



## 1. Project Data

<b>Project ID</b> P125414	<b>Project Name</b> PK: FATA Urban Centers Project		
<b>Country</b> Pakistan	<b>Practice Area(Lead)</b> Social, Urban, Rural and Resilience Global Practice	<b>Additional Financing</b> P150522	
<b>L/C/TF Number(s)</b> TF-12150	<b>Closing Date (Original)</b> 30-Jun-2015	<b>Total Project Cost (USD)</b> 8,000,000.00	
<b>Bank Approval Date</b> 12-Apr-2012	<b>Closing Date (Actual)</b> 30-Sep-2015		
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>	
Original Commitment	7,000,000.00	8,000,000.00	
Revised Commitment	8,000,000.00	6,786,510.62	
Actual	7,487,013.00	6,786,510.62	
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## 2. Project Objectives and Components

### a. Objectives

#### Project Development Objective

According to the Grant Agreement (Schedule 1), the objectives of the FATA Urban Centers Project (FUCP) are “to improve urban services and management in Khar, and develop a framework for urban management in FATA [Federally Administered Tribal Areas]”

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



No

**c. Will a split evaluation be undertaken?**

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**d. Components**

Component 1. Demand-driven Priority Infrastructure Investments in Khar. (Appraisal US \$6 million; Actual US\$6.4 million). This component funded the rehabilitation, reconstruction, expansion and upgrading of a range of infrastructure at the municipal level, including water supply systems, sanitation, solid waste management, streetlights, drains, roads, and firefighting equipment. There were a number of changes in the infrastructure investments during the course of the project (see Section 4 for details).

Component 2. Technical Assistance for Urban Management. (Appraisal US\$1 million; Actual US\$1.6 million). This component supported the design and development of an urban management framework for FATA, development of the plans required for implementation of the infrastructure investments from Component 1, capacity building and strengthening of key partner agencies, and project management.

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

**Project Cost**

The estimated project cost was increased from \$7.0m to \$8.0m in July 2014. The increase was to be financed by drawing from savings from the Multi-Donor Trust Fund (MDTF) for Khyber Pakhtunkhwa (KP), FATA and Balochistan. US\$0.4 million was to be allocated to Component 1 for additional municipal infrastructure and services, and \$0.6m to Component 2 to expand the planning process in additional towns.

**Financing and Borrower Contribution**

The project was entirely financed by the MDTF. There was no direct recipient contribution, although the recipient funded a range of related activities within the administration of the FATA, including staffing for the FATA Secretariat and in creation of the Tribal Areas Rural-to-Urban Centers Conversion Initiative (TARUCCI).

There is a difference between the total approved budget of US\$8 million and the total disbursed amount of US\$7.49 million (ICR, Data Sheet Section A & G). In a meeting between IEG and the project task team (28 Feb 2017), the project team stated that US\$ 7.49 million was disbursed into the project's designated account, out of which US\$ 6.8 million was utilized by the project. The component break of utilization is as follows:

- Component 1- Priority Infrastructure Investment Projects: US\$ 5.4 million
- Component 2- Technical Assistance and Implementation Support: US\$ 1.4 million

The remaining amount of US\$ 0.69 million in the designated account was refunded to the Bank.

**Dates**

The project was originally scheduled to close on June 30, 2015. However in June 2015 the closing date was extended by three months to September 30, 2015 to enable completion of on-going infrastructure investments, and to ensure full operationalization of the newly established Municipal Committee in Khar.



### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

The PDO focus on improving urban services and urban management reflects priorities outlined in Government and World Bank Group strategies.

The Government identified the need for program support for recovery and rehabilitation in the conflict-affected areas of KP, FATA and Balochistan. The first response was through a Post Crisis Needs Assessment (PCNA) in late 2009 conducted by the World Bank with three other external partners. That PCNA identified four key strategic objectives, three of which FUCP directly responds to: (i) build responsiveness and effectiveness of the State to restore citizen trust, (ii) stimulate employment and livelihood opportunities, and (iii) ensure the delivery of basic services.

