CNICs and biometric data can also ensure that widows, women headed households are included and receive payments directly.

67. The Project has undertaken consultations with a range of stakeholders. This has included TDPs, NGOs, media and other projects working in FATA. The consultations focused on existing issues faced by people in accessing cash grants and health services, their intended use of grants and possible entry points to facilitate uptake of project services. Consultations will continue to engage during the life of the project through social mobilization.

68. A conflict-sensitive Social Mobilization Strategy will be prepared in the initial phase of the project and implemented subsequently. The Social Mobilization Strategy will address issues related to demand stimulation, awareness raising as well as promoting social strategies and mechanisms to practically enable households to avail the cash grants. The Strategy will be implemented through NGOs/CSOs already working in FATA. CSOs can be facilitators and conduits for communication of information advocacy and grievances. Over the last decade and a half, fairly strong and experienced organizations and human resource have been trained within the FATA landscape. Participation of local stakeholders and local organizations who know the terrain and local traditions will be ensured as critical means to engage beneficiaries in the project. The project shall also mobilize an array of actors, including women, and rely upon a range of methods (e.g. radio and SMS messages in local language and dialects). The needs of remote communities and persons with disability, especially in their capacity as the parent of a child eligible for the CWG will also be addressed through social mobilization process. On the supply side, especially in connection with CWGs, DoH will need to ensure the presence of vaccinators, vaccines including a functional cold chain.

69. Gender issues, voice and accountability for women are included in project design. Both supply and demand side issues in the agency specific contexts as well as the changing nature of risks locally. On the demand side, specific interventions targeting women and men will be promoted and implemented to ensure project objectives are met. For instance, this could include specific contact with women for awareness raising about vaccination and child health, use of facilitators to enable women and female headed households to avail cash grants. On the supply side, it will ensure that OSS spaces are gender and child friendly, secure and the staff is trained to meet the specific needs of women and children. Affirmative action measures such as hiring female staff (vaccinators, doctors, healthcare professionals and helpers) will be ensured. Local NGOs and CBOs working with women in FATA will be engaged as partners. Other local institutions will be taken on board to ensure women's voice concerns and beneficiary outreach.

70. A Communications Strategy will also be developed and implemented. This will ensure two-way communication for soliciting beneficiary feedback (particularly from marginalized groups) and public disclosure of project activities once the project is rolled out. Communication through diverse means will be encouraged to ensure awareness raising on recipient eligibility, dispel negative attitudes related to availing health facilities especially immunization and promote access the grievance redress mechanism.

71. A Grievance Redress Mechanism (GRM)²³ will be developed and implemented as part of project activities. NADRA will maintain a record of all grievances. A structure for the GRM has been identified in the Project Operations Manual and this will be implemented as early as possible. This will include innovative technology-based mechanisms for grievance redress as far as possible. Several projects in FATA are using IT solutions to register complaints and this will be incorporated in the GRM to ensure transparency and ease of access.

72. **Beneficiary Feedback:** Regular beneficiary feedback surveys will also be conducted. This will include use of quantitative and qualitative tools. In particular, women will be consulted for feedback as far as possible.

Environment

73. Most of the activities under the project are environmentally benign and will not result in any environmental degradation. However, the CWG are linked to health visits, and though not funded by the project, health facilities will be established by the government in the villages where the TDPs would be returning. The health services will be provided by the FATA Health Department. Inappropriate practices during the provision of health services and associated activities at these facilities can potentially cause health and safety hazards. These include not using safe/sterilized syringes and needles, vaccinators not observing appropriate safety protocols and not disposing used syringes and needles in a safe and environment-friendly manner. None of these impacts are however unprecedented and can be adequately mitigated with the help of appropriately designed and implemented mitigation and precautionary measures. Therefore, the project has been classified as Category B in accordance with the OP 4.01. No other safeguard policy is triggered.

74. To address the above concerns, the GOP has prepared an Environmental and Social Management Plan (ESMP) - in accordance with the national regulatory requirements as well as World Bank guidelines. The ESMP a) identifies and assesses the potentially negative environmental including public health and social impacts of the health services to be provided under the project; b) proposes appropriate mitigation and precautionary measures to address these negative impacts; c) describes institutional and monitoring mechanisms to ensure effective implementation of the proposed mitigation and precautionary measures; and d) defines the associated documentation and reporting requirements.

75. NADRA through the FATA Health Department will be overall responsible for the ESMP implementation. An ESMP focal points will be designated within EAD, NADRA, and the Health Department to ensure implementation of various elements of the ESMP.

76. Stakeholder consultations have been carried out while preparing the ESMP and will continue during project implementation. These consultations have been/will be carried out with the beneficiaries (TDPs), the key officials of the health department and environmental protection agency as well as with some relevant CSOs.

