PROJECT APPRAISAL DOCUMENT (PAD)

Sindh Flood Emergency Housing Reconstruction Project

Project Number:	PAK1060
Country:	Islamic Republic of Pakistan
Department:	Country Programs Directorate
Regional Hub:	Regional Hub - Türkiye
Date of Submission:	21-10-2023

Acronyms and Abbreviations

4RF	Resilient Recovery, Rehabilitation, and Reconstruction Framework
AGP	Auditor General Pakistan
BED	Board of Executive Directors
DRM	Disaster Risk Management
EA	Executing Agency
ESCP	Environmental and Social Commitment Plan
ESMP	Environment and Social Management Plan
ESMF	Environmental and Social Management Framework
ESS	Environment and Social Safeguard
FM	Financial Management
GAP	Gender Action Plan
GOP	Government of Pakistan
GOS	Government of Sindh
GRM	Grievance Redressal Mechanism
ID	Islamic Dinar
IP	Implementing Partner
MDB	Multilateral Development Bank
NDMA	National Disaster Management Authority
MIS	Management Information System
MOU	Memorandum of Understanding
NCCP	National Climate Change Policy
NDC	Nationally Determined Contribution
NDMA	National Disaster Management Authority
NGO	Non-Government Organization
PDNA	Post Disaster Needs Assessment
P&D	Planning and Development
PIASR	Project Implementation Assessment and Support Report
PKR	Pakistani Rupee
PMC	Project Management Consultant
PMU	Project Management Unit
PPSD	Project Procurement Strategy Document
PSLM	Pakistan Social and Living Standards Measurement Survey
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SA	Special Account
SDG	Sustainable Development Goals
SEP	Stakeholders Engagement Plan
SFHRP	Sindh Flood Emergency Housing Reconstruction Project
SGA&CD	Services, General Administration and Co-Ordination Department
SPHF	Sindh Peoples Housing for Flood Affectees
UN	United Nations
USD	United States Dollar
VRC	Village Reconstruction Communities
WASH	Water, Sanitation and Hygiene
WB	World Bank

Currency and Measurement Conversions

As of 15/09/2023
ID 1.00 = EUR 1.24
PKR 1.00 = EUR 0.003
EUR 1.00 = PKR 320.00
US$ 1.00 = PKR 298.00

Project Team Members

Name	Position	Unit
Bekzod Parmanov	Operations Team Leader (Project Team Leader)	RHC
Oussema Trigui	Operations Team Leader (Co-Team Leader)	RHA
Yigit Iscioglu	Project Management Specialist	RHA
Nosratollah Nafar	Country Economist	RHA
Muhammad Ali	Field Representative in Pakistan	RHA
Nevzat Yasar	Field Procurement Officer	PPFM
Hisham Fakha	Senior Procurement Specialist	PPFM
Ahmad Wajeeh Alikhan	Senior Legal Counsel, LGL	LGL
Suleiman Dalhatu Sani	Senior Islamic Finance Specialist	SHA
Momodou Ceesay	Lead Global Rural Dev. Specialist	ESID
Bipin Dangol	Senior Water and Sanitation Expert	ESID
Habib Abubakar	Sr Climate & Environment Specialist	RCA
Aykut Iscanoglu	Field Disbursement Officer	FCD

Vice President:	Mansur Muhtar, Vice President – Operations Complex
Directorate General:	Anasse Aissami, Director General – Country Programs
Regional Hub:	Walid Abdelwahab, Director, RH-Türkiye
	Ishthiaq Akbar, Country Operations Manager, RH-Türkiye

Date of Preparation Mission:	10-14 July 2023
Date of Appraisal Mission:	8-15 September 2023
Date and Venue of Negotiations:	18 October 2023

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A. STRATEGIC CONTEXT AND RATIONALE

1. Brief Historical Development of the Project

1. The Islamic Development Bank (IsDB) received an official request on 11 April 2023 from the Government of Pakistan (GOP), through the Ministry of Economic Affairs of Pakistan (IsDB Governor's Office), to provide financing for the Sindh Flood Emergency Housing Reconstruction Project (SFEHRP). This project will be part of the pledge of US$4.2 billion made by IsDB Group President at the International Conference on Climate Resilient Pakistan held in Geneva, Switzerland on 09 January 2023, in support of GOP's post-flooding recovery efforts and initiatives.

2. After consultation between GOP, Government of Sindh (GOS) and IsDB, on the financing terms and conditions, subject project is included into IsDB Annual Work Program with budget allocation up-to EUR 188.70 million (equivalent to US$200 million), including Installment Sale financing in the amount of EUR 165.10 million and Loan financing in the amount of EUR 23.60 million (equivalent to ID 19.00 million). The project is targeted for submission to 353rd meeting of the Board of Executive Directors (BED) of the IsDB that will be held on 10-12 December 2023.

3. This project is prepared based on the project documents and review of signed consultancy service contracts submitted by the GOP/GOS, the outcome of the IsDB virtual preparation mission held during the period 10-14 July 2023. The IsDB appraisal mission was held during the period 8-15 September 2023 and project negotiations were held on 12 and 18 October 2023.

4. During the preparation, the IsDB team held consultative meetings with key country stakeholders and development partners, including Word Bank (WB) and selected United Nation (UN) Agencies, as well as local Non-Governmental Organizations (NGO) participating in SFEHRP. In designing the project, the GOP requested the IsDB to follow the emergency housing reconstruction platform established by the GOP at the end of 2022 with the support of the WB. In processing the project, the IsDB's team benefited from Project Appraisal Document (PAD), Environment and Social Safeguard (ESS) documentations, and other related assessments of the WB. The WB approved its financing in December 2022 in the amount of US$ 500 million and has been supporting the GOP in delivering the program since then. The Results-Based Logical Framework of the project is given in Annex 1.

2. IsDB Operations in the Country and Portfolio Performance

5. As of September 2023, commencing from 1980, the IsDB Group has approved total financing of about US$15.1 billion for Pakistan. This includes US$2.9 billion project financing by IsDB; US$0.28 billion approved by ICD; US$7.1 billion trade operations by ITFC, and US$4.9 billion by other IsDB Group funds and operations. In addition, ICIEC has provided US$6.2 billion as business insured and US$4.2 billion as new insurance commitments.

6. Project financing represents 18.9% (US$2.85 billion) of total financing, while trade financing represents 79.5% (US$12.03 billion), and concessional financing is 1.6% (US$246 million), including loan and grants. Sectoral breakdown of the IsDB Group operations in Pakistan is as follows: the sector with highest share is Energy at 69.2% (about US$10.46 billion) followed by Industry & Mining at 12.6% (about US$1.91 billion), and Agriculture at 7.2% (about US$1.09 billion).

7. There are no outstanding operational dues. As of September 2023, the IsDB Group total disbursement reached US$9.03 billion comprising US$2.15 billion (23.8%) by IsDB, US$6.75 billion (74.7%) by ITFC, and US$132 million (1.5%) by ICD. The total Repayment is US$8.54 billion comprising US$1.59 billion (18.6%) to IsDB, US$6.88 billion (80.6%) to ITFC, and US$72.5 million (0.8%) to ICD. Groupwide active portfolio stands at 46 operations with a total amount of US$2.12 billion which represents 14% of total portfolio. A total of 394 operations are completed with an amount of US$13.0 billion, representing 86% of total portfolio.

8. Out of IsDB's active project portfolio, as per the system generated Portfolio Report of 30 September 2023 and the approval data, US$151 million is pre-effective, comprising of two Projects. Overall, from a portfolio perspective, the performance has been satisfactory, as seen in the PIASR ratings across the projects. The disbursement ratio is around 40%, which will increase once the expected disbursements under the Sindh Integrated Health and Women Empowerment Project (PAK1057) and Polio Eradication Ph-IV Project (PAK1058) are processed. The Cumulative Undisbursed Commitments is currently around 8%, which will also increase substantially once the effectiveness of the three approved projects are declared. There are currently no issues with the counterpart financing for the portfolio.

9. In December 2022, the Sindh Integrated Health and Women Empowerment Project (PAK1057) was approved for an amount of US$50.26 million. There was also an emergency grant approved for US$0.7 million as flood response. These projects are timely under the context of the 2022 flood recovery and reconstruction and are also designed as post-disaster resilience interventions. In May 2023, US$100 million was approved for the Polio Eradication Phase-IV Project (PAK1058), which has a grant funding of US$35 million from the BMGF.. More details on the IsDB portfolio in the country are provided as Annex 3.

3. Project Context

Country Context:

10. Pakistan had a total population of about 235.8 million in 2022. The majority of the population falls within the 15-64 age group. Pakistan is ranked as 161 among all countries in the Human Development Index 2021 with a score of 0.544, putting the country in the low human development category. In the World Economic Forum's Global Competitiveness Report, Pakistan is the 110th most competitive country globally.

11. The economy is estimated to grow by 6.1% in 2022 compared to -0.9% in 2020. In 2023, growth is projected to be limited to negative 0.5% one of the key reasons being the post-flood impact, political and economic challenges and overall slowdown in global economy. While the annual inflation in the past three years (2020-2022) was in the corridor of 9% to 12%, the inflation in 2023 is forecasted to sharply increase and reach 29.2%, one of the

main reasons being a weaker Pakistani Rupee (PKR) and continued exchange rate depreciation pass-through.

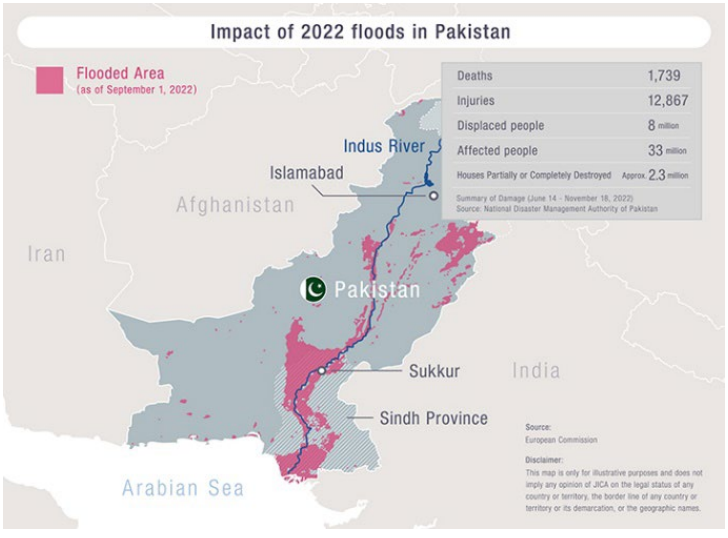
12. General government gross debt increased from 73.5% of GDP in 2021 to 76.2% in 2022, and it is expected to be 76.6% in 2023. The drop in foreign debt from US$130.4 billion in 2021 to US$128.2 in 2022 is expected to be similar in 2023 with US$128.3 billion, whereby foreign debt was US$115.7 billion in 2020. The budget deficit of 7.9% of GDP in 2022 is expected to remain at 7.7% in 2023. The country is recovering from the COVID-19 related spending, and high social safety net expenditures made in the past years.

13. The current account deficit was 4.7% of GDP in 2022 and is projected to fall to 07% in 2023. Total international reserves are expected to go from US$9.9 billion to US$14.0 billion by the end of 2023. Due to its current balance of payments, the country has limited fiscal room to respond to emerging risks including unexpected damages from the floods, political instability, and external shocks, including increases in global commodity prices and interest rates. As of 2023, poverty is expected to reach 37.2% ($3.65 /day 2017ppp). The rate is slightly below the last observed measure in 2018, which stood at 39.8%; however, when accounting for population growth, there are almost 3 million more poor people in the country than in 2018.[1].

Flood Disaster

14. In 2022, Pakistan faced eight cycles of monsoon while, normally, the country has only three to four cycles of rain. Flash flooding from monsoon rains submerged thousands of homes, washing away towns and villages. According to the National Disaster Management Authority (NDMA) approximately 2.3 million houses were damaged with different degrees of damage. The National Authorities qualified this disaster as the worst "humanitarian disaster of this decade".

15. The NDMA reports that around 33 million people—that is, one in seven— have been affected by the floods, including nearly 8 million displaced. The floods have taken the lives of more than 1,700 people, one-third of which were children. Rain-induced floods, accelerated glacial melt, and resulting landslides devastated millions of homes and key infrastructure, submerging entire villages, and destroying livelihoods.