The Government subsequently requested the World Bank to administer the MDTF for KP, FATA and Balochistan. Part of the focus of the MDTF was to support the primary governmental initiative to address the long-term concerns, the Tribal Areas Rural-to-Urban Centers Conversion Initiative (TARUCCI). Subsequently the FUCP was created as one specific project under the MDTF, designed to pilot activities in one of the 14 priority areas under the TARUCCI.

The PDO responded directly to two of the pillars of the World Bank Group's Country Partnership Strategy (CPS) for the 2010-13 period, namely:

(3) "Improving infrastructure to improve growth", and specifically responded to the Outcome Area "Improve Urban/Municipal Infrastructure and Services";

(4) 'Improving Security and Reducing the Risk of Conflict', and specifically responded to the Outcome Area "Increased Responsiveness and Effectiveness of the State".

The focus on municipal services is no longer a specific priority area in the CPS for the 2015-2019 period, although the MDTF for KP, FATA and Balochistan continues.

#### Rating

Substantial

#### b. Relevance of Design

There was a clear link between the PDO and the intermediate results. Measuring the concrete results in providing water systems, roads, or street lights, provided a relevant connection between the Intermediate Results in the Results Framework and the first part of the PDO (Annex 2: Results Framework and Monitoring, p.22 of the Emergency Project Paper 2012). For example the Intermediate Result Indicator One, "Number of piped water supply connections provided/restored in Khar" was directly relevant for the PDO to "improve urban services".

There is also a clear link between the technical assistance outputs under Component Two and the PDO. Developing the Urban Management Framework was a relevant activity to provide the Implementing Agency and Government partners with the tools to improve urban management.

Given the fragile operating environment in Pakistan at the time of this project, and particularly in Khar and



FATA, it was appropriate to limit the PDO to urban services and urban management. The relatively small size of this grant-financed project and the limited geographical coverage were also in keeping with the objectives. Design takes account of the key exogenous factors likely to have an impact on results, especially security concerns. The 2012 Emergency Paper clearly anticipates a fluid operating environment, mostly as a result of the ongoing security concerns in FATA at the project outset. These security concerns were expected to have an impact not just on World Bank operations and staff movements, but also on the Government operations, with difficulties in placing staff in FATA and in the monitoring of activities. Project design was adjusted to the realities of this fluid environment, for example through flexibility in allowing changes in the types of public infrastructure financed. The initial list of priority infrastructure investments was developed on the basis of existing work (for example the 2010 Post Conflict Needs Assessment for FATA), but because of the rapid start-up and security concerns consultations with communities were limited.

**Rating**

Substantial

#### 4. Achievement of Objectives (Efficacy)

##### **Objective 1**

###### **Objective**

To improve urban services and management in Khar, Bajaur Agency

###### **Rationale**

###### **Outputs**

The Khar Municipal Committee was operationalized. The project supported the Committee through training and capacity building, provision of essential equipment, renovation of office space, and payment of salaries to essential staff for a transitional period. The municipal infrastructure developed under the project has been handed over to the Committee.

The project also supported the development of a long term Structure Plan for Khar, which provides inputs to urban governance and capital investment planning.

532 solar-powered streetlights have been installed and operationalized (against a target of 450) in critical areas, public use spaces, the intercity bus stand, and major residential neighborhoods.

4.35 kilometers of all-season road have been rehabilitated (against the original target of 2.3 kilometers).

14 kilometers of streets (approximately 45,000 square meters of paved area) have been paved and the drainage improved, with concrete lined wastewater drains to reduce environmental and health impacts of poor sanitation.

The water supply network has been rehabilitated, expanded and improved. Five new tube wells have been constructed and two existing tube wells rehabilitated.

Tractors and trolleys have been provided to the Khar Municipal Committee for transportation for secondary collection of solid waste.

Some intended outputs were not achieved, some due to land acquisition issues (e.g. development of a family park, and construction of public toilets in two locations). Others were adjusted during the Mid Term



Review in 2014 (e.g. sewerage works), and were replaced with other service needs identified through the community planning process.