²³ For details on GRM, please see Annex 2

Monitoring & Evaluation

77. Project activities will be monitored on an ongoing basis to assess progress towards the achievement of the PDO. Monitoring reports covering the key project outcome indicators will be prepared in accordance to the schedule in Annex 2. In addition, intermediate indicators will be used to monitor the progress of each component over the life of the project (see Annex 2). A rigorous M&E system based on administrative data from the project MIS and survey activities will enable the government and all partners to monitor progress on all indicators. Monitoring will occur at each stage of the project's implementation in order to provide a framework to learn lessons, to identify any potential problems and issues, and to promptly consider and adopt corrective measures. To address the limited administrative capacity and communications infrastructure of FATA, the M&E systems will benefit from the capacity and experience of the implementation agency, along with high frequency monitoring reports.

78. The National Database and Registration Authority (NADRA) will be in charge of planning and executing the monitoring and evaluation of the project. NADRA will be responsible for compiling all data and preparing monthly, quarterly and annual reports. The project specific MIS will be developed by NADRA to gather, store, and process information on each step during project implementation. It will rely on the existing systems of registration and verification managed by NADRA and will include a real-time portal storing basic activity-level data accessible by stakeholders. The portal will allow the construction of spot, bi-monthly, quarterly, and annual reports, finalized in consultation with EAD and other appropriate stakeholders. NADRA has already significant M&E capacity built during previous Bank projects, including implementation support for BISP and CDCP Flood emergency project.

79. In addition to administrative data collected, managed and reported by NADRA, beneficiary surveys and operational reviews will be implemented. Due to the difficulty in collecting baseline data on TDPs, a complete impact evaluation will not be conducted. Instead, beneficiary surveys will provide reliable estimates of the changes in the main outcomes, including beneficiaries' livelihoods, consumption, earnings, employment status and activity, and other relevant outcomes. Beneficiary Surveys will also examine the beneficiary experience in detail, on a sample basis, to provide a qualitative and quantitative assessment of performance that cannot be captured by administrative data. It will collect information about beneficiaries' experience, including: levels of food and non-food consumption, allocation of the cash transfer amount into different types of expenditures, investments in productive assets, child health visits, potential difficulties in converting the cash into consumption goods due to supply-side constraints, and satisfaction with the intervention.

Annex 4: Implementation Support Plan

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project

Strategy and Approach for Implementation Support

1. The implementation support plan for the project has been developed based on the specific nature of the project activities and its operating environment, the existing capacity of the implementing entities, lessons learned from past operations in the country and sector and the project's risk profile in accordance with the Systematic Operations Risk-Rating Tool (SORT). This plan also reflects the results of the institutional capacity assessment conducted by the World Bank during project preparation. As noted, the capacity of the implementation agencies is weak in a number of areas and coordination of multiple agencies will be extremely challenging, in addition to uncertainty in TDPs return and somewhat complex project design. It is therefore anticipated that the project will require higher than average implementation support by the Bank team.
2. Under the proposed project, access of Bank teams to the project areas in FATA is likely to remain limited given the prevailing security situation. This limited access to project areas will adversely influence the Bank's ability to monitor the project activities. Project monitoring will therefore require combination of several proven mechanisms such as third party monitoring and process evaluations, such as the operational reviews, which were used effectively for the rollout of BISP and are usually part of any cash transfer program. The experience to date of employing third party monitoring and the promotion of sustained beneficiary participation in projects, in collaboration with civil society organizations, offers a viable alternative and necessary complement to Bank's implementation support.

Implementation Support Plan

3. The proposed implementation support plan includes the following strategies and mechanisms;
4. **Frequent Review of Project Implementation Plan & Progress:** Given the emergency character of the project and the expected quick disbursements of cash transfers to the affected population as they return, implementation support by the Bank will have to be more frequent than for a regular project especially in the first few months as the project is set up and implementation bottlenecks arise. The implementation support plan includes thorough and frequent review and approval of the project implementation plan and progress against it. Through these periodic reviews, the team will keep a close eye on changes occurring and highlight critical activities that may lead to delay in delivery. For quality assurance and verification that the project plan has actually been implemented, a third party monitoring team will be hired that will provide independent assessment of the reported progress.

5. **Project Design Review:** The project design has incorporated breads of experience in the country originating from emergency recovery cash transfers provided during the CDCP project implemented by the Bank, income support cash transfers and conditional cash transfers that are being provided under BISP, as well as the Child Support Cash Transfers provided under an earlier project implemented by the Bank with the Pakistan Bait-ul-Mal. It is however possible that the project design may need some revisions/adjustments according to the changing operating environment and pace of TDPs return. Revisions in the design suggested through Operational Review and Beneficiary Survey will be reviewed and considered for further refining the design and processes and procedures established in the POM in consultation with EAD and NADRA.