16. Preliminary estimates suggest that, as a direct consequence of the floods, the national poverty rate at 22% in 2021 will increase by 3.7 to 4.0 percentage points by the end of 2022, pushing between 8.4 and 9.1 million people into poverty. As of 11 October 2022, total of 94 districts were declared as "calamity hit," accounting for more than half of all districts in the

[1] World Bank, April 2023, Pakistan - Poverty & Equity Brief

country. The majority were in the provinces of Baluchistan, Sindh, and Khyber Pakhtunkhwa. Out of the 25 poorest districts in the country, 19 were calamity-affected. Following Table-1 shows the estimated costs of damages, losses and needs.

Table-1: Estimated costs of damages, losses and needs from 2022 floods

Region	Damage		Loss		Needs	
	Billion (PKR)	Million (US$)	Billion (PKR)	Million (US$)	Billion (PKR)	Million (US$)
Balochistan	349	1,625	541	2,516	491	2,286
Khyber Pakhtunkhwa	201	935	141	658	168	780
Punjab	111	515	122	566	160	746
Sindh	1,948	9,068	2,444	11,376	1,688	7,860
Cross-Provincial	587	2,731	14	67	975	4,540
Special Regions	7	32	11	49	10	48
Grand Total	3,202	14,906	3,272	15,233	3,493	16,261

Source: *Post-Disaster Needs Assessment (PDNA) by Ministry of Planning, Development and Special Initiatives*

17. The south of the country, including Sindh province, is the most affected. Almost 88% of the destruction of houses occurred in Sindh, which has also borne the brunt of the damage to roads and bridges, leaving people stranded in many places, according to the NDMA. Livelihoods are also being heavily impacted. More than 1.16 million livestock were killed, depriving many families of a critical source of sustenance. Nearly 2 million acres of crops and orchards have also been impacted. Damage to infrastructure has further worsened the situation, as the partial or complete destruction of over 13,098 km of roads and 440 bridges impedes the ability of people to flee to safer areas or to travel to access markets, healthcare, or other vital services, and restricts the delivery of aid to people in need.

18. As per the Pakistan Floods 2022: Post-Disaster Needs Assessment[2] overall damages are estimated at US$14.9 billion, equivalent to 4.8% of FY2022 GDP. The recovery needs across 17 priority sectors have been estimated at US$16.3 billion. The agriculture sector and industry sector each incurred one-quarter of the total damages, while the services sector accounted for nearly half of the total damages. Inflationary pressures are expected to continue being elevated on account of rising food prices and the weaker exchange rate. Inflation could increase further as food prices rise in response to crop damage, loss of livestock, and the disruption of transport infrastructure critical for supplying agriculture output to markets.

Thematic Context:

Climate Change Profile

19. Pakistan's climate varies from dry and hot near the coast and lowland plains of the Indus River to cooler temperatures in the northern uplands and Himalayas. It experiences four seasons: a cool, dry winter (December to February), a hot, dry spring (March through May), a summer rainy season (June to September), and retreating monsoons (October to November).

[2] Pakistan Floods: 2022, Post-Disaster Needs Assessment, Min. of Planning Dev. and Spec. Initiatives, October 2022

20. Pakistan is indisputably facing a warming trend that exceeds the global average. This trend is expected to cause a temperature increase of 1.3°C-4.9°C by 2090, which will inevitably have a profound impact on human health, livelihoods, and ecosystems. Furthermore, this increase in temperature is likely to result in more frequent extreme climate events, further exacerbating the disaster risk for vulnerable groups. According to the ND-GAIN Country Index, Pakistan is the 35th most vulnerable and the 146th most ready country to improve resilience and adaptation mechanisms. Urgent action must be taken to mitigate the effects of climate change in Pakistan.

21. Country's frequent exposure to natural hazards and significant dependence on monsoon rainfall and the glacier-fed Indus Basin make it vulnerable to climate change. The country's socioeconomic circumstances further augment its vulnerability to projected temperature increases, more variable rainfall patterns, and greater risk of floods and droughts.

22. Pakistan's National Climate Change Policy (NCCP) of 2012 placed utmost importance on climate-resilient development and adaptation, given the country's susceptibility to extreme climate events. Nevertheless, after the Paris Climate Agreement of 2015, Pakistan has made a solid commitment to reduce global emissions significantly. It has taken bold steps to update its policy with an unwavering focus on adaptation and mitigation. Furthermore, Pakistan has prioritized nature-based solutions in the NCCP-2021, emphasizing its unwavering determination to impact the environment positively. NCCP 2021 promotes eco-friendly programs like Ten Billion Tree Tsunami, Urban Forest Project, Clean Green Pakistan Movement, and Protected Areas. It targets 15% of Pakistan's area as protected by 2023 and prioritizes the ESRI for a greener Pakistan.

23. Pakistan's NCCP addresses climate change while supporting economic growth. It prioritizes pro-poor adaptation, cost-effective mitigation, climate-resilient infrastructure, and remedial plans for water, energy, and food policies. The country also aims to develop climate-resilient agriculture and food systems, transition to cleaner development, and achieve UN Sustainable Development Goals (SDG) to reduce risks from extreme weather events. The policy is set to improve the country's decision-making and coordination on climate change both at the national level and sub-national level that can facilitate effective use of financial opportunities, develop economic incentives, enhance stakeholder capacity, and promote sustainability through tree plantation, resource conservation, and nature-based solutions.

24. In 2021, Pakistan submitted its updated Nationally Determined Contribution (NDC) to the UN Framework Convention on Climate Change (UNFCCC). Pakistan's progress in climate action is evident in the NDC update, which outlines policies and programs for nature- and technology-based solutions. The NDC plan also outlines Pakistan's aims to reduce its projected emissions by 50% by 2030. 15% will come from the country's own resources, while 35% will be subject to international grant finance. Energy transition alone would cost USD 101 billion.

25. Pakistan plans to shift to 60% renewable energy and 30% electric vehicles by 2030. The Ten Billion Tree Tsunami Program, Recharge Pakistan, and the Protected Areas Initiative will expand natural climate solutions. The Billion Trees Afforestation Project and Ten Billion Tree Tsunami Program aim to sequester CO_2 equivalent to 500 Mt CO_2e by 2040. Pakistan

needs to strengthen its scientific and technical capabilities to achieve these goals. Pakistan needs significant financial support to achieve its NDC target plans to diversify funding sources through Nature Performance Bonds, Green/Blue Bonds, and Carbon Pricing Instruments. The private sector is encouraged to contribute to climate ambition and nature-based solutions for mitigation and adaptation.

26. Clear evidence of the impact of climate change in Pakistan is the heavy monsoon rains that occurred last summer, 2022, which wreaked havoc in Pakistan, causing over 1,700 fatalities, destroying millions of homes, and resulting in economic losses worth billions of dollars. The country still struggles a year later. Survivors reside in temporary shelters while damaged infrastructure remains unrepaired, and millions of children remain out of school. Additionally, the recent (2023) heavy rainfall has continued to caused rivers to overflow, flash floods, infrastructure damage, landslides, livestock and crops loss, and property damage in some parts of the country, added to the devastation the previous year. Population in flood-affected areas of still lacking clean water and child malnutrition has risen, according to aid agencies and charities working the country.

Women Empowerment

27. The country has one of the largest gender gaps in economic participation in the world, and this gap is even higher in Sindh province, where female labor force participation is lower than the national average. Women in Sindh are largely employed in agriculture, where they primarily work on family farms or enterprises without pay. Despite their importance to the rural economy, less than half of women in Sindh control their own earnings and almost 98% are excluded from inheritance - the primary source of wealth for most Pakistanis - due to prevailing social norms and poor enforcement of women's legal rights.

28. Gender discrimination has become an issue in Pakistan with many governments and NGOs working to resolve the issue. Like in other parts of Pakistan, women in Sindh commonly face problems in family law, discrimination at the workplace, discrimination in education, physical or psychological abuse, and social restrictions. In Sindhi culture, there are different norms, which become hurdles for women to get basic right like education, mobility, and freedom. Women commonly have no access to court for justice due to cultural hindrances. The literacy rate and school enrolment ratio of girls in the province is very low, with girls remaining at home to complete domestic chores.

29. Evidence from post-disaster contexts, including the 2005 earthquake and 2010 floods in Pakistan, indicates that such issues often prevent women from accessing reconstruction grants and other forms of financial assistance, while poor enforcement of legal rights can expose them to land-grabbing as well as instances of coercion, violence, and abuse. Owner-driven reconstruction programs are particularly prone to the exclusion of female-headed households, as women are labor- and mobility-constrained and may therefore be unable to manage finances, mobilize labor, or supervise construction activities to required standards.

30. Pakistan ranked as one of the top 8 countries affected by climate change in the past 20 years, with women being affected the most. According to the Global Gender Gap Report 2022, Pakistan ranked 145 out of 146 countries on the Global Gender Gap Index of the

World Economic Forum (WEF). Pakistan has an index score of 0.564. The dimensions used by WEF include economic participation and opportunity, educational attainment, political empowerment, and health and survival. Pakistan ranked 143rd in health and survival, 145th in economic participation and opportunity, 135th in educational attainment, and 95th in political empowerment indices.

31. The health status of women in Sindh is also a concern. Health facilities in rural areas are less capacitated to address the health issues of women. They lack human resources particularly professional and trained human resources, medical equipment and medicines etc. The health indicators i.e., pregnancy-related deaths (345 per 100,000) and maternal mortality rate (224 per 100,000) demand more investment in the health sector. Furthermore, the prevalent social and cultural barriers and economic dependence create barriers for women to access health services. About 54 percent of women face problems in accessing health care and nearly 46 percent are unable to visit health facility alone.

32. In Education sector on average, girls had much less access to education in Pakistan than boys—the mean years of schooling was 3.9 for women and 6.4 for men. Only 23% of women in rural Sindh are literate. The rest of the 85% of females in rural Sindh are deprived of basic education because of having to live in a strict traditional culture, facing poverty, having no knowledge, and not having enough resources to gain education. Based on the International Labour Organization's (ILO) calculations of the labor force participation rate for women in Pakistan was around 22% in 2021. In Sindh Region the overall unemployment rate in is 3.9%, The unemployment rate among females is substantially higher than among males, with rates of 6.6% and 3.3%, respectively.

Civil Society Organizations

33. CSOs have predominantly gained significant attention as an instrument for public involvement and participation in Pakistan. The sector engages in a diverse set of activities, ranging from religious education to sports activities, from performing religious rites to lobbying for civic amenities, and from running neighborhood vocational centers to national human rights advocacy organizations. Sizes also range from small informal neighborhood graveyard management committees to multi-billion-rupee hospitals. CSOs give voice to the demands of citizens' support and promote equal and equitable opportunities for all as well as enhance service delivery. They are also a medium for conducting accountability and control procedures and help in connecting the citizens to their chosen public representatives.

34. In the Sindh Province, there are 29 civil society organizations dedicated to addressing diverse issues faced by the people. Although most of these organizations are international NGOs, there are also national and local NGOs. The primary focus of these organizations is on WASH, but they also work on shelter, emergency relief, livelihood improvement and health sector interventions. Below, you can find more detailed information about these organizations, including their focus areas and operational mechanisms.

Sector Context:

35. Rural Housing Sector: Rural housing in Pakistan has been a significant challenge due to various factors, including rapid population growth, lack of infrastructure, limited access to financing, and inadequate government support. Many rural areas in Pakistan struggle with issues such as inadequate housing conditions, lack of sanitation facilities, and substandard construction. Rural populations often lack access to affordable financing options for housing construction or improvement. This restricts their ability to invest in better housing. The Pakistani government has initiated various programs to address housing issues, such as the Prime Minister's Naya (New) Housing Program in 2019. These programs aim to provide affordable housing solutions for low-income families, including those in rural areas.

36. Based on the latest pre-flood housing census of 2017, Sindh exhibited a housing landscape comprising 2,756,499 *katcha* (mud and straw-based, typically temporary) and 5,600,885 *pakka* (strong construction materials-based, generally permanent) housing units. Katcha dwellings were predominantly found in rural localities, while urban areas hosted a higher prevalence of pakka structures. Although rural areas exhibited higher house ownership, the informal nature of rural housing contributed to a significant proportion of housing units with unclear ownership status. Notably, assuming linear growth between 1998 and 2017, the number of katcha houses in Sindh expanded at an approximate annual rate of 1.6 %, while pakka houses witnessed a more substantial annual growth of about 4 %.