**Outcomes**

The operationalization of the Khar Municipal Committee represents an important institutional step towards improved urban management, in that the Committee is a dedicated entity mandated with service delivery, operation and maintenance (O&M) of infrastructure assets, and resolution of services-related complaints. The all-season road rehabilitation has provided improved access to an estimated 40,000 beneficiaries (the estimated population residing within 500 meters radius of the road).

900 household water connections had been provided by the project by closure, meeting the target. The system has additional capacity for a further 1,300 household connections. The new system has also improved quality by removing contaminants, according to tests carried out by the TARUCCI Project Management Unit.

The Khar Municipal Committee regularly collects and transports waste from thirteen garbage disposal sites and collection points, serving approximately 30,000 people (against the target of 1,000). Enhanced primary collection, as envisaged under the Additional Financing had not, however, been achieved by closure, due to disagreements about the specifications for the bins and garbage containers between the Khar Municipal Committee and the Bajaur Agency. The ICR reports that the TARUCCI Project Management Unit is attempting to resolve the issue with the Agency.

A survey of beneficiaries conducted by an independent firm in January 2016, and which the ICR (page 12) describes as “rigorous,” indicates that almost 100 percent of respondents (including non-beneficiaries) perceive an improvement in the delivery of priority urban services due to the project (against a target of 30%), and 93 percent of beneficiaries report satisfaction with the infrastructure subprojects (against a target of 60%). However the beneficiary surveys conducted only covered perceptions of improvements in street pavement and drainage, rehabilitation of roads, and installation of streetlights (see Annex 5 from the ICR). Therefore there are limits to the degree that the surveys can reflect a complete picture of project performance.

In total the project has directly impacted the lives of approximately 40,000 citizens of Khar through the various sub-projects.

**Rating**

Substantial

**Objective 2**

**Objective**

To develop a framework for urban management in FATA.

**Rationale**

**Outputs**

An Urban Management Framework for Khar, the main town in Bajaur Agency, was produced. The Framework includes a number of practical toolkits and templates for replication elsewhere including: a) a planning and diagnostic toolkit; b) an engineering design and supervision model for typical investments



attuned to the local operational environment; c) a communications strategy and toolkit to manage interactions with the community; and d) community mobilization and safeguards process templates. As part of the project Mid Term Review adjustments Structure Planning outputs were developed for four other towns in FATA (against an initial target of 3 towns): Landi Kotal (Khyber Agency), Ghalanai (Mohmand Agency), Sadda and Parachinar (both in Kurram Agency). These outputs provide data on the existing population, built up area, commercial activity, quality and coverage of public services, as well as prioritized infrastructure investment needs for improving service delivery based on citizen feedback.

### **Outcomes**

The ICR reports that the Khar Municipal Committee has ownership of the Urban Management Framework. Producing the Urban Management Framework has indirectly benefited the 58,000 citizens of Khar town, and also positively impacted the lives of many thousands more in the four additional towns that now have Structure Plans for the first time.

However the Emergency Project Paper from 2012 recognizes that the development of the Framework and its constituent parts is only part of the process – actual implementation of the Framework is the greater challenge, and which would lead to the desired improvements in overall urban management across FATA. The project deliberately limited the objective given the short time frame for the project, the limited geographic scope, and the limited funding.

### **Rating**

Substantial

## **5. Efficiency**

There was no ERR estimated at appraisal. The Emergency Project Paper noted that "straightforward economic analysis of the project will not be feasible" because: "(i) investments in infrastructure and services under the project are demand-driven and the entire pipeline of subproject investments is hence not a-priori known", and (ii) the Municipal Committee in Khar was not yet established and therefore data on revenue collection was not available to calculate the expected ERR (see para 53 of Emergency Project Paper).

The Economic Internal Rate of Return (EIRR) from the completed project is estimated at 23-32% for the subprojects in Khar, reflecting 74% of the total project cost. These results, presented in Annex 3 of the ICR, were calculated ex post for each infrastructure sub-project, and, according to the ICR, followed World Bank guidelines. The calculations quantified, to the extent possible "the economic benefits accruing from the investment over a time period of 20 years; comparing these benefits with the capital and incremental O&M costs attributable to the project (at economic prices); and determining the present value of the resultant net economic flows." The ICR notes that sensitivity analysis shows that these results remain stable even with significant increases in operation and maintenance costs. The ICR also noted that two of the subprojects were incomplete at time of ICR preparation.