6. **Control & Accountability Mechanisms:** There are certain control and accountability mechanisms which are in built into the project design. The Government project team will be concurrently undertaking the Spot Checks and Process Evaluation exercises to ensure that real time feedback is provided to the project for timely course correction. These two accountability mechanisms are scheduled to start at a very early stage in the first year and will be covering the complete cycle of operations starting from hiring of the team to training, enumeration, data entry, payment & case management exercises. For effective triangulation of these findings, the Bank team will simultaneously initiate a similar exercise of spot checks, process evaluation and beneficiary assessment but with a much smaller sample. Other implementation support strategies including third party validation and evaluation of outcomes, consultations through locally based partner organizations, and integrating management information systems (MIS) are to be established through Component 3 into the monitoring framework which will also be part of the project implementation strategy. The Bank team will also review internal control arrangements of the implementing entities, including financial/audit reports.

7. **Possible innovative measures:** Bank operation in Pakistan is recognized in its frequent and innovative ways of using ITs for effective project monitoring. In particular, under the security-compromised environment, the Bank teams needs to find creative ways to address challenges of implementation supports in locations where access to field sites is not ensured at all times. One innovative way is using technological advancements such as geo-referencing through GPS enabled cameras for physical verification and mobile phones based voice messaging for beneficiary participation, tracking and verification, all of which will be explored under the project. The team will explore the feasibility of available alternative strategies for supervision and monitoring throughout the project life. The process of beneficiary outreach and engagement strategy will also embed two-way communications to ensure consistent feedback from beneficiaries on project's service delivery mechanisms through the use of mobile telephony, SMS and IVR (Instant Voice Response) system for real time monitoring and compliance.. The team will explore the feasibility of available alternative strategies for supervision and monitoring throughout the project life.

8. **Frequency and Composition of Missions:** Frequent supervision missions are planned that would include the technical as well as the fiduciary team. The supervision plan includes quarterly missions which will review project progress based on the implementation plan. The staff skills mix required for implementation support is summarized below. Apart from the specified skills, specific technical areas of expertise will be procured on a short-term basis. Most of the Bank team members will be based in the Islamabad Office.

Staffing commitment

| <i>Staff</i> | <i>Number of staff weeks (annual)</i> | <i>HQ/Field based</i> |
|------------------------------------|---|-----------------------|
| Task Team Leader/Sr. SP Specialist | 20 | Field |
| SP Specialist | 16 | Field |
| Health Specialist | 12 | Field |
| M&E Specialist/Economist | 8 | HQ |
| Operations Officer | 8 | HQ/Field |
| Procurement Specialist | 8 | Field |
| Financial Management Specialist | 8 | Field |
| Environment Specialist | 2 | Field |
| Social Development Specialist | 2 | Field |

Annex 5: Economic and Financial analysis

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project

A. Economic rationale

1. **The FATA region is lagging behind other provinces of Pakistan in terms of poverty and development indicators.** According to a Damage Need Assessment completed in 2010, it is estimated that 60 percent of individuals in FATA would be living below the poverty line. The 2010 Poverty Assessment for Pakistan also reveals that the poor and near poor in FATA are especially vulnerable, compared to other provinces of Pakistan. The large majority of households in FATA are engaged in subsistence agriculture, and to a lesser extent livestock rearing, or small-scale businesses. Farmers in FATA typically operate with very small plots and few livestock: 85 percent of farmers have less than 5 acres (2 ha) of land, compared to an average of 60 percent for Pakistan. The average household size in FATA is also considerably larger as the average household counts 9 individuals, against 6.2 for entire Pakistan. As a result, a large fraction of households experience food deficits and rely on remittances to meet their needs. The 2013 Food Security study for Pakistan, reports that 82.7 percent of the population of FATA consumes less than the recommended quantity of protein per day, against 62 percent for the rest of Pakistan. Children's health outcomes are also far behind other provinces of Pakistan. In 2014, the stunting rate was estimated at close to 50 percent for entire FATA, and about 60 percent in rural areas. It is also estimated that only about 43 percent of children in FATA agencies are fully immunized, compared to over 80 percent in entire Pakistan. The table below illustrates the differences in socio-economic indicators between FATA and the rest of Pakistan.