37. Evidently, the 2022 floods had a profound impact on housing in Sindh, with an estimated minimum of 2.1 million houses suffering partial or complete damage. This marked the highest toll among all provinces, constituting over 20% of the documented provincial housing inventory, as projected by the Post-Disaster Needs Assessment (PDNA). The GOS has launched a comprehensive housing reconstruction program to support all the households damaged by the 2022 floods with a financing envelope of US$2.08 billion. Nevertheless, the efficient housing reconstruction with resilience improvements faces critical challenges such as:
    - Institutional Arrangements: Effective institutions are crucial to manage the vast reconstruction task and enforce higher engineering standards for resilience.
    - Beneficiary Identification: Transparency in targeting is essential, given the informal housing sector. Household damage assessments will guide the selection process.
    - Risk-Adjusted Site Selection: Prioritizing in-situ reconstruction while identifying high-risk areas for floods and heatwaves is vital. Suitable alternative sites may be necessary.
    - Resilient Reconstruction Practices: Rapid guidance on multi-hazard resilient designs and construction is urgent.
    - Sustainable Building Materials: Overexploitation of natural materials must be mitigated. Promoting local materials and knowledge sharing is key.
    - Land Claim Settlement: In the absence of formal land records, mechanisms for documenting land claims must be developed, including boundary re-mapping and heir identification.
    - Transparency and Accountability: Transparency in beneficiary lists, disbursements, and reconstruction progress is essential for success.
    - Inclusive Approach: Special efforts are needed to ensure socially disadvantaged groups benefit from the reconstruction project.

38. Water, Sanitation and Hygiene Sector: The importance of drinking water, sanitation, and hygiene (WASH) has been recognized in the Vision 2025 document of the Ministry of Planning, Development and Reforms of Pakistan. The document emphasizes the provision of safe drinking water and improved sanitation through an integrated development strategy. Further, the document highlights water contamination, water quality issues and the pressing need for eliminating open defecation. Pakistan's water resources are under stress due to factors such as population growth, climate change, and inefficient water management. Water scarcity leads to reduced access to clean and safe drinking water.

39. Pakistan primarily relies on water sources from the Indus River and its tributaries, including the Indus, Chenab, Jhelum, Ravi, Beas, and Sutlej Rivers which account for approximately 65% to 70% of Pakistan's surface water resources. Pakistan's current annual renewable water resources average around 226.4 billion cubic meters (BCM). Within this total, the Indus Basin accounts for a substantial 96.3%, with the Kharan desert contributing 1.3%, and the Makran coastal drainage providing 2.4% of the water resources.

40. Contaminated water sources cause waterborne diseases such as diarrhea, cholera, and hepatitis. Inadequate sanitation facilities, low hygiene awareness and open defecation worsen the situation, causing health issues. With urban-rural and socioeconomic disparities in WASH access, marginalized groups face more challenges. Rapid urbanization in Pakistan puts pressure on existing WASH infrastructure, leading to increased demand and challenges in providing services to urban populations. Government capacity is limited for effective WASH interventions and insufficient funding slows progress. Frequently occurring natural disasters damage WASH infrastructures and services.

41. The Pakistan Social and Living Standards Measurement Survey (PSLM, 2018-2019) indicates that in Sindh, 95% of households have access to improved drinking water sources, with 99% in urban areas and 91% in rural areas. The primary sources are hand pumps (36%) and tap water (31%). In urban areas, piped water (50.4%) is predominant, while rural areas rely on hand pumps (69.6%). The PLM indicates that 41.7% have improved sanitation, but 11.9% practice open defecation. Rural areas lag with 10.6% access compared to 68.2% in urban areas, where open defecation is minimal at 0.9%. Flush-to-sewer toilets are most common (40.1%), followed by flush-to-open drains (19.3%) and dry pit toilets (10.4%). About 12% have no toilets. Over 27.4% of toilets are connected to underground drains, 9.3% to covered drains, and 23.9% to open drains. Almost 39.4% lack any sanitation, with rural areas at 75.6% and urban areas at 8.3%. This poses severe environmental pollution risks from improper disposal of fecal sludge and wastewater.

42. The project appraisal mission conducted recent field visits to four project villages, reaffirming the dire state of WASH facilities. The absence of toilets has led to prevalent open-defecation practices. Additionally, the primary source of drinking water for villagers is groundwater extracted from tube wells. These tube wells often provide water of poor quality, characterized by high salinity levels and microbiological contamination. Consequently, the communities face an elevated risk of waterborne diseases such as diarrhea, cholera, and typhoid due to the absence of safe drinking water and inadequate sanitation and hygiene practices. More details on the Country and Sector background are provided in Annex 4.

4. Alignment with IsDB Strategy

43. The SFEHR project is in line with the IsDB Group's Realigned Strategy (2023-2025) that aims to tackling poverty and building resilience in IsDB Member Countries through development of resilient and sustainable infrastructure (Pillar-1) and inclusive human capital development (Pillar-2). The project is aligned with IsDB Group's Country Engagement Framework for Pakistan 2023-2025 that aims to Support Resilience and Economic Transformation along with the transitional cross-cutting pillar of Flood Rehabilitation and Recovery Support.

44. There is a strong alignment with the cross-cutting pillars of the IsDB Group's Realigned Strategy 'Capacity Development', and 'Climate Change Mitigation and Adaptation'. The design of the project is guided by the IsDB's Climate Change (Pillar 2: Promoting climate change resilience), and Disaster Risk Management and Resilience Policies (Pillar-II: Supporting Post-disaster Recovery Planning), and Water Sector Policy (Pillar-1 Universal and affordable access to water and sanitation).

45. The project contributes to achieving the SDG-6 (Clean Water and Sanitation), SDG-11 (Sustainable Cities and Communities) and SDG-13 (Climate Action). Specifically, the project contributes to SDG Target 11.1: "Safe and affordable housing" and SDG Target 13.1: "Strengthen resilience and adaptive capacity to climate-related disasters". the project contributes to SDG Targets 6.1 "Safe and affordable drinking water" and Target 6.2 "Adequate and equitable sanitation and hygiene".

46. Through this project, the IsDB will support building the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other disasters. Subject project complements the Sindh Integrated Health and Women Empowerment project (PAK157), which is the first post-flooding intervention of the IsDB approved in December 2022. The project synergy will improve overall health conditions of rural people through improved access to health services (Health and WASH facilities), as well enhance the empowerment and economic resilience of women and vulnerable segments of the population.

B. PROJECT DEVELOPMENT OBJECTIVE

1. Project Objectives

47. The aim of the project is to contribute to the national targets of SDG-11 and SDG-13 through providing robust houses that are resistant and adapted to the adverse conditions of climate change and natural disasters. The Project Development Objective (PDO) is to deliver beneficiary-driven, multi-hazard resilient, reconstruction of core housing units to the populace affected by the 2022 floods in selected districts of Sindh province.

2. Project Location

48. The Project area is Sindh province, which is located in the south of Pakistan. The IsDB financing will be directed to construction of houses and WASH facilities in 21 districts of Sindh. Housing reconstruction priority is given to beneficiaries in rural areas (i) whose house is completely destroyed, (ii) residing outside of high-risk zones, particularly prone to riverine flooding, (iii) availability of land under ownership (self-owned, or state land), and (iv) in special needs. At least 30% housing reconstruction beneficiaries are expected to be women-led households. Project location map is provided in Annex 2.

3. Project Beneficiaries and Stakeholder Consultations

49. The project will support reconstruction of houses and increased resilience of the flood-affected communities in Sindh province. While the housing grants would be targeted to a subset of the affected population, the project's technical assistance component will benefit the entire province by supporting the design and execution of the overall housing reconstruction program of the GOS. Through a beneficiary-driven approach, over 700,000 multi-hazard resilient core housing units will be reconstructed under SFEHRP, benefiting approximately 4.2 million rural people in project area. Roughly half of these beneficiaries are estimated to be female, based on demographic information available for these areas.

50. A comprehensive skills training program for communities and artisans will be organized. This includes including resilient construction practices for artisans and orientation of beneficiaries on eligibility criteria for program participation. Specialized training programs will also be introduced to train masons in responding to the needs of people with disabilities, as well as to benefit persons with disabilities beyond the life of the project. An estimated 30,000 skilled workers (artisans, mason) will receive in-depth training and at least 700,000 beneficiaries will be oriented in multi-hazard resilient construction techniques through capacity building activities supported by the project. This will improve the long-term resilience of communities in Sindh by improving the structural designs and construction practices of the housing in view of the challenges posed by climate change.

51. Consultation with the affected people/beneficiaries and other stakeholders was held during the preparation and appraisal stages of the Project. While the IsDB team is capitalizing on the exercise undertaken by the WB, the focus was made by the IsDB to learn the experience and lessons learned so far. The IsDB team jointly with representatives of GOP, SPHF and NGOs visited four villages located in the Sujawal and Thatta districts and conducted consultations with end-beneficiaries to understand the needs, receive feedback and recommendations on on-going arrangements with the view to improve project design, and enhance the socio-environmental sustainability.

52. Government officials confirm that the current design is within the socio-cultural norms and context of the country. Furthermore, it was also confirmed that this housing design is only considered to be base model, and households are free to do any expansions and additions as per their needs and capabilities. In addition to this the GOP informed the IsDB that since this is a national program, they want to ensure uniformity across the project areas in order not to create any social disparities and tensions that may result from having multiple designs. Therefore, approach is harmonized among IsDB and WB. Overall beneficiaries, who have received support so far, are found to be satisfied with the project approach. However, they expressed the need to increase the budget for housing construction due to the increase in the cost of materials in recent months, which is expected to be continued. The critical need for revising the budget was confirmed by SPHF and WB representatives. Meetings with beneficiaries also confirmed the strong need for WASH facilities in addition to housing reconstruction.

53. Further consultative meetings were held with the UN Agencies (UNDP, UNICEF, ILO, UNIDO, IOM, UNOPS) working on the ground and supporting the GOP in post-flood recovery. Most of the UN Agencies are providing soft activity support such as undertaking necessary assessments in various fields of expertise, providing training and awareness raising on post-flood reconstruction (housing and basic infrastructure), etc.

54. The GOS (through the EA) prepared a comprehensive Stakeholder Engagement Plan (SEP) to ensure open and transparent engagement between the government and the project stakeholders, including disadvantaged and vulnerable groups. The SEP was disclosed on the project's website and with the community.

4. Rationale for IsDB involvement

55. The 2022 monsoon rains triggered the most devastating flooding in Pakistan's history, affecting all four provinces and impacting 15% of the population. Millions of people remain in need of assistance, hundreds of thousands of homes have been destroyed, critical infrastructure such as road networks, bridges, and water systems has been damaged, and livelihoods lost. Significant damage to houses, agriculture, irrigation, and communication infrastructure has also been reported in Sindh province. Given the scale of the current disaster, the government requires support related to immediate relief, recovery, reconstruction, and increasing resilience in the aftermath of the floods. According to PDNA estimates, 2.3 million houses were destroyed, displacing around 8 million people.

56. Country Alignment: The project is fully aligned with the Vision 2025, the 12th Plan of the Country and the Resilient Recovery, Rehabilitation, and Reconstruction Framework (4RF) of the GoS's strategic policy and prioritization document adopted in December 2022. The 4RF policy framework aims to address Pakistan's most urgent and immediate post-disaster needs, while setting the direction for building long term resilience. The project will contribute the achievement of the national targets related to SDGs 6, 11 and 13.

57. The project is aligned with the recently published Pakistan Country Climate and Development Report as it contributes to the policy area of strengthening human capital, through the improvement of livelihoods and improving shock-responsiveness. The project is aligned with Pakistan's policy frameworks and plans on DRM and climate resilience. These include the National Disaster Management Act (2010), the National Disaster Risk Reduction Policy (2013), Climate Change Policy (2012), and Climate Change Act (2017).

C. PROJECT DESCRIPTION

1. Project Design and Scope/Components

58. The GoS established an emergency housing reconstruction platform in 2022 with the support of the WB. Subject project (under consideration of IsDB financing) is designed on the existing arrangements to ensure common standards and procedures for implementation in disaster recovery projects, as well as provide equal distribution of benefits among those affected by the disaster. Project components: The project activities are grouped into the following components and the detailed description of project components, including beneficiary selection mechanism is provided in Annex 5.

59. Component A - Housing Reconstruction: the scope considers construction of approximately 700,000 houses, including 155,000 houses under IsDB financing. Houses will be constructed based on multi-hazard resilience standards and siting, which will be implemented through community participation. The houses will follow minimum construction requirements and will not be less than 210 square feet of the covered area. The house can be expanded in size at own cost of the beneficiary, provided it meets the minimum construction standard, which will be supervised by the engineers of Implementing Partners. The building will be constructed from pakka (solid construction material-base breaks or blocks) that will be reinforced by cement concrete at foundation, and in plinth, lintel and roof joints.