There were no significant operational and administrative inefficiencies, although the rate of return would probably have been higher if the two subprojects in Khar had been completed on time.



**Efficiency Rating**

Substantial

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

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	23.00	74.00 <input type="checkbox"/> Not Applicable

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

**6. Outcome**

Relevance of objectives is substantial, as is that of design. There is reasonably strong evidence that the efficacy of the first objective -- to improve urban services and management in Khar, Bajaur Agency – was substantial. Access to improved infrastructure services funded by the project was significantly increased, and the launching of the Khar Municipal Committee represents an important step in enhancing the institutional framework for urban planning and administration. Beneficiary surveys demonstrate high levels of satisfaction with project investments in their communities. For the second objective -- to develop a framework for urban management in FATA – there is as yet little evidence of concrete achievements. However, they were not asked for by the wording of the objective, and it is reasonable to assess that the urban management framework has been strengthened by the actions undertaken under the project. With efficiency rated substantial, outcome is assessed as satisfactory.

**a. Outcome Rating**

Satisfactory

**7. Rationale for Risk to Development Outcome Rating**

While the project, according to its objectives, focused on the completion of plans and institutional frameworks, actual implementation of those plans to shape urban management and public investments remained untested at closure. In a fluid political environment such as FATA, this is a substantial risk to the overall impact of the project investment.

It is unclear whether there is adequate financial and institutional support operations and maintenance (O&M). Without proper maintenance, the investments in wells, piped water systems, solar street lights, roads, drainage



pipes and waste collection could rapidly deteriorate. In addition, the ICR noted that the “MC [Municipal Committee] has yet to fully take over its mandated responsibilities and positions of certain technical staff are yet to be filled” (para 62 of ICR).

The ICR also notes that there was limited political level engagement from the leadership in FATA. This suggests a substantial risk for the project's outcomes, given the importance of such leaders in sustaining investments. Political support would be necessary for allocating O&M budgets, and for the MC to fulfil its mandated responsibilities.

#### **a. Risk to Development Outcome Rating**

Substantial

### **8. Assessment of Bank Performance**

#### **a. Quality-at-Entry**

The project began during a period of significant stress in the FATA and Khar. The ICR rightly notes that this was “highly complex political, social, and development post-crisis context”, which created a difficult preparatory process, with very tight deadlines. This rapid response in a tense security context was appropriate.

The Bank's preparation team used the analytical work conducted as part of the 2010 multi-donor Post Conflict Needs Assessment as the key reference point for identifying development outcomes. Anchoring the project structure to the TARUCCI initiative guided the choice of implementation arrangements. Adopting a community driven development (CDD) approach in this context provided an opportunity for “citizen participation in identifying and prioritizing municipal service needs” (para 21 of ICR), which helped to start rebuilding the broken trust between citizens and the local government. The strong project results from the beneficiary surveys after completion can be traced in part to the adoption of an approach that allowed communities to identify their key urban infrastructure needs.

The initial Results Framework was closely linked to the anticipated intermediate and final outcomes. Due to the wish to respond rapidly to the needs of communities that were experiencing regular violence, and in which public services were frequently unavailable, and due to the paucity of local data, no quantified baseline could be developed during preparation. However, targets were established for most of the indicators, which were measurable, clear and achievable. The Results Framework evolved throughout project implementation (see Section 10 for details), but the initial Framework was valid for the context, anchored on sound analysis (e.g. the 2010 PCNA), and provided clear measurements for success. Despite the emergency deadlines for the project and the rapid preparation, the project was launched at a Grand Jirga in Khar, and the preparation activities were solidly grounded in community consultations. The preparation included developing an Environmental and Social Management Framework, and a Grievance Redress Mechanism.

The project operating environment raised a significant number of risks. The Operational Risk Assessment Framework including in the Emergency Project Paper clearly identified the key risks and mitigation



measures. The former included limited implementation capacity (rated high and mitigated through capacity assessments and provision of technical support), and changes in the local government system and in key personnel (rated high and mitigated by focusing on strengthening of institutions and systems).