FATA Socio-Economic Indicators

| | Pakistan | FATA |
|---|----------|------|
| Population | | |
| Population density (per square km) | 166 | 117 |
| Irrigated land as percentage of cultivated area | 82 | 40 |
| Population per irrigated hectare | 9 | 44 |
| Average household size | 6.2 | 9 |
| Education | | |
| Literacy rate (15 and above) - all | 28.4 | 57 |
| Literacy rate (15 and above) - male | 69 | 45 |
| Literacy rate (15 and above) - female | 45 | 7.8 |
| Net enrollment rate at primary level -all | 68 | 52 |
| Net enrollment rate at primary level -male | 72 | 62 |
| Net enrollment rate at primary level -female | 64 | 38 |
| Health | | |
| Infant mortality rate (per 1,000 live births) | 74 | 87 |
| Under five mortality rate (per 1,000 live births) | 89 | 104 |
| % of fully immunized children | 59 | 43 |
| % of birth delivered in a health facility | 49 | 31.6 |
| % of birth with skilled attendant at delivery | 86 | 29.5 |

2. **The militancy crisis is likely to have significantly worsened poverty and vulnerability, especially among displaced families.** Previous assessments of similar circumstances (e.g., The 2010 Food Security and Market Assessment (FSMA) conducted for FATA and KPK) reveal that households in areas affected by the militancy crisis are hit by severe shocks: (i) significant losses of crops and livestock, the main source of livelihood (ii) damages to infrastructure, shelter and installation used for agriculture and livestock (iii) drop in earnings leading to insufficient food consumption. In addition, TDP and returnees are disproportionately affected by losses: 65 percent of returnees reported losses in crop production, compared to 20 percent among non-displaced households. The FSMA also reports that 37 percent of TDP households had lost more than 40 percent of their livestock over the past 12 months. Displaced households also engage more frequently in low paid jobs such as daily labor or petty trade. Food consumption of 46 percent of households in crisis-affected areas of FATA was classified as insufficient and displaced households were disproportionately represented among households with insufficient food consumption. To cope with shocks, about 30 percent of TDPs and returnees reported using coping strategies that have longer term negative effects on livelihoods and welfare, such as selling assets, consuming seeds, or taking children out of school.

B. Rationale for public sector financing and Bank involvement

3. Given the extent of the crisis that affected FATA, the rationale behind public intervention is mainly two-fold (i) unavailability of informal private support in the area of return (ii) possible positive externalities on children health, and on the local economy and communities. A large number of families from FATA have been displaced and are expected to be affected to a large extent by the crisis, as suggested by the 2010 evidence. As a result, households can hardly rely on private informal support in the area of return and more generally, informal or formal insurance mechanisms for the type of shocks associated with the militancy crisis are unavailable. Public intervention is therefore the only possible option to facilitate the relief and early recovery of affected families upon return. In addition, the provision of social protection services is a natural function of the state, especially in the absence of formal or informal insurance mechanisms. Finally, the Early Recovery Package and the child health interventions could generate positive spillovers on children's health, local communities and economies that cannot be addressed by private agents, offering another rationale for a public intervention.

4. **The Bank's comparative advantage** for the proposed project originates from (i) a strong experience in supporting Pakistan with the design and implementation of cash transfer programs (ii) specific expertise in the design and implementation of cash transfer programs in emergency situations in Pakistan and worldwide. The Bank's value added primarily originates from its ongoing partnership with the government of Pakistan in the area of social protection. Since 2009, the Bank has been supporting social protection sector reforms in Pakistan through a development policy credit, accompanied by a safety net technical assistance project for BISP. The WB has a comparative advantage in these domains given its wide-ranging experience in design,

implementation, and evaluation of these programs. In addition, the Bank has built specific expertise in designing and supporting cash transfers programs in situations of urgent needs in Pakistan. It quickly responded to the post-earthquake crisis in 2005, and to the massive floods of 2010 and 2011 through the phase I and II of the emergency CDCP program. The current project is also using the experience from designing the 2011 Emergency Recovery Project for FATA and KP.

C. Appropriate benefit level and structure

5. **The Early Recovery Package will be delivered** to about 120,000 TDP families from FATA. Given the very high level of poverty in FATA even before the crisis, and the fact that shocks associated with the militancy crisis hit all households irrespective of their economic status, a targeted intervention is not justified. The ERG and LSG are designed as complementary interventions to facilitate the early recovery of TDPs. While the ERG would help covering large fixed costs associated with transportation and other necessary means, the LSG would allow TDP families to cover basic subsistence needs for a short period after return, while their livelihoods are being restored. The ERG amount of US\$ 350 was calculated to cover large fixed costs associated with transportation, livelihood restoration, and ensuring adequate living conditions. This would include the purchase of immediate necessities, potential housing repair/reconstruction, but also possible investment in assets and productive activities. The LSG will be delivered in four monthly installments of US\$ 40 per family after return to FATA. Since the aim of the LSG is to provide returnees with regular and predictable subsistence income while livelihoods are being restarted, it was chosen to be delivered in monthly installments. The benefit period of 4 months corresponds to the average length of an agricultural cycle for wheat or maize, the main crops cultivated in FATA. It will allow coverage of families basic food needs before revenues are generated from the next agricultural cycle. The benefit amount will be set at US\$ 40 per month per family, which is the median food consumption level (net of the WFP food basked distributed to returnees) of the bottom 40 percent in KP, adjusted for the average family size in FATA. The benefit amount will be independent of family size due the low variance of family size in the targeted areas, and the limited capacity to deliver differentiated benefits in emergency situations.