60. Component B - WASH Supportive Facilities: component considers financing construction and equipping 75,000 units of communal level Water Sanitation and Hygiene (WASH) facilities in selected project communities, of which at least 13,000 facilities will be from IsDB financing. The scope includes installation of boreholes, filters, water tanks with pipe fittings, plumbing and electrical works, with emphasis on clean energy options. The sanitation structure includes, but not limited to, construction of latrine superstructure, septic tank and soakage pit, and installation of basic hand washing facility.

61. Component C - Institutional Strengthening and Technical Assistance: This covers the consultancy services needed to undertake damage assessment survey, development of housing reconstruction strategy, implementation support through Non-Governmental Organizations (NGO), design and supervision of WASH facilities, and skills training program on resilient construction. In addition, community awareness campaigns will be conducted on safe WASH practices. Women, female-headed households and other vulnerable groups eligible for reconstruction grants will be also trained and guided in financial literacy. A separate, but complementary, intervention is included in capacity building and awareness raising on disaster and climate resilience.

62. Component D - Project Management and Implementation Support: covers the staff salary and operating cost of the Executing Agency/Program Management Unit (PMU), consultancy services for establishing Management Information System (MIS), Environment and Social Safeguard (ESS) assessment and mitigation plans, and Grievance Redressal Mechanism (GRM). The project will also finance communication and visibility activities, as well as familiarization visits, workshops, project progress reviews and trainings for EA staffs.

63. Component E - Financial Audit: this component finances the cost of internal and external financial audit services for reviewing statements of expenditures to validate interim payment certificates prior to replenishment of project's Special Account, and preparation of annual audit report.

64. Component F - Contingency for Emergency Response Component: with a "zero" budget allocation is to support the Government's rapid emergency response efforts in the future, which can be done through reallocation of funds from the other components upon mutual agreement between IsDB and GOP.

2. Past Lessons Learned and Reflected in Project Design

65. Since its original design, the project built upon the knowledge and capacity accumulated during the implementation of two WB post-earthquake housing reconstruction projects in Nepal and Pakistan. In particular, the EA is staffed with specialists (Chief Operation Officer and Data Analyst) who have worked on both projects and the WB built upon the lessons learned from these projects to design the project and develop the platform that has become the EA of the project. In developing the project, the IsDB team embedded lessons learned from previously supported reconstruction projects in Pakistan as listed in Table-2 below.

Table-2: List of Similar Projects financed by IsDB in Pakistan

Code	Name	Approval	Completion	Amount
PAK0107	Reconstruction Of Housing for the Victims Of 2005 Earthquake	28/05/2006	06/04/2011	ID55.2 million
PAK0114	Reconstruction of Rural Housing for Victims of Earthquake	07/07/2007	08/06/2013	ID80.7 million
PAK0116	Reconstruction of Rural Infrastructure for Victims of the Earthquake in Shangla and Kohistan Districts - Under IDB Earthquake Assistance Package to Pakistan	04/04/2008	11/01/2017	ID56.9 million

66. The rigorous identification of target beneficiaries as well as provision of technical training to local artisans, which are features of this project, have been highlighted[3] as success factors of the previous project. Furthermore, the main lessons learned that were recommended[4] for future interventions include (i) the importance of project's ownership by the direct beneficiaries as success factor, including provision of standards that are approved by an authority (here it was the Earthquake Rehabilitation & Reconstruction Agency), (ii) hiring a monitoring consultant to follow project implementation, and (iii) highlighting the program successes at national and international level as to ensure knowledge transfer. The former and the latter are included in the Components covered by IsDB, while the second recommendation is covered through the hiring of the IPs on the ground through World Bank financing.

[3] Project Performance Evaluation Report on the Reconstruction of Housing for the Victims of the 2005 Earthquake Project in Pakistan (PAK0107), Aug'2016

[4] GOED K-Series, Reconstruction of Housing for the Victims of 2005 Earthquake Project, Pakistan, Sep'2015

67. The IsDB post-evaluation reports[5] highlights the following recommendations that are also followed in this project:
    (i) Earthquake response and recovery projects should target populations that were well identified through a rigorous damage assessment.
    (ii) The land ownership issue is of critical importance in earthquake response and post-disaster recovery.
    (iii) "Build Back Better" principles for reconstruction help ensure longer-term resilience (particularly in case of a designated reconstruction vehicle such as a National Reconstruction authority).
    (iv) "Build Back better" required an owner-driven approach.
    (v) Capacity development for local contractors is vital for ensuring resilience.
    (vi) Monitoring and evaluation in disaster interventions promote effectiveness.

D. PROJECT THEMATIC ORIENTATION

1. Climate Change

68. Project Climate Risks and Mitigation Measures: The 2022 floods in Pakistan have revealed the country's high vulnerability to climate change, despite its low greenhouse gas emissions. The climate risk screening using the "IsDB Aware for climate" indicates high exposure to climate risks that include (i) temperature increase, (ii) precipitation increase; and (iii) flooding (v) Wind speed increase (iv) Onshore Category 1 storms and (v) Water availability. Screening details are provided in Annex 6.

69. The Identified high-risk exposures are for example:
    (a) Flood: More localized data should be collected on past floods and their consequences in the project location, as flood hazard can vary significantly over short distances. Depending on the findings, a site-specific flood risk assessment (including flood modelling) might be needed to better understand the current and future flood risk level. Information on land use and building regulations, such as flood zonation ordinances, should be considered in the project site's design and construction features to ensure site-specific flood risk management measures are taken.

    (b) Water availability: Projected changes in water availability and increased evaporation may impact water availability at the project site. Mitigating this risk requires a more localized and comprehensive water availability assessment to inform the project design process particularly for WASH component.

    (c) Onshore Category 1 storm damages result from heavy rainfall, flooding, storm surges, and strong winds, regardless of whether the storm is tropical or extra-tropical. The project should include essential measures to manage cyclone risks, such as grey and green infrastructure, early warnings, and cyclone shelters. Critical facilities should undergo rigorous storm risk assessments to prepare for any potential damage adequately.

70. Therefore, it would be prudent for this project and related infrastructure to be robust to these various climate risks in the short, medium, and long-term. Specifically, the design,

[5] Synthesis of Lessons Learned from Earthquake Emergency Response Projects by IsDB and Other MDBs, IsDB IEvD, 2023

operational, and maintenance standards (including project planning decisions, project design, and construction methods) should be reviewed - taking into consideration current impacts as well as potential future changes to better address project climate risks generally identified, the project site, topographic and geological surveys will be carried out.

71. Project Alignment with Objectives of the Paris Agreement: The project aligns with the Paris Agreement. The project focuses on housing reconstruction, an eligible activity under the Paris alignment. Sustainable building materials and energy-efficient equipment will be used for the reconstruction. The Pakistan NDC commitment and national vision for climate change are interlinked with national development plans and sectoral priorities. The updated NDC is anchored on the National Climate Change Policy (NCCP) and its implementation framework. The policy reflects Pakistan's vulnerability and leading role in climate change-related actions and programs in pursuit of the Paris Agreement.

72. Climate Finance contribution of the project toward IsDB climate finance commitments: The IsDB is fully committed to supporting MCs in reaching their NDC targets and other climate actions. This will be done by implementing IsDB's 5-Year Climate Change Action Plan in line with the Paris Agreement and the MDB Paris Alignment Framework. The plan also outlines clear modalities for achieving IsDB's climate finance target of 35% by 2025. For this project, it is imperative to point out that a minimum of 20% of the allocated EUR 188.70 million for component A housing reconstruction, which translates to US$34m, will be committed towards climate finance contribution. Furthermore, component B will finance WASH facilities using climate-smart WASH systems, with 5% (EUR 0.56m) of the US$12m allocated being ascertained to be a climate finance contribution. Therefore, it is unequivocal that this project's total anticipated climate finance contribution will be approximately EUR 34.56 million.

Environment and Social Safeguards

73. The World Bank has assessed the ESS rating as Substantial. As such the GOP was requested to put in place Environmental & Social Management Framework (ESMF). The ESMF was prepared through the Executing Agency in compliance with the national/provincial regulatory and WB policy. It was finalized and adopted in July 2023 after due consultation with relevant stakeholders, including project end-beneficiaries. The project's environmental risks and impacts are mainly related to the reconstruction of resilient housing. The risks and impacts are expected to be reversible and site specific without the impacts going beyond the actual footprint of the project.

74. During the project's construction phase, potential environmental and social impacts need to be addressed. These impacts include dust generation, soil erosion and degradation, the risk of surface and groundwater contamination, soil contamination, waste generation, noise generation, site clearance and its impact on flora and fauna, occupational health and safety, community health and safety issues, influx of labor and working conditions, child labor, gender-based violence, , land ownership, exclusion risks to women, marginalized and disadvantaged groups, elite capture, and resettlement issues. To tackle these E&S impacts, measures have been proposed and will be implemented at the construction sites.

75. Environmental and Social Risks and Impacts Management: The proposed activities will follow various activities for environmental and social management. Initially, sub-projects will be screened before construction activities begin. E&S aspects will be considered when designing resilient housing structures. Stakeholders, including affected communities, will be consulted during the screening and project implementation. ESMF and E&S screening reports will be disclosed on the SPHF website. Settlement-level screening checklists will be submitted to the World Bank for clearance after approval from SPHF. Environmental and social provisions for IP's Contracts will be included to ensure effective implementation at construction sites. Implementing partners will use ESMF, Screening Checklist/ ESCoPs during construction.

76. The project aims to encourage in-situ reconstruction and avoid involuntary resettlement. If people want to reconstruct their house to a new location, they will be facilitated. The project does not require any major resettlement. However, for minor resettlement cases, a rapid assessment will be carried out to protect households who voluntarily choose to resettle to a new location away from their old one. Therefore, no resettlement action plan is necessary.

77. As the Executing Agency, SPHF will be responsible for managing the project's overall implementation, including ESMF. The Environmental Specialist, Social Specialist, and Gender Specialist will make sure that the plans and procedures mentioned in ESMF are followed and implemented during the project life cycle. The Implementing Partners (IPs) will work together with the Environmental Specialist, Social Specialists, and Gender Specialist to implement the Environmental and Social Management Framework (ESMF). Their duties will include screening sub-project locations and ensuring compliance with the ESMF, Resettlement Policy Framework (RPF), Livelihoods Restoration and Management Plan (LMP), and Grievance Redress Mechanism (GRM). A third-party monitoring firm will be hired to monitor compliance with the ESMF and other social and environmental management instruments. This will be done randomly and continually throughout the project duration.

78. Stakeholder Consultations Stakeholder consultations were held from 13th May 2023 to 26th May 2023 to discuss the project with various stakeholders including donors, line departments, implementing partners, and the potential beneficiary and non-beneficiary community in flood affected areas. The consultations aimed to understand institutional needs, inform stakeholders about planned activities, improve project design, create synergies, and enhance the socio-environmental sustainability of the project activities across different components.

79. Grievance Redressal Mechanism (GRM): An accessible Grievance Redress Mechanism (GRM) is made available to the beneficiaries and staff publicly to receive and facilitate resolution of concerns and grievances related to the project. The main aim of the GRM is to assist in resolving complaints and grievances in a timely, effective, and efficient manner that satisfies all parties involved. It provides a transparent and credible process for fair, effective, and lasting outcomes. Additionally, the project will create a list of established service providers who can provide support to GBV, SEA/SH, and VAC survivors, and all relevant cases will be referred accordingly.

2. Women Empowerment

80. Women farmers in Pakistan are highly vulnerable to floods due to climate hazards, gender restrictions, and dependence on agriculture. To improve households' resilience to future disasters, aid and interventions must target women. Post-disaster reconstruction is a critical opportunity to address gender gaps. The project supports women's inclusion in reconstruction grants and construction activities, with more than 30% of reconstructed houses led by women out of 100,000 units built. Additionally, women, youth, and vulnerable groups eligible for reconstruction grants will receive training on multi-hazard construction practices and financial management. Awareness will be raised on WASH practices to ensure that houses are completed on time, within budget, and to the required standards of quality and resilience.