### **Quality-at-Entry Rating**

Satisfactory

#### **b. Quality of supervision**

The ICR notes that Bank staff could not travel to the project area during preparation or implementation due to security restrictions (para. 23 & 67). The team had therefore to rely on reports from the Implementing Agency, along with reports from an independent third party monitoring agent as the basis for supervision. The reporting on the project through the Implementation Status Reports (ISRs) reflected the evolving nature of the operating environment and associated risks. The ratings in the ISRs candidly reflected continuing implementation challenges.

Opportunity was taken at the Mid-Term Review conducted in June-July 2014 to refine the results framework. Implementation support documentation (ISRs, aide memoires, discussion notes, and management letters) provided adequate information on project status and agreed actions to address the identified issues, with a focus on technical dimensions, institutional development and capacity building, and compliance with safeguards and fiduciary policies. Given the travel restrictions for Bank staff, safeguards and fiduciary oversight was restricted to monitoring the reports from the implementing agency (the TARUCCI Project Management Unit or TPMU). The Bank's fiduciary and safeguards staff provided technical support to TPMU staff on the rules and procedures to be applied during project supervision, including the monitoring of safeguards and fiduciary compliance. According to the ICR, TPMU reports indicated that the overall level of fiduciary and safeguards compliance remained satisfactory throughout implementation. Using technical guidance from the Bank, community consultations were carried out by the implementing agency at various stages which helped inform the evolving priorities for municipal infrastructure. M&E implementation was considered satisfactory by the ICR.

The overall composition of the Bank team was appropriate . There was continuity of task team leadership and a number of other key Bank roles (Counsel, Finance, Procurement) from the Grant Preparation through to the ICR. The Grantee ICR notes the "thorough consultations" that were conducted with the FATA project partners, and rates the Bank performance as satisfactory.

### **Quality of Supervision Rating**

Satisfactory

### **Overall Bank Performance Rating**

Satisfactory

## **9. Assessment of Borrower Performance**

### **a. Government Performance**



The core focus of the project was based upon challenges identified by the Pakistan Government through the Tribal Areas Rural-to-Urban Centers Conversion Initiative (TARUCCI). The FATA leadership was the key driver in the creation of the TARUCCI, and the support for the central idea of responding to community needs through this structure remained strong throughout the project.

However, the ICR notes that difficulties arose as a result of changes in personnel in key positions during the life of the project, and some gaps in replacing key personnel (para. 72). The Project Director was changed at critical junctures, and the position did not have a full-time appointment for extended periods. However, one of the acting Project Directors (holding a dual charge as PD of another MDTF-funded project) remained with the project for two years and played an important role in accelerating project implementation and achieving project results. The ICR reports in addition that "disagreements between the PA, Bajaur Agency, the implementing agency, and FATA Secretariat also led to delays." In the final year of the project, a new PA did not have full ownership of project interventions, leading to operational issues.

### **Government Performance Rating**

Moderately Satisfactory

#### **b. Implementing Agency Performance**

The Implementing Agency, the TARUCCCCI Project Management Unit (TPMU) within the FATA Secretariat, operated in a testing environment. The ICR notes that the TPMU was "effective in project management, including financial management, procurement arrangements, safeguard compliance and reporting activities" (para 73).

Despite politically motivated changes in management, the Unit was able to exceed most outputs expected at the design stage, even though there were some delays in implementation. The surveys of local citizens indicate that the beneficiaries were satisfied with the way in which the physical works were conducted, and with the end results.

Financial management, reporting, implementation of the Environmental and Social Management Plan, and regular consultations with community stakeholders were all noted in the ICR as particular strengths in the implementing agency performance.

### **Implementing Agency Performance Rating**

Satisfactory

### **Overall Borrower Performance Rating**

Moderately Satisfactory

## **10. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

Due to the wish to respond rapidly to the needs of communities that were experiencing regular violence, and in which the government services were not regularly apparent, and due to the paucity of local data, no baseline data could be developed during preparation. However, targets were established for most of the



indicators, which were measurable, clear and achievable.