6. **The Child Wellness Grant (CWG) will be provided** in selected areas of FATA to all families with children under 24 months registering their children with the program and attending child health awareness sessions. A total amount of US\$ 75 per family will be paid to eligible families upon the completion of child health visits. The CWG will be received in three installments of US\$ 25 corresponding to three visits to the point of service, occurring at the first contact, two months later, and nine months later. This periodicity corresponds to key episodes of health check-ups and immunization for young children. The grant amount was calculated to cover both the opportunity cost and transportation cost of families to go to the OSS. Round-trip costs per family for one visit were estimated at US\$ 12. The opportunity cost of bringing children to the health center was proxied by two average daily wages for FATA, estimated at US\$ 13. In that regard, emerging evidence on monetary or in-kind compensation for health visits suggests a rather large elasticity of child health services utilization to cash transfer amounts. The CWG amount is therefore thought to be sufficiently large to facilitate child health visits during the lifespan of the

project, but sufficiently small to avoid expectations of compensation for health visits beyond the life cycle of the project.

D. Costs and expected Development Impact:

7. Estimating the ex-ante impact of a cash transfer program on various outcome indicators, even in the best circumstances, is a daunting task. It is particularly difficult in the context of the current project, due to the lack of representative data for FATA. Given these constraints, we provide a discussion on the expected impact of the program and risks, rather than a comprehensive quantitative analysis of potential effects.

8. Economic analysis indicates that a budget of US\$62.2 million will allow covering the LSG and ERG of approximately 120,000 returning TDP families (780,000 individuals) in the targeted areas. The CWG cost for covering about 64,000 families with children aged 0-24 months in the pilot stage is estimated at US\$4.8 million. The total amount of benefits of the LSG, ERG and CWG program are estimated to be US\$67 million. US\$ 8 million will allow covering technical assistance costs. Calculations of the total budget costs and underlying assumptions are as follows:

- Early Recovery Grant per family (*amount_{erg}*): US\$ 350 lump-sum per family
- Livelihood Support Grant amount per family (*amount_{lsg}*): US\$ 40 per month for 4 months
- CWG amount per family (*amount_{cws}*): US\$ 75 upon completion of three child health awareness sessions.
- Technical assistance costs (*cost_{ta}*): estimated at US\$ 8 million
- Number of TDP families from FATA covered (*n_{fdp}*): 120,000 families registered and verified by NADRA
- Number of FATA families in the five targeted FATA Agencies (*n_{fata}*): 480,000, as estimated from the 1998 Census using an annual population growth rate of 2.2 percent from 1998 to 2015, and an average family size for FATA of 6.5 individuals²⁴.
- Fraction of families with children aged 0-2 during the course of the project (*r_{families}*): The estimated fraction of families with children aged 0-2 at the time of return is 0.6.

The total cost of the program is calculated as follows:

$$cost_{erg} = n_{fdp} * amount_{erg}$$

$$cost_{lsg} = n_{fdp} * amount_{lsg}$$

$$cost_{cwg} = n_{fata} * r_{families}$$

$$cost_{tot} = cost_{erg} + cost_{lsg} + cost_{cwg} + cost_{ta}$$

²⁴ FATA Sustainable Return and Rehabilitation Strategy

9. **Reduced vulnerability and increased food security among TDP families.** Evidence from the FSMA under similar circumstances suggests that a large fraction of the expected 780,000 beneficiaries of the Early Recovery Package would be subject to significant deprivation in the absence of the project. As the Early Recovery Package would allow coverage of basic food expenses and initial fixed costs associated with restoring living conditions and livelihoods, it is expected to reduce vulnerability and food insecurity among beneficiary families to a large extent. Evaluations of previous cash transfer programs for returnees show that transfers are spent in a large majority on basic needs, especially food expenditure, and productive assets. In the case of a US\$100 cash transfer program for Afghan returnees, a UNHCR report shows that the cash amount allowed to cover basic needs of most vulnerable families for 2 to 3 months. Given the relatively low benefit amount, a very large fraction of households spent the cash grant primarily on food (94 percent), with limited investment in productive activities. As the LSG covers only a fraction of basic needs for a limited time-period, it is expected to have little to no negative effect on incentives to work and labor supply. Impact evaluations of cash transfers typically find very limited impact in that regard, and the CDCP evaluation for Pakistan did not report any increase in inactivity following the cash transfer program.