81. SPHF has prepared a Gender Action Plan (GAP) under the WB financing to promulgate a systematic and result-based approach for including and integrating considerations based on gender, with a focus on women empowerment, in all project activities. This GAP will ensure that the specific needs and concerns of women, and other vulnerable groups especially (women-headed households, widows, single, unaccompanied elders, women with disabled husbands, disabled, divorced, women dependent on others, and transgender) are not only highlighted but also addressed through the provision of different measures during project implementation.

82. Monitoring & Evaluation (M&E) Consultants will be brought on board to monitor the GAP's implementation and effectiveness for the project. The gender specialist in SPHF will oversee, guide, and coordinate gender-related measures within the program and ensure the successful implementation of the GAP.

Civil Society Engagement

83. The government was in charge of directing and coordinating the humanitarian response through the National Flood Response and Coordination Centre (NFRCC), which was chaired by the Minister of Planning, Development & Special Initiatives (MoPDSI). Aid was provided to survivors by civil society organizations (CSOs) and non-governmental organizations (NGOs). The relief response involved national, international, and local action, including both military and civilian sectors. The NFRCC, armed forces, and civil administration coordinated rescue and engineering support, while the National Disaster Management Authority (NDMA) procured relief supplies. In addition, the military and civil administration provided search and rescue, as well as logistics and engineering support. Under constitutional provisions, the army was mobilized to distribute relief supplies and coordinate bilateral in-kind donations, which were procured by the NDMA.

84. As Sindh was among the most affected provinces in Pakistan, therefore, the major emergency relief and rehabilitation activities carried out in Sindh. The major activities carried out for flood Affectees were as under:

- Evacuation of families from the areas fully inundated due to flood water to safer places
- Establishment of Camps for displaced communities at various places in Sindh, the major camp areas was in district Jamshoro
- Provision of basic services to the families in camps such as temporary shelters, WASH, Health, Education, Protection, and livelihoods till the receding of flood water from their areas

- Relocation of displaced families back to their original settlements after the recession of flood water
- Restoration of shelters, WASH, and livelihoods of the flood Affectees to bring them to a normal life

85. All the above highlighted tasks were managed through the provision of various short-term and long-term projects by various CSOs though the existing support is much less than the estimated losses, therefore, more funding is required to fulfill the needs of flood Affectees to restore their lives affected due to the havoc occurred during floods in 2022.

3. Fragility and Conflict Sensitivity Analysis

86. Fragility in Pakistan: Pakistan, a nation marked by its rich history and diverse culture, also grapples with a complex web of fragility. This fragility emerges from numerous political, security, economic, and environmental challenges, often intersecting and exacerbating one another. Some of the key fragility aspects are presented below.

- Security Challenges: One of Pakistan's most pressing concerns is its internal security landscape. Terrorism, militancy, and insurgencies have cast long shadows over the nation's stability for years. Violent extremist groups and their activities have not only disrupted social cohesion but have also inflicted significant economic and human costs.
- Economic Vulnerability: Pakistan's economy faces vulnerabilities on multiple fronts. It heavily relies on remittances from overseas Pakistanis, which can fluctuate due to global economic conditions. The country has taken on substantial external debt, raising concerns about fiscal sustainability and financial fragility.
- Natural Disasters: The geographical positioning of Pakistan exposes it to a wide range of natural disasters, including floods, earthquakes, and droughts. These events have far-reaching consequences, overwhelming the country's disaster response capabilities and causing significant damage to infrastructure and livelihoods.
- Water Stress: Water scarcity is a critical issue for Pakistan, stemming from factors such as population growth, climate change, and inefficient water management practices. The country's agricultural sector, which relies heavily on the Indus River, faces increasing stress, leading to concerns about food and water security.
- Regional Dynamics: Pakistan's strategic location in a volatile region has implications for its security and stability. The country's relationship with neighboring Afghanistan, India, and Iran, as well as global powers, adds complexity to its security challenges.

87. Resilience in Pakistan: Pakistan has demonstrated remarkable resilience in the face of numerous challenges. Despite facing political, security, economic, and environmental complexities, Pakistan continues to stand strong, showcasing its ability to adapt, endure, and recover.

- Economic Resilience: Pakistan's economy has shown remarkable resilience despite economic fluctuations. In the fiscal year 2020-21, Pakistan's GDP grew by 3.94%, rebounding from the initial shocks of the COVID-19 pandemic. The country's export sector has been resilient, with exports reaching $25.3 billion in FY 2020-21, a substantial increase from previous years. The remittances from overseas Pakistanis have been a stabilizing factor.
- Human Capital: Pakistan boasts a youthful population, with approximately 64% of its citizens under the age of 30. This demographic dividend holds great potential for

economic growth and innovation. Investments in human capital development are evident. According to the World Bank, Pakistan's literacy rate increased from 42% in 1991 to 60% in 2017.

- Natural Resource Potential: The country's natural resources are vast. Pakistan's agriculture sector contributes significantly to its economy, employing about 38% of the workforce. Rich in minerals, Pakistan has significant coal, salt, gypsum, and limestone reserves, which can drive economic development.
- Infrastructure Development: Infrastructure projects like the China-Pakistan Economic Corridor (CPEC) are reshaping the nation's connectivity and energy landscape. CPEC investments exceed $60 billion, fueling economic growth and job creation. Diamer-Bhasha Dam is a major hydropower and water storage project on the Indus River in the Gilgit-Baltistan region. Once completed, it will help address Pakistan's energy needs and improve water management for agriculture.
- Diaspora Contributions: The Pakistani diaspora plays a pivotal role in bolstering resilience. Remittances from overseas Pakistanis, as of July 2021, reached $30 billion, supporting the country's balance of payments and families back home.
- Community Initiatives: Local communities often display resilience through community-based initiatives. In flood-prone areas, innovative flood-resistant building techniques and early warning systems have emerged.
- Climate Adaptation: Pakistan is actively pursuing climate adaptation measures. The Diamer-Bhasha Dam project, for instance, aims to address water scarcity issues by increasing water storage capacity. The country's commitment to planting trees through the Ten Billion Tree Tsunami project showcases resilience in the face of climate change.

4. Disaster Risks Management Analysis:

Disaster Context in Pakistan

88. Pakistan is vulnerable to a wide range of natural and man-made disasters due to its geographical location, topography, and climate conditions. The nation faces threats such as earthquakes, floods, droughts, cyclones, and landslides, making effective disaster risk management (DRM) a vital aspect of its governance. Pakistan's vulnerability to these disasters is exacerbated by factors such as unplanned and rapid urbanization, population density, inadequate infrastructure, climate change impacts, socio-economic disparities, and lack of institutional capacities.

89. Additionally, the country is vulnerable to human-induced hazards, including industrial accidents, technological mishaps, transport incidents, oil spills, urban fires, and civil conflicts. The most pressing hazards in terms of disaster risk reduction are earthquakes, droughts, landslides, flooding, and transport accidents, as they have the potential to cause extensive damage and losses. These hazards have, in the past, escalated into disasters of varying severity, impacting the lives and livelihoods of the population. Floods are a significant challenge in Pakistan, ranking among the top five South Asian countries with the highest annual average number of people affected. This recurring natural disaster not only endangers human lives but also inflicts substantial damage to infrastructure and property.

90. Typically, the primary cause of flooding in Pakistan is the tropical monsoon depression systems originating from the Bay of Bengal, particularly during the months from July to

September. These floods in Pakistan can be categorized into three main types: Riverine Floods, Flash Floods, and Urban Floods. Over the years, since 1950, Pakistan has witnessed 25 major flooding events. The most recent floods in 2020 and 2023 were particularly devastating, directly affecting approximately 1.2 million and 33 million people, respectively

91. Glacial Lake Outburst Floods (GLOF): The bursting of glacial lakes in the Indus River basin, termed GLOFs, is a significant natural disaster in Pakistan, notably affecting the Karakoram region. Large glaciers in the Upper Indus River basin can profoundly alter river courses below, potentially leading to river blockages during GLOFs. Climate change has increased the frequency of heatwaves in glaciated areas, accelerating glacier melting. Some studies indicate that more than 35 glaciers in the Karakoram Range are advancing, causing the formation of new lakes and enlarging existing ones. This, in turn, heightens the risk of Glacial Lake Outburst Floods (GLOFs). Out of the total glacial lakes, 1,328 are considered major (covering more than 0.02 km2), with 52 of these identified as potentially hazardous. The majority of these potentially dangerous lakes are located in the Indus, Astore, and Gilgit river basins.

92. Heatwave: In recent years, heatwaves have become a growing threat, especially in urban areas like Karachi, Hyderabad, Sukkur, and other cities of Sindh province. These heatwaves bring excessively high temperatures and humidity that can persist for days with little to no wind. Karachi experienced severe heatwaves in 2014 and 2015, with the June 2015 heatwave resulting in over 1,200 deaths, affecting 65,000 people, and recording 1,200 cases of heat-related illness.

93. Disaster Risk Management (DRM) Initiatives: Historically, disaster management in Pakistan was focused on the "Emergency Response Paradigm". In the aftermath of the October 2005 earthquake, the GOP promogulated the National Disaster Management Ordinance in 2007 to introduce the comprehensive National Disaster Management System in the country. The following are the key legislative initiatives related to DRM in Pakistan: (i) National Disaster Management Act, 2010, (ii) National Disaster Management Policy, 2013, (iii) National Disaster Response Plans, 2010 & 2019, (iv) National Disaster Management Plan, 2012-2022, (v) National Disaster Mitigation Plan, 2023, (vi) Provincial Disaster Management Acts, (vii) National Flood Protection Plan, 2015-2025, (viii) National Adaptation Plan, 2023, and (ix) National Monsoon Contingency Plan, 2023

Disaster Context in Sindh

94. Most of the disasters in Sindh are categorized as natural occurrences. Among these, the most common are floods, cyclones, droughts, earthquakes, and heatwaves. Flooding, in particular, stands out as the most frequent disaster, resulting in damage to crops, homes, and livelihoods, threats to human lives, and the destruction of civic infrastructure. Monsoons are the primary reasons behind these floods, with significant flood events occurring around 50 times since 1926. Cyclones, on the other hand, tend to strike every 3rd or 5th year.

95. In addition to floods, Sindh has also faced earthquakes. The earthquake in 2001 resulted in 12 fatalities and damaged around 45,000 houses either partially or completely. Another earthquake in April 2013, measuring 5.5 on the Richter scale, shook the entire province. Furthermore, Sindh endured a severe drought lasting nearly five years from 1999 to 2003.

96. The construction of dams and embankments in Sindh Province to protect from flood is a complex and challenging issue. There are a number of factors to consider, including the cost of construction, the environmental impact, and the potential for displacement of people and communities. Despite the challenges, there are a number of dams and embankments that have been constructed in the Province in an effort to protect from flood. Some of the most notable examples include the Guddu Barrage, the Sukkur Barrage, and the Kotri Barrage. The World Bank's Sindh Resilience Project, which was approved in 2018, included the construction of 9 flood embankments and 15 small dams. The project also included a component to strengthen the capacity of the Provincial Disaster Management Authority (PDMA) Sindh to respond to emergencies. In addition, the World Bank also provided financing approximately US$20 million to the GOS under the Sindh Flood Emergency Rehabilitation Project to repair damaged infrastructure and restore functionality of the irrigation system after the 2022 floods. This included plugging and reinforcing 208 major breaches at bunds, canals, and drains, fixing pumps and motors, and rehabilitating small dams. It is in the pipeline of the IsDB to process construction of small-dams project in Sindh province in 2025, which will further support in strengthening the flood management in the province.

Disaster Risk Management (DRM) Initiatives in Sindh

97. The Sindh Province has taken proactive steps in disaster risk management by establishing both the Provincial Disaster Management Authority (PDMA) and District Disaster Management Authorities (DDMA). However, it's worth noting that district-level disaster risk management plans have been developed for only a limited number of districts in the province. The finalization of the Sindh Disaster Management Policy (SDMP) is also in progress, and once completed, it will serve as the guiding framework for disaster management in the province.

98. Following the 2022 floods, the GoS has launched a comprehensive housing reconstruction program with a budget of US$1.5 billion to assist all affected households. An independent entity under section 42, SPHF, has been established to oversee the design and execution of the program. In August 2023, the Sindh Housing Recovery and Reconstruction Platform (SHRRP) was established to facilitate coordination among stakeholders involved in post-flood housing reconstruction and settlement recovery efforts in Sindh Province. The primary goal of SHRRP is to ensure that flood-affected families reside in resilient homes and communities.