The results framework differentiated the PDO results from the Intermediate Results. The PDO results were focused on the satisfaction of citizens with the investments, and the application of the new urban management system. The Intermediate Results were focused on the physical outputs (water systems, roads, lights, etc) along with basic capacity improvements.

The first two of the three PDO Level Results Indicators were to rely on surveys measuring beneficiary perceptions of “quality of project provided priority urban services” and of the extent to which “priority urban service needs are being addressed.”

The above indicators do not take into account the contributions to the street pavements and drainage improvement which are reported in the ISRs and ICR. This suggests a gap in the initial design or in the revisions to the project in 2014.

The results framework does not attempt to capture changes in the capacity of the agencies responsible for implementing these physical works. Some assessment of capacity, either self-reported through the participating GoP agencies or through assessment of Bank teams that were tasked with providing capacity building assistance, would have been useful.

The results framework was not designed to gauge some of the sustainability elements for the physical infrastructure investments (e.g. operations and maintenance budgets, future maintenance plans).

These may have been difficult given the context, but could have provided greater confidence that the investment return would be sustained for the community.

## **b. M&E Implementation**

Data gathering responsibilities rested primarily with the TPMU, especially since the Municipal Committee was not formed until late in the project implementation (2014). The MDTF also employed a Third Party Monitoring Agency (TPMA) that validated project results independently. The surveys to gauge the responses of the community members aimed to provide a measure of project performance. The survey methodology, as presented in the ICR, provides a satisfactory level of confidence that the results provide an accurate reflection of citizen feedback on the project investments (see Section 4 above, and Annex 5 of the ICR).

The ISRs indicate that data for the intermediate indicators were captured and reported regularly. The ICR notes that “findings from TPMA’s quarterly reports strongly corroborate information collected from internal reporting mechanisms on progress of interventions” (para. 33). The regular data updates reflects well on M&E capacity development, and on the prospects for sustainability of the M&E framework beyond the period of Bank support.

There are a number of differences between the initial set of indicators identified in the Emergency Project Paper (Annex 2: Results Framework, and Section 10a above) and those included in the ICR. These indicators were adjusting during the Mid Term Review (June-August 2014), based on the fact that “(s)ome investments tentatively included in the original Results Framework did not emerge as priority needs from the planning exercise, while some others did and are now reflected in the results indicators” (para 31, MTR Aide Memoire). New indicators were added to measure, for example, the number of urban centers with structure plans, existing service delivery coverage, and identified demand-based priority investments. The changes are positive, and provide a more effective set of indicators for measuring project impact.



### c. M&E Utilization

The updates on project data were regularly communicated to project partners through the ISRs. There is no evidence provided as to how accessible the ISRs may have been to citizens, but Government agencies had access to the reports.

The data from the Intermediate Results were a key source of information influencing the decisions during the Mid Term Review.

The beneficiary perception surveys (PDO Level Indicators) “could only be undertaken by an independent firm contracted by the Bank after project closing, due to the late completion of several infrastructure investments” (para 34 in ICR). Therefore there was no influence from those surveys on informed strategic redirection or resource reallocation during implementation.

It is unclear to what degree the data collection and overall M&E system was used to help build capacity within the implementing agency.

### M&E Quality Rating

Substantial

## 11. Other Issues

### a. Safeguards

The project was classified as Category “B” for environmental assessment purposes. The Emergency Project Paper identified Environmental Assessment (OP 4.01) and Involuntary Resettlement (OP 4.12) as the two safeguard policies that could be triggered.

According to the ICR (page 9), environmental compliance ratings remained satisfactory throughout implementation – it notes that the TPMU “successfully implemented environmental aspects of the ESMP [Environmental and Social Management Plan] developed for the project”, and that training of counterparts and contractors was carried out.

The involuntary resettlement issues related to potential land acquisition for public infrastructure. The ICR (paragraph 28) documents the process that was followed, and highlights some of the delays and consequent changes to the project, but does not indicate whether any land was actually acquired by the local authorities, either through voluntary land donation or other means. However the ICR does record that “land acquisition issues caused two sub-projects – development of a family park and the construction of public toilets at two locations – included under the AF to be dropped” (page 7).