10. By helping to cover large expenses to restart livelihoods and by providing a predictable income flow upon return, the project could also facilitate livelihood restoration and provide a bridge towards self-sufficiency. In the case of the CT program for Afghan returnees, qualitative studies revealed that transfers facilitated livelihood restoration, even if not directly spent on productive assets, by allowing individuals to focus on restarting an activity. Cash transfer grants for returnees comparable to the proposed project were shown to have a significant impact on livelihood asset accumulation. The monitoring of a US\$ 200 cash grant program to returnees in Burundi revealed that 50 percent of beneficiaries used the cash to buy or rent land for agriculture or construction, while other uses included purchases of building material, transport, food and medicines. In Uganda, a US\$ 300 cash grant program was shown to have a significant impact on the livelihood assets of households, by allowing investments in livestock and accelerating the long-term household capitalization process. About 85 percent of the grant was spent on productive assets, while the remaining 15 percent was spent on immediate needs, in particular food (54 percent), medical bills (11 percent), school fee (9 percent) or household items (7 percent). Importantly, evidence from the Uganda project also showed that even highly vulnerable households used the cash grant to invest in long-term productive assets. Finally, the Early Recovery Package is also expected reduce the propensity of affected households to consume assets to cope with shocks, and alleviate negative effects of the crisis on income generation beyond the relief period.

11. One important determinant of the Early Recovery Package effectiveness will be to quick attract private sector supply of goods & services that will help restore the local markets, ensuring that cash is converted into consumption and asset purchase. Several factors suggest that beneficiaries will be able to convert cash into consumption and durable goods upon return. First of all, administrative data shows that a significant fraction of the total permanent population of targeted areas affected by displacement still live in these areas. This share ranges from 20 to 50 percent depending on the Agency, suggesting that some markets are already in place in those areas.

In addition, the FSMA of 2010 shows that markets in crisis-affected areas were still functioning, although supply had reduced. Low demand from households was identified as a leading reason behind poor market functioning. The large number of returnees, combined with the cash transfer amount provided over the relief period, is expected to help local markets restoration. Evaluations in similar contexts reveal that market mechanisms can be very responsive, including in remote and conflict-affected areas, when traders are given adequate warning. A real-time evaluation of UNHCR' shelter grant program for Northern Sri Lanka for example reported that returnees were able to find needed items in local markets, with no widespread and significant inflation. Finally, the intense presence of the army in the area of return will also help to secure market restoration, and to reduce security-related risks that could affect the impact of the intervention.

12. Increase in children health check-up visits in the targeted areas. By promoting and facilitating health visits for children aged 0-2, the project is expected to increase the uptake of health visits for young children, and to help developing positive parental health seeking behaviors for their children. A growing body of literature on interventions promoting child health services utilization shows that effects can be large even for small amounts of compensation, especially among disadvantaged families. Evaluation of cash grants associated with children health visits report that the increase in health service uptake is statistically significant and ranges between 10 and 30 percentage points. In Columbia, the program Familias en Accion linking cash grants to health visits increased the percentage of children under 24 months taken to a health center by 20 percentage points, and the percentage of children with up-to-date schedule of preventive health visits by 23 percentage points. In Nicaragua and Columbia, grants linked to growth monitoring check-ups also increased growth check-up rates by close to 30 percentage points. Those programs also had a significant impact on immunization rates ranging from 7 percentage points in Honduras to 18 percentage points in Nicaragua. In Pakistan, a food coupon in low-income areas of Karachi conditional on timely DPT immunization produced a more-than-2-fold increase in immunization rates among the treated cohort. Given this evidence, very poor children health outcomes in FATA, and the currently low utilization of health services in the area, even if the CWG is linked with only one child visit for registration purposes, its impact on child health services utilization can be expected to be significant. In addition, it is anticipated that the communication and mobilization campaign on the benefits of child health visits incorporated in the program will have an impact on the child health services utilization in the targeted area beyond the life-cycle of the project. The relatively small amount of compensation associated with child health visits would also allow to mitigate expectations for compensation beyond the project duration, and facilitate the sustainability of the intervention.