99. This platform will offer strategic planning support, facilitate cooperation with national and international organizations, engage with the private sector, and collaborate with public associations participating in Sindh's post-flood recovery. Additionally, SHRRP will streamline the dissemination of technical assistance and information management led by SPHF at all levels. A significant objective of the platform is to prioritize fundraising strategies and resource mobilization to bridge gaps and provide essential capacity-building support to SPHF and its partners.

E. PROJECT COST AND FINANCING PLAN

1. Project Costs

101. The total funding needed for housing reconstruction in Sindh has been estimated to be approximately EUR 2.0 billion. The housing recovery process will be done in stages, given the need to allocate funds to other sectors severely affected from the flooding. The total cost of the first stage of housing reconstruction program (i.e. the subject SFEHR project) is estimated at EUR 874.80 million with Table-1, below, providing the estimated local cost (LC) and foreign cost (FC) breakdown. A more detailed cost breakdown of IsDB financing components is provided in Annex 7.

Table-3: Project Cost Summary (in EUR million)

Sr. No	Components	Category	TOTAL	LC	FC	Total
A	Housing Reconstruction	Works	766.35	766.35	-	766.35
B	WASH Supportive Facilities	Works	65.15	52.12	13.03	65.15
C	Institutional Strengthening and Technical Assistance	Services	21.74	13.04	8.69	21.74
D	Project Management and Implementation Support	Services/ Goods	9.86	9.36	0.49	9.86
E	Financial Audit	Services	0.17	-	0.17	0.17
F	Contingency for Emergency Response	--	-	-	-	-
	Base cost		**863.26**	**840.87**	**22.39**	**863.26**
	Physical Contingency		8.24	7.42	0.82	8.24
	Price Contingency		3.30	2.97	0.33	3.30
	Grand Total		**874.80**	**851.26**	**23.54**	**874.80**

2. Proposed Financing Plan

102. Out of the total project cost of EUR 874.80 million, the IsDB is proposed to contribute a total of EUR 188.70 million through combination of Installment Sale and Loan financing as shown in Table-4 below:

103. IsDB Involvement and financing instruments: The IsDB financing will be provided through two modes of financings as follows:

(i) Financing through Installment Sale for an amount of EUR 165.10 million (including contingencies) that will cover the cost of civil works for construction of housing-units under Component-A through parallel financing arrangement with WB and GOS.

(ii) Financing through Ordinary Loan for an amount of ID 19.00 million (approximately equivalent to EUR 23.60 million, including contingencies) that will cover the part of the cost of (i) construction and installation of WASH supportive facilities under Component B; (ii) consultancy services under Components C and D; and (iii) PMU staff salary and operational expenditures, including office equipment under Component-D.

Table-4: Project Financing Plan (in EUR million)

Sr. No	Components	IsDB				WB		GoS		Total Cost
		I. Sale	Loan	Total	%	Amount	%	Amount	%	
A	Housing Reconstruction	160.00	9.53	169.53	*22.1*	420.28	*54.8*	176.54	*23.0*	766.35
B	WASH Supportive Facilities		11.38	11.38	*17.5*	23.11	*35.5*	30.66	*47.1*	65.15
C	Institutional Strengthening and Technical Assistance		0.94	0.94	*4.3*	19.20	*88.3*	1.59	*7.3*	21.74
D	Project Management and Implementation Support		0.75	0.75	*7.6*	9.10	*92.4*	-	-	9.86
E	Financial Audit	-	-	-	-	-	-	0.17	*100*	0.17
F	Contingency for Emergency Response	-	-	-	-	-	-	-	-	-
	Base cost	**160.00**	**22.60**	**182.60**	***21.2***	**471.70**	***54.6***	**208.96**	***24.2***	**863.26**
	Contingency (Physical)	2.40	0.40	2.80	-	-	-	5.44	-	8.24
	Contingency (Financial)	2.70	0.60	3.30	-	-	-	-	-	3.30
	Grand Total	**165.10**	**23.60**	**188.70**	***21.6***	**471.70**	***53.9***	**214.40**	***24.5***	**874.80**

104. Project co-financiers: The WB approved an allocation of EUR 471.70 million (Equivalent to US$500 million) in December 2022, which is primarily targeted to construct 450,000 housing units. WB allocation will also finance most of the consultancy services that were required at early stages of project commencement, such as damage assessment survey, development of long-term housing reconstruction strategy, establishing MIS, ESS, GRM systems, as well as cost of establishing PMU and building capacity of the EA. All these consultancy service activities are under implementation and will be carried out for the entire project, including activities under IsDB and GOS financing.

105. The GOS earmarked around EUR 214.40 million (in local currency) for the project at this stage. This allocation is already included into Provincial Budget for 2023-2024, and same will be repeated for 2025-2026, until project completion.

F. IMPLEMENTATION ARRANGEMENTS

1. Executing Agency

106. As a post-disaster mitigation strategy, a key priority for the GOS is sustainable rehabilitation of the disaster-struck people of Sindh through resilient housing. For this purpose, in 2022, the GOS has established a public sector company - the Sindh People's Housing for Flood Affectees (SPHF) - to build-back-better through resilient housing.

107. Registered under Section 42 of the Companies Act 2017, the SPHF has been established to manage and implement the entire SFEHRP. A Board of Directors (BOD) has been instituted within SPHF for strategic governance and oversight, setting goals and policies, and measuring outcomes and impact.

108. The SPHF is led by a Chief Executive Officer (CEO) who is supported by a qualified Chief Operating Officer (COO), Chief Financial Officer (CFO), groups of engineers, financial management, procurement, M&E and social, environment, gender specialists and others. The SPHF team currently consists of about 40 staff, including a team of assistants. The SPHF will have the overall responsibility for management and implementation of the

project, including preparing the annual work plans and progress reports, conducting procurement and financial management, maintaining audits, reporting on Results Framework indicators, conducting M&E activities, and providing supportive supervision under the project. The SPHF organogram detailing management, coordination and oversight units is given in Annex 8.

2. Institutional Arrangements

109. Program Management Unit (PMU): Overall project management, implementation, liaison/coordination, capacity building, internal monitoring and coordinated project reporting will be the responsibility of SPHF. The positions of a full-time COO, CFO, Manager M&E, Project Engineer, Manager MIS, Procurement Specialist, Environmental Specialist and Social Specialists, and Gender specialist, Head of Human Resource and Admin are filled. Furthermore, the Company may augment designated staff with additional short-term and long-term resources from the market on a need basis to cater for specific technical expertise, specializations and skillsets. The PMU is being advised by international Project Management Consultant (PMC) since the start of the project. Contract with Ernst and Young (EY) is concluded for this purpose as project advisor to PMU and its BOD.

110. With a view to strengthening the PMU, additional staff will be recruited from the IsDB financing, including Assistant Manager Finance, Assistant Manager Disbursement, Procurement Officer, Project Officer, and M&E Assistant. The PMU will be provided with training on IsDB procedures during the project start-up workshop. Follow-up familiarization visit to the IsDB HQ and/or RH Ankara will be organized for the PMU core-staff to further enhance their knowledge on IsDB procedures, policies, etc.

111. In addition to the provision of dedicated staff, the project envisages the use of existing government setup for execution of project activities. The use of mainstream ministries/departments/agencies will ensure that the incremental capacity, technical knowledge, and implementation experience developed through Project implementation continues to remain available to the institutions after Project closure.

112. Implementation Partners (IPs): In view of the extensive outreach needed for the credible administration and monitoring of the housing reconstruction the PMU engaged reputable Implementing Partner Organizations from experienced NGOs. Five (5) NGOs specialized in post-disaster recovery and rehabilitation have already been contracted by PMU to support in project execution as Implementing Partners. Their scope includes undertaking damage assessment survey, determining eligible beneficiaries conclude Contracts/MOUs with household on behalf of PMU, and facilitate the construction process, including quality review, validation of expenditures and issuance of payment certificates in compliance with the guidelines and standards adopted under the project for housing construction.

113. The IPs are required to engage social mobilizers and engineers to remain on the field throughout the project implementation. Engineers are required to perform the validation on the ground to ensure houses are being constructed as per the technical guidelines provided in the operations manual of the company. Based on their verification/validation, IPs will be required to provide the information on a timely basis to the PMU along with the evidences

such as pictures, GPS coordinates and any other as required from time and on a case to case basis, for payment of respective portion of grants by the PMU.

114. Arrangements for Coordination: A robust system of activities implementation has been designed and implemented under this project which include implementation partners, independent validator, independent financial monitoring experts, and payment partners. A list of responsibilities is provided below.

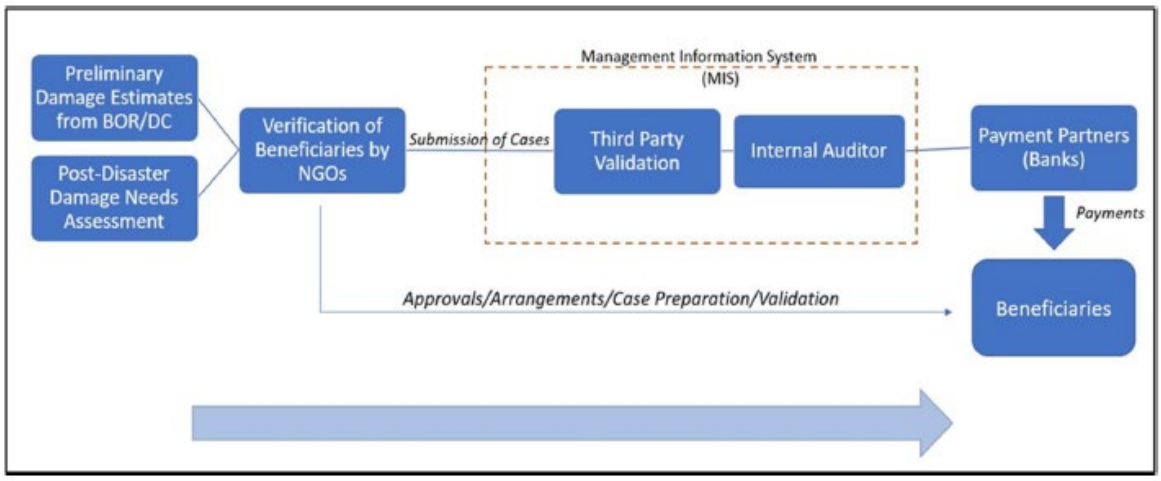
Table-5: Responsibilities of Designation/Team

Designation	Major Roles to be Performed
GOP/GOS	- Provide initial funds to setup a company for management of the project - Govern/management of the program to provide grants to beneficiaries through the established company.
The Financiers (IsDB & WB)	- Provide financing to Government of Sindh for the project - Convene quarterly meetings to discuss the project's progress, address obstacles and concerns, and determine the next steps. - Establish meetings for regular information exchanges and field missions (with possible joint missions)
PMU	- Overall management of the project - Coordination with implementing partners, stakeholders and generate required fund sources - Ensure payment to beneficiaries as per predefined mechanism/protocol. - Periodic reporting to the Bank on project status, monitoring and financing - Coordinate project financial audit and timely transmitting reports to the IsDB.
Implementing Partners	- Validation / identification of affected communities and families through conducting detailed on field surveys, field verifications and proposing genuine cases for the support, based on predefined beneficiary selection criteria - Facilitating the beneficiaries in seeking financing from the other sources for any excess amount over and abbe the grant to be provided by GoS. - Organizing the trainings for the beneficiaries for the labor work, as they may be provided primarily by the respective communities in order to minimize the cost of construction. - Continuous monitoring of on the field activities and provide regular field monitoring reports of the progress made by the project.
Independent Verification Consultancy	- Technical and financial consultancy firms are contracted by the PMU to review, validate the payments made by the PMU and ensure payments made according to the predefined disbursement criteria and report the BOD on PMU's compliance related to the same.
Financial Institutions	- To transfer of direct funds to the beneficiaries' bank accounts.
Beneficiaries	- Understand their rights and responsibilities as beneficiaries of the project. - Use the cash received for the reconstruction of damaged houses. - Register complaints and grievances in case of a service delivery issues/gaps.

Project's Process Flow

115. Transparency and efficiency are critical for particularly for large scale interventions. Housing reconstruction projects have benefited greatly from integrated solutions, such as use of technology to support implementation for efficient information collection, dissemination and decision making. Such well-designed systems can also minimize discretion in the process flow which is critical for transparency. The process flow of the project is provided below.