### b. Fiduciary Compliance

**Financial management:** The ICR and ISRs present a positive assessment of financial management of project funds. The ICR notes that the TPMU’s financial management team was considered “effective in managing the designed financial management arrangements” (para. 36, ICR), that “external audits and internal audits were conducted on time and the auditors issued clean audit reports” (para. 37). The Grantee



ICR also noted that “internal audit was also carried out by an independent audit firm on regular basis” (page 45).

The overall financial management was aided by a favorable exchange rate - there was a depreciation in the PKR of approximately 14% against the USD over the life of the project, increasing the PKR funds available for procurement against the initial costings.

**Procurement & Contract Management:** were consistently rated satisfactory in ISRs throughout the life of the Project. The ICR notes that “procurement activities were implemented in accordance with procurement plans. There was strict adherence to the project’s disclosure policies and all procurement related documents were publically disclosed on FATA Secretariat’s website” (para. 35).

The project also assisted in procurement processes, for example with the Municipal Committee in Khar in procurement of solid waste equipment (ICR page 22). Capacity building of partners is difficult without staff with appropriate skills – the Grantee ICR notes that there was only one procurement specialist in the FUCP TPMU, and that this was “insufficient to handle all the responsibilities of the procurement process” (page 43).

**Disbursement:** although the cost increase from US\$7m to US\$8m is clearly recorded in the ICR and other project documents, actual disbursements are recorded as US\$7.49 million (ICR Data Sheet Section A & G). There is no indication of which components or activities were underspent by US\$0.51 million.

**c. Unintended impacts (Positive or Negative)**

No significant unintended impacts.

**d. Other**

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**12. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Satisfactory	Moderately Satisfactory	There were moderate shortcomings in Government performance related particularly to senior personnel appointments at the TPMU.
Quality of ICR		High	---



## Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 13. Lessons

The ICR included 13 lessons and recommendations, most of which are useful reflections on project implementation in a fragile and conflict-affected environment. The notes below expand on the most relevant.

*a. The ICR notes that "starting small to learn lessons for scaling up pays dividends". Although this is an appropriate lesson, the project links to scaling up are not clear from the ICR or ISRs. Scaling up responsibilities were left with the project counterparts. This may be appropriate, but without some explanation of the likelihood of that scale-up occurring, or explanation of what the counterpart agencies are doing to prepare for that while the project is underway or immediately after the project is completed, it is difficult to assess the links between the relatively small investments of this project to the potential for scaling up.*

*b. Post-crisis contexts tend to be data scarce. While information is being collected for data-based decisions, it is critical to roll out visible but quickly implementable investments immediately to restore trust of affected communities with authorities and build goodwill.* This observation highlights a lesson in the need for emergency projects in fragile and conflict affected environments such as FUCP to have a sufficiently flexible Results Framework, so as to be able to respond to the changing operating environment. The processes should be in place for amending Results Frameworks (e.g. mid-term review), and projects in these environments should be designed with such flexibility in mind.

*f. Contractual controls may not work optimally in situations where adjudication and arbitration mechanisms are weak or non-existent. Alternative mechanisms for dispute resolution and performance tracking need to be developed, in addition to schedule of payments and deliverables.* Performance based mechanisms including incentives and penalties may be useful to a degree, and need to be built-in to isolate the effect of external factors such as security incidents, forced stoppage of work, etc. There is also a need to anticipate challenges in contractual controls given the relatively weak state of justice institutions, as evidenced by the project delays resulting from "land owners reneging on agreements" (para. 27 of ICR).

## 14. Assessment Recommended?

No

## 15. Comments on Quality of ICR

The ICR fulfills the requirements. It provides a clear account of the project implementation, and notes some significant challenges that had to be overcome during implementation. The analysis of outcomes is sound, and the report is internally consistent.

The lessons learned in the ICR are useful and draw directly from the project experience. Some of the



lessons could be applied to Bank practices for similar projects elsewhere.

**a. Quality of ICR Rating**  
High