Annex 6: Strengthening Governance and Accountability in the Project

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project

1. The Bank recognizes Pakistan’s challenges in governance and accountability in the public sector. Furthermore, the global evidence shows that cash transfer programs could pose significant fraud and corruption risks especially in payment mechanism. If such risks materialize, there will be a significant drain on public funds and diminish the impact and effectiveness of social protection programs. As noted previously, therefore, the proposed project design reflects lessons learned from the recent Bank-financed emergency safety net projects in Pakistan, including the 2010 KP-FATA Emergency Recovery Project and the 2011 Flood Emergency Cash Transfer Project (FECT), as well as the international experience with cash transfers in emergency response operations.
2. Both the KP-FATA Project and the FECT identified in their Project Appraisal Documents that the key risks in governance and accountability for the proposed operations are: **transparency and disclosure, fiduciary risks, and monitoring and evaluation**. Realizing the series of possible governance risks in the proposed emergency cash transfer program, the Bank team assessed the overall risks as “high” in both projects and introduced mitigating measures into project design.
3. In regard to **transparency and disclosure**, both projects emphasized the need of effective communications campaigns to support coherent messaging and information to beneficiaries. Furthermore, to avoid political interference, the establishment of a multi-stakeholder Steering Committee was proposed. In FECT, the Committee functioned as a coordinating body as well as an effective forum for discussing and acting on emerging risks.
4. **Fiduciary risks** are well identified during project preparation of both projects. A Risk and Opportunities Workshop, which was held during preparation of the FECT, acknowledged fraud and corruption risks, as well as inclusion/exclusion errors in identifying beneficiaries. Project design of two projects employed the following mechanisms to address such fiduciary risks: the use of a national ID card (CNIC) ensures direct transfers of the payment to the targeted beneficiaries, the use of biometric identification and verification of beneficiaries, and the use of the private banking sector for timely and direct deposit to beneficiaries’ accounts. Capacity building and technical assistance to the main implementing entities was also large part of two projects. Lastly, the preparation and completion of a Project Operational Manual including fiduciary procedures was supported by the projects, which also contributed to the establishment of transparency in the process.
5. **Adequate monitoring mechanism** is especially important to the project teams which faces security constraints to physical progress monitoring. The two projects designed to employ a series of options for supervision, such as third party monitoring and validation, spot checks, process evaluation, beneficiary survey, project MIS, and a rigorous grievance process to correct errors. The Operational Audit undertaken by Deloitte under the FECT was an important source of information on practical challenges and the experience of beneficiaries.

6. All preventive measures that have been proven to work are incorporated into the design of the proposed project. Implementation Completion and Results Report (ICR; ICR00003119) concludes that many of the governance risks initially considered high such as fraud and corruption did not materialize. The ICR noted that the Bank's fiduciary controls, the use of bank accounts, mag-stripe cards combined with biometric identification, and through Third Party Validation all helped minimize risk of improper use of funds. Implementing agencies and provincial governments reported that they valued the additional rigor brought by the Bank fiduciary controls.

7. At the time of Data Entry of GR, the CNIC validation and verification should be made part of the MIS. This will ensure the appellant is valid and further filter out any fraudulent or invalid CNICs registration; hence reducing the invalid entries in the system and ensuring a more accurate and transparent system.

Annex 7: Communications, Mobilization and Outreach

PAKISTAN: FATA Temporarily Displaced Persons Emergency Recovery Project

1. The role of communications is instrumental in the effective and efficient delivery of any social cash transfer program. In the context of TDP-ERP project in FATA, communication becomes more critical due to the conflict-sensitivity of the region, diversity of stakeholders and circumstances of the potential beneficiaries confronted with the challenges of early recovery and restoration of livelihoods.
2. Communications will ultimately help the project to deliver more efficiently by improving the two-way flow of information with beneficiaries for both the Early Recovery Support and the immunisation linked CWG component related to health visits. To this end, NADRA will develop a comprehensive Communications Strategy to facilitate the objectives of the project through targeted communication, beneficiary mobilization and outreach.
3. Communications and Outreach for the TDP-ERP project rests on a three-pronged framework that addresses *internal* and *external communications* as follows:
 - a) *Strategic Communications* is geared towards coalescing the key project stakeholders to adopt a coherent and shared vision of the TDP-ERP project towards implementation of the Early Recovery Support as well as the CWG component. To this end, standardized processes and protocols (through coordinated efforts of implementing partners, EAD, Project Steering Committee and NADRA) will consistently engage national and local level stakeholders for soliciting active support for the project. Proactive engagement with stakeholders will develop understanding, acceptance and support for the implementation as well as long-term sustainability of the project. *A stakeholders' engagement plan will be designed by NADRA as part of the overall communications strategy.* In addition, strategic communications will support communications strategies for effective risk mitigation to address potential risks around political economy and public image of the project.
 - b) *Internal Communications* will work towards bringing all the key players in the implementation team on one platform through continuous orientation and training right from the inception phase. It will strengthen vertical and horizontal information loops between the PMU and NADRA's operational staff to facilitate smooth coordination and information sharing. To this end, *NADRA will prepare standardised Communications Guidelines to orientate staff and implementation teams*, for instance communication protocols of dealing with beneficiaries at the OSS, handling complaints and queries, etc.
 - c) *Beneficiary Mobilization and Outreach:* A beneficiary mobilisation and outreach mechanism will be geared towards informing, educating and mobilising beneficiaries about the features of the Early Recovery Package and CWGs. This will be a two-pronged model involving targeted communications through a) *Public Information Campaign* and b) *Beneficiary Mobilization and Outreach*. Both the methodologies will be designed after thorough consideration of the ground realities and information needs of the potential beneficiaries as well as availability of relevant modes and tools of communications and outreach in FATA.