Figure-1: Verification and Payment Process Flow



116. Preliminary Damage Estimates: In the aftermath of the flood disaster, teams were swiftly deployed to assess the damage on the ground. The country's armed forces also provided assistance to the government's rescue and relief operations. To facilitate prompt and effective flood response, relief, and rehabilitation efforts across the country, the government established a National Flood Response and Coordination Centre. This center brings together representatives from federal and provincial governments, as well as the armed forces. With the aid of assessment results, the government was able to classify the extent of damage to each housing unit, verify land ownership, and compile lists of eligible beneficiaries and vulnerable individuals/households, including those with disabilities and women-led households who were unable to provide proof of identity or property ownership.

117. Post-Disaster Needs Assessment: The Post-Disaster Needs Assessment (PDNA) conducted by the Government of Pakistan, in collaboration with the World Bank, Asian Development Bank, United Nations, and European Union, has revealed that the housing, agriculture, transport, water supply and sanitation, and irrigation sectors have suffered the most damage.

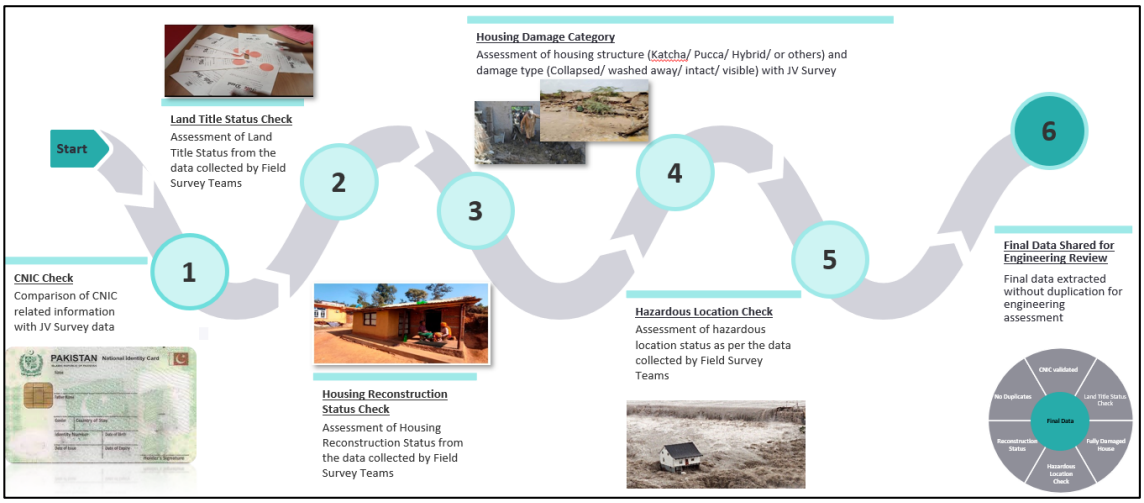
118. Verification of Beneficiaries: Ensuring credibility and transparency in the housing sector, which is informal in nature, is crucial. To achieve this, a responsive grievance redressal system and a reliable targeting mechanism has been set up. The project has been conducting a comprehensive assessment of each household's damage and eligibility - under the WB financing- to determine the level of damage to each housing unit, the status of land ownership, and to establish lists of eligible beneficiaries and vulnerable individuals/households who are unable to prove their identity/property ownership. These lists include families with disabled persons and those headed by women. Teams of trained surveyors collect data from these vulnerable individuals and households. They will then be connected to various forms of legal and construction support provided under the project to help them rebuild their homes. Furthermore, the process of damage assessment involves determining the level of hazard risk for each site and conducting an engineering assessment using a standardized checklist to evaluate the extent of housing damage.

119. This project aims to finance the reconstruction of approximately 155,000 housing units which accounts for about 10% of the total housing reconstruction needs. The financing will

be exclusively targeted to talukas in the affected districts, based on the relative poverty levels of their populations. The selection of talukas will be made in consultation with the government. The project will aim to cover all eligible housing units in the selected talukas, including providing assistance to households that are struggling to reconstruct their units.

120. The selection and verification of beneficiaries is a crucial process that relies on data provided by the Detailed Damage Assessment and Eligibility Verification Survey, which is extracted from the MIS System. The pool of potential beneficiaries goes through a six-step verification process, including checks for CNIC, land title status, housing reconstruction status, housing damage category, high-risk location, and engineering review. After the screening process, eligible beneficiaries are selected while ineligible ones are excluded from the pool. Ineligible candidates are further reviewed and corrected to ensure accuracy. The flowchart of the beneficiary selection and verification of the process is provided below.

Figure-2: flowchart of the beneficiary selection and verification of the process



121. Management Information System (MIS): A comprehensive geo-enabled Management Information System (MIS) has been established on a priority-basis to serve as the backbone of project implementation. The MIS includes a data management system that processes all information related to beneficiaries, disbursements, verification, and monitoring. Under a cascade information flow approach, the field staff from IPs are able to directly upload geo-tagged information to the MIS through their smartphones which will then be consolidated and verified centrally by relevant staff at the PMU. Additional reviews will be undertaken prior to the release of payments (see Figure 4 below). The procurement process for this has been initiated in parallel and included under retroactive financing.

122. Third Party Validation: A third-party monitoring agent has been engaged by the PMU to ensure oversight and monitoring of disbursement of funds to eligible beneficiaries and completion of works.

123. Internal Auditor: To strengthen internal controls, an in-house Internal Audit function headed by a Chief Internal Auditor was established.

124. MOU Issuance: Eligible beneficiaries are invited to sign the Memorandum of Understanding which indicates that they are eligible for support/payment as per policy approved by Govt. of Sindh for housing reconstructions.

125. Opening Bank Accounts: The PMU shares the details of the eligible beneficiaries with the nearest Banks (preferably Islamic banking institutions). The beneficiaries have the freedom to select their banks and branches where their accounts will be opened.

126. Payments to the Beneficiaries: The grant for housing reconstruction of homes that have been completely destroyed will be distributed in multiple installments. This will happen only after (i) on-site inspection and validation are conducted by IPs at key construction milestones such as (ii) plinth level, (iii) lintel level, (iv) roof level. Households will have the freedom to utilize their own labor, hire trained craftsmen, and receive technical assistance from Implementation Partners to reconstruct or restore their houses. The payments are validated by a third-party consultant and internal auditor.

3. Implementation Plan and Project Readiness

127. The Implementation Period of IsDB-financed activities under the project is anticipated to be 3.3 years starting from the effectiveness of the IsDB financing. The Installment Sale financing will consist of three (3) operations each of which will have a time period of one (1) year implementation. This arrangement is adopted to effectively manage construction and transfer of assets (houses) to end-beneficiaries, which will be done only upon Sale and Acceptance concluded between IsDB and GOP. Subject structure is developed in consultation with Shariah Affairs, Legal Operations, and Disbursement/Dues Divisions of the IsDB.

128. Following approval of the project by the IsDB in December 2023, it is planned to sign the Financing Agreements by February 2024, followed by early effectiveness of the Financing Agreements so that and disbursement from first operation is made by June 2024. Calculating from the first disbursement date, the tentative Project closing date is June 2027. The project milestone dates are given in Table-6 below and detailed project implementation plan is provided in Annex 8.

Table-6: Key Implementation Dates

#	Key Milestones	Planned Date	Final/Terminal Date
1.	Project Approval by IsDB Board	Dec 2023	
2.	Signing of Financing Agreement	Feb 2024	6 months from approval
3.	Project Effectiveness	April 2024	6 months from signing
4.	PMU–recruitment of additional staffs	May 2024	
5.	First Date of Disbursement (FDD)	June 2024	6 months from effectiveness
6.	Start Up Workshop/ First PIASR	Sep 2024	
7.	Project Mid-Term Review	Mar 2026	
8.	Close Out Period	Mar 2027	3 months before LDD
9.	Project Last Date of Disbursement	June 2027	3 years from FDD
10.	Project Financial Closure (incl. audit)	Dec 2027	6 months from LDD

129. Table-7 below provides a readiness checklist, which will be reviewed and validated at appraisal immediately after project approval so that implementation may commence immediately.

Table-7: Status of Project Readiness

Items	Status
Project design	A comprehensive project proposal prepared by the GoS has been approved by the Executive Committee of National Economic Council of Pakistan in January 2023. It captures an overall project design, including cost estimates, log frame and relevant indicators, as well as the proposed project implementation structure.
Executing Agency	Secretary of Implementation and Coordination for the GOS has been assigned the position of CEO of the SPHF (EA). The key staff of SPHF including COO, CFO, Manager M&E, Project Engineer, Manager MIS, Procurement Specialist, Environmental Specialist and Social Specialists, and Gender specialist have been hired competitively as per WB procedures. The EA developed Program Implementation Manual, that outlines project management process
Project Management Consultant	Ernst and Young (EY) is contracted support to the PMU operational staffs and its BOD. Its main role is to provide project management advise and support based on best practices.
Implementation Partners (IPs)	Five (05) NGOs were contracted as IPs to support the project have been selected though a capacity assessment process. The IPs have experience in construction and/or financing of rural and post-disaster housing and knowledge of local supply chains and materials.
Auditor	Contracts and services agreements with statutory (external) auditor and internal auditor have been signed. PWC is tasked to undertake statutory audit, and KPMG is in charge for internal audit.
MIS & Mobile Application	MIS and mobile application are fully operational with necessary reporting and dashboards. SAP system is in final stages of installation.
Land Availability and Titleship	Survey regarding residential land titleship have been completed and data has been plotted. The housing construction will be on privately and/or State-owned lands.
GOS funding	The Government budget for 2023-2024 is approved.
Co-financing	World Bank financing (USD 500 Million) for this project was approved in December 2022 and relevant financing agreement signed in January 2023.

4. IsDB Project Monitoring and Implementation Support Plan

130. Project implementation is continuously assessed by the IsDB in relation to agreed schedules, and of the use of inputs, infrastructure, and services provided by the EA and PMU. IsDB Project Monitoring and Implementation Support Plan includes the following types of activities:

Table-8: Key IsDB Support Activities

Activity	Period
Project Startup Workshop	After effectiveness of the financing agreement
Progress Review Meetings	Monthly, through Virtual Meetings
IsDB Supervision Missions	Twice a year. Once virtually, the other physically
Project Mid-Term Review	During the 2nd year of project implementation, jointly with WB & GOP/GOS
Project Completion Report	After project completion, and submission of PCR by the EA
IsDB Visibility and Recognition	The project design includes setting up an effective communication strategy to ensure that project stakeholders, intended beneficiaries, and the international community are aware of IsDB investments. A dedicated project website is developed by the EA, and regular publications are being made on social media, which will be further enhanced through the funding from the IsDB upon project commencement.

G. FIDUCIARY DUE DILIGENCE

1. Procurement Arrangements

131. General: The Beneficiary has developed a draft project-level strategy document that outlines the methods for procuring goods, works and consulting services financed by the IsDB. Detailed justifications on procurement arrangements, risks mitigation and procurement plan are presented in Annex 9. The general descriptions of various items and proposed procurement and selection methods under different expenditure categories are described below.

Table-9: Summary of Procurement Arrangements

Project Components	Goods and Works				Services		
	ICB-Open	NCB	Shopping	Community Participation	QCBS Open	CQS	IC / NC
Component A – Housing Reconstruction				✓			
Component B –Construction of WASH Supportive Facilities				✓			
Component C.4 –Consultancy Services for Supervision of WASH Supportive Facilities					✓		
Component D.1.1 – EA / PMU Staffing							✓
Component D.1.2 – Procurement of IT, furniture, and Office Equipment for PMU			✓				
Component D.4 – Selection of Consultancy Services for Media and Communication						✓	
Component D.4 – Procurement of Printing and Publication/IEC Material		✓					
Component D.4 – Procurement of Event Management Services			✓				

ICB Open with PQ: Open International Competitive Bidding with prequalification, NCB: National Competitive Bidding, Shopping: comparing at least 3 quotations for small value, readily available goods, QCBS: Quality and Cost Based Selection, CQS: Consultants Qualification Selection, ICS/NS: Individual Consultant Selection through shortlisting from national individuals.

132. Applicable Procurement Guidelines: All procurement under the project components jointly financed by the IsDB and the Government of Pakistan (GOP) will be undertaken in accordance with IsDB's procurement policy and procedures through provisions contained in the Bank's Guidelines for Procurement of Goods, Works and Related Services under IsDB Project Financing (April 2019 edition, revised in February 2023) and Guidelines for Procurement of Consultants Services under IsDB Project Financing (April 2019 edition, revised in February 2023) by using the Bank's relevant Standard Procurement Documents (including Contracts Forms)[6].