4. Whereas the Public Information Campaign will offer overall context to the TDP-ERP project through the use of relevant tools (e.g. radio, mobile telephony, mosque announcements, etc.) structured advocacy and beneficiary mobilization will play a fundamental role to the success of the CWG component. Beneficiary mobilization and outreach will involve reaching out to beneficiaries, sensitizing and educating them about the overall health benefits of immunization to stimulate demand as well as creating awareness on how to avail health services and cash transfer benefit at the OSS.

5. NADRA will implement the beneficiary outreach through an external beneficiary outreach organization. For the CWG component, consultations with various other complementary health programs (implemented by UNICEF, WHO, UNOCHA, etc.) will inform the design of the communications and outreach efforts.

6. Voluntary support through informal community networks, elders, mosque imams as well as community outreach from Lady Health Workers, Lady Health Visitors and Vaccinators from the Department of Health will be solicited by the project for the CWG beneficiary outreach campaign on children health services. Mobilization of beneficiaries groups for participation in enrolment and health visits campaign at the OSS will be supported through a pre-launch/forward beneficiary mobilization and awareness campaign at community level to inform about routine health visits, process of CWGs, including activation dates of OSS/vaccination sites, health visits schedule and corresponding payment and compliance modalities. A follow-up beneficiary outreach campaign will support compliance to vaccination schedule and case management (complaint and appeals) process.

7. Communication for educating the beneficiaries about the features of the Early Recovery Package features will be an allied & embedded feature of beneficiary mobilisation and outreach activities. Communication which is tactical and visually strong will guide the development of information tools and materials for the campaign, which will include inter-personal communication, radio, SMS targeted messaging for early intimation of immunisation schedule and compliance, information kit/package for the OSS, establishment of an information hotline by NADRA and visually strong information material, etc.

Annex 8: Return Policy Framework

FATA Temporarily Displaced Persons Emergency Recovery Project



RETURN POLICY FRAMEWORK
for
Internally Displaced Persons (IDPs)
from the Federally Administered Tribal Areas

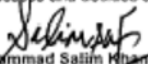


UNITED NATIONS

The FATA Secretariat of Pakistan will undertake the implementation of voluntary, safe and dignified return of IDPs from the Federally Administered Tribal Areas of Pakistan. The return will be guided by the relevant provisions of the Constitution of the Islamic Republic of Pakistan that enshrines the right to freedom of movement. It will also be in conformity with the internationally recognized Guiding Principles.

The following complementary principles will guide the return:

1. FATA Secretariat at all levels assumes that assistance and the protection of the IDPs from FATA to be its first and foremost responsibility and is committed to act within the framework of the international principles and standards applicable.
2. Voluntariness in decision-making implies that a decision to return, relocate or integrate locally is self-determined from a number of viable options. That return will be on voluntary basis and requires that IDPs make an informed choice, without coercion, and that the will to return is clearly expressed.
3. The end of displacement is the full restoration and enjoyment of a person's human rights, in a non-discriminatory manner, and is a process through which the need for specialised assistance and protection diminishes over time.
4. The return will be undertaken in safety and dignity. The FATA Secretariat will ensure that protection from violence, threats, intimidation or risks to physical integrity prevails in the areas of return, integration or relocation within FATA. This condition applies to transit areas or routes that IDPs will use.
5. While the return of people to their areas of origin or habitual residence will remain the preferred most solution, the option of relocation elsewhere within Pakistan will be available to them as well as IDPs wishing to remain in camps will be allowed till conditions for their safe return are met.
6. FATA Secretariat commits to provide respectful treatment to the returning IDPs, involving them through a consultative process in all stages of their return, taking into account the different views of girls, boys, women, men, older persons and diverse population groups.
7. In accordance with UN General Assembly Resolution 46/182, FATA secretariat commits to provide all possible assistance including liaison with concern security agencies for access to humanitarian actors to all affected population in implementing humanitarian assistance program, such as food, health care, water, sanitation and shelter.
8. FATA secretariat commits to ensure timely issuance of no objection certificates to humanitarian actors as per agreed procedures which is essential to impartially assess humanitarian needs, establish operations, move goods and personal where they are needed, implement distribution or provide services, and monitor the quality and effectiveness of humanitarian activities.
9. With the guidance of the Humanitarian Coordinator and the facilitation of OCHA, the humanitarian community takes up the responsibility to support FATA Secretariat in this endeavor by providing the necessary capacity that it will need in order to fulfill its obligations.
10. Sustained engagement and continued support of the international community will be needed to meet the protection, assistance and rehabilitation needs of the IDPs in areas of return and displacement, if the government of Pakistan assesses and decides so.


Muhammad Salim Khan
Director General
FATA Disaster Management Authority
FATA Secretariat
Peshawar
Date: 23/6/10


Martin Mogwanja
Humanitarian Coordinator
Pakistan

Date: 23rd June 2010