133. Integrity Policy Compliance: Procurement of all components of the project shall strictly adhere to the requirements contained in the IsDB's Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IsDB Group-Financed Activities, IsDB Group Integrity Policy, Principles and Guidelines[7], and sanctions procedures set out in the Financing Agreement. No tolerance shall be permitted.

134. Procurement Plan. An initial 18-months Procurement Plan for the Project implementation was developed during Project appraisal based on the analysis and outcomes of the

[6] Electronic versions of documents are available at https://www.isdb.org/project-procurement/documents
[7] https://www.isdb.org/who-we-are/integrity/integrity-guidelines-and-policies

procurement strategy and the schedules of delivery of the works, goods, and consultancy services. The simplified Procurement Plan is provided in Annex-9. The Procurement Plan will be updated periodically at reasonable intervals through the procurement and project cycle or as required to reflect the actual project implementation needs.

135. Procurement Review Arrangements. Given the past experience of implementing projects in the sector, working with other MDBs and in line with risk-based approach, all procurement under this Project will be subject to the Bank's Prior Review[8], except for civil works to be procured by using community participation method and low-value goods & non-consultancy services to be procured by using Shopping procurement method.

136. Use of Standard Procurement Documents. The EA/PMU will use the appropriate Standard Procurement Documents for goods, works, and services as issued by IsDB with minimum changes, acceptable to IsDB, as necessary to address country and project specific issues. All the contracts with the Implementation Partners are being managed properly. The contract management plans are in place and the contracts are being managed in order to ensure that all the requisite reports are delivered as per contract timelines and the quality of these reports are also ensured to be in accordance with the contract requirement.

137. Advanced Contracting. Based on the assessment of the EA's capacity in above section (2); the Beneficiary may use "Advanced Contracting", with IsDB's no objection, by proceeding with the procurement process and contract award prior to the signing of the Financing Agreement. In that case, the Beneficiary undertakes Advanced Contracting at its own risk and any concurrence by IsDB regarding the procedures and/or contract award does not commit IsDB to provide the Project Financing for the contract(s) in question.

2. Project Financial Management and Audit Arrangements

138. The project financial management arrangements will be managed in accordance with the Bank's Project Financial Management Policy (2020). The Financial Management Assessment determined: (a) whether the EA and PMU have adequate financial management mechanisms in place to ensure that project funds would be used for the intended purposes, and in an efficient and economical way; (b) the project financial reports, including the Interim Financial Report (IFR), will be prepared correctly, reliably and in a timely manner; and (c) the project assets will be safeguarded (d) adequate internal controls are in place. The overall risk associated with the financial management environment of the EA is assessed as moderate.

139. Planning and Budgeting: SPHF's Finance Unit is responsible for the preparation of the budget with input from all concerned units under the supervision of the Chief Financial Officer.- The approvals of the capital and revenue budget authority are with the Board of Directors (-BOD). The budget implementation is regularly reviewed by SPHF Management, the Board, as well as regular reviews by Project Steering Committee and Planning and Development Board, Govt. of Sindh. The GoS counterpart funding will be mobilized through the annual budget process via July - June financial year.

140. Accounting System: The country's Public Financial Management (PFM) used by the Executing Agency (SPHF) will be adopted for this project. SPHF applies accrual basis of

[8] This involves reviewing each crucial procurement milestone before moving to the next step of the process.

the International Public Sector Accounting Standards (IPSAS) and is further guided by the instructions issued by the Controller General of Accounts and requirements of the Public Finance Management Act 2019, as well as the Handbook of Accounting Guidelines. Furthermore, the project accounting will be administered using the SAP-based ERP (Enterprise Resource Planning System) for recording, processing, and generating financial reports for all project transactions.

141. Financial Audit: -The annual external audit of the project's financial statements shall be done in accordance with International Standards on Auditing (ISAs). The audit will be conducted annually by the Auditor General of Pakistan AGP while the independent external audit firm retained by SPHF (currently Messrs. Price Waterhouse Coopers) or any other independent external auditor recruited by SPHF for the purpose, shall review and certify Statements of Expenditures for SA replenishment requests, to avoid delays in the processing of withdrawal applications that is often experienced when Statements of Expenditures certification is to be done by the Auditor General Offices. In addition, to close a special account (for a specific operation), the external auditor (Special Account Auditor) shall prepare a consolidated report on the utilization of the respective Special Account within 3 months after the end of the gestation period of that specific operation. The project financial audit will be comprehensive and cover all aspects of the project. The auditor will also provide a letter to management on internal control procedures and certify statements of expenditure prepared to support replenishment requests. Audit reports and management letters must be submitted to the Bank no later than six months after the end of each fiscal year.

142. Financial Reporting: To align with the Banks' principle of encouraging use of Country systems, the project accounting will be based on the IPSAS in use by SPHF. In accordance with the Bank's financial reporting and auditing requirements, the PMU will prepare and submit unaudited quarterly interim financial reports and the audited annual financial reports of the project. The interim financial reports will be sent to the Bank no later than 45 days after the end of the semester and the audited reports must be submitted to the Bank no later than six months after the end of each audit period.

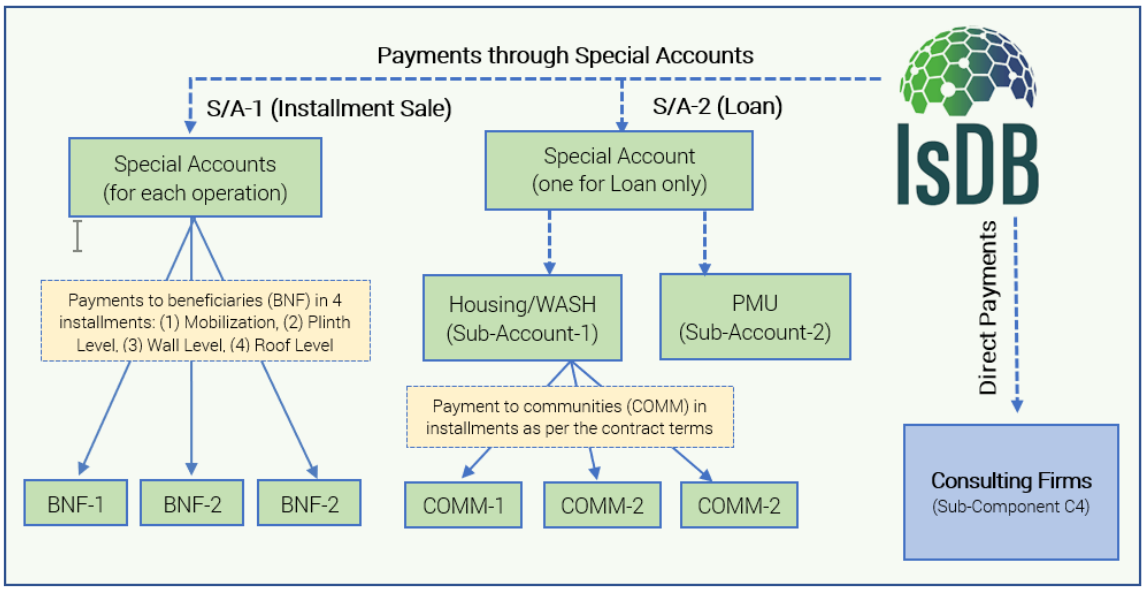
143. Internal Control: Housing reconstruction grants will be transferred directly into the accounts of beneficiaries and monitored using a well-established system Management Information System for monitoring. A dedicated account officer with experience in MDB projects will be recruited by SPHF. -The internal control function of SPHF is outsourced to M/s KPMG THK & Co. and reports directly to the Finance and Audit Committee of the Board of Directors. They shall provide oversight and conduct regular project internal audits and prepare reports.

144. Funds flow: The SPHF shall open dedicated "assignment" accounts for the flow of funds from IsDB at the National Bank of Pakistan. Any payments to beneficiaries will be disbursed from the relevant accounts in the National Bank of Pakistan directly into the Beneficiary accounts. Additional information on PFM arrangements is provided in Annex 10.

3. Project Disbursement Arrangements

145. Disbursements under IsDB financing will be in accordance with IsDB's disbursement policies and guidelines. For financing activities under the Installment Sales portion, it is proposed to adopt IsDB's Special Account disbursement modality to transfer in total up to EUR 165.10 million (including the potential use of contingencies for those items) to the executing agency, SPHF. The funds will be disbursed in 3 operations, and a separate special account will be opened for each operation. The ceiling of each Special Account will be EUR 55.03 million, where each disbursement shall not exceed 25% of the overall approved amount under the IS mode of financing, which corresponds to a maximum of EUR 41.28 million. SPHF shall open separate bank accounts for each operation at the National Bank of Pakistan. Payments to beneficiaries will be disbursed from the bank account concerned directly into the Beneficiary accounts after completion of validation and certification processes by the Project Management Consultant (E&Y) and Internal Auditor (KPMG). Below is the fund flow diagram (Figure-3).

Figure-3: Fund Flow Diagram



146. Among the financing activities within the Loan Portion, component C.4, Consultancy Supervision Services for WASH Supportive Facilities, will utilize a direct payment method. However, considering that the remaining components will be constructed either through a community-driven approach, will involve nominal payments to the ultimate beneficiaries, or will require the management of smaller contracts, a SA will be established at the NBP to facilitate the transfer of funds to SPHF. The maximum amount to be financed out of the SA is ID 18.30 million (equivalent to EUR 22.66 million). The ceiling of each disbursement to the Special Account will be based on six-month forecasted project expenditures, but not exceeding 25% of loan allocation, which corresponds to ID 4.58 million. The Planned disbursement profile is: Year-1 (32%); Year-2 (34%); and Year-3 (34%).

147. In instances where contracts surpass the value of EUR 250,000, the consideration of a direct payment mechanism may be subject to approval by the Executing Agency and clearance from the Bank during the project's implementation phase. Further details and the disbursement schedule are provided in Annex 11.

H. PROJECT RESULTS AND MONITORING

1. *Key Development Results Indicators*

148. The Project results indicators (under IsDB financing), as depicted in the Results-Based-Logical-Framework include:

A) Output indicators:

- 700,000 core housing units reconstructed, including 155,000 units from IsDB financing. At least 30% will be for female headed households and households with vulnerable women (CRI-7900)
- 75,000 WASH facilities constructed/installed and operational, including 13,000 units from IsDB financing.
- 30,000 masons and 700,000 beneficiaries (at least one per family) received project trainings and orientation on multi-hazard resilient reconstruction practices, including at least 15% female participants (CRI-9000). All under WB and GoS financing.

B) Outcome indicators:

- 4.2 million people provided access to improved houses, including 930,000 people benefiting from IsDB financing (CRI – 7600)
- 1.3 million people provided access to improved WASH services, including 230,000 people benefiting from IsDB financing in improvement of WASH facility (CRI – 7000 and 7100)

2. Monitoring and Evaluation of Outcomes/Results

149. The EA (SPHF), with support from the IPs, will be responsible for the overall project M&E, and regular reporting to the IsDB and WB. Accordingly, the SPHF will: (i) collect, consolidate, and report on project performance data, including physical and financial progress; and (ii) provide periodic information on intermediate results achieved and progress toward higher level outcomes. Relevant line departments will assist the SPHF by providing relevant information, and the SPHF will prepare quarterly progress reports throughout the implementation period. The project will finance the gathering of baseline data to assess social, environmental, and economic impacts of key activities.

150. The EA/PMU will also analyze the effect of proposed interventions on female beneficiaries, including female-headed households, over the course of the projects' lifetimes. Using both quantitative and qualitative methods, the study will assess how lives of female beneficiaries have changed post-2022 floods and track their recovery. It will pay particular attention to improvements in: (i) women's socioeconomic conditions such as increase in their household income, disaster-related debt, and improvement in housing quality; (ii) changes in social relations such as participation in village activities and level of influence (access to decision making); and (iii) the extent to which women were able to make a resilient recovery (which also includes increase in knowledge of gender-based violence services in their areas). The findings will help evaluate if the projects were successful in considering the gendered impacts of floods and post-disaster needs of women when achieving medium- and longer-term objectives. The results from the assessment can also be useful for the design of future Bank operations as well as potential government policies around DRM, gender, and social protection.

I. PROJECT RISKS AND SUSTAINABILITY

1. Project Risks

151. The critical risks for the SFEHR project and possible mitigation options were identified during the preparation stage. The Climate Change Risk screening and analysis is provided in Annex 6. The key project risks and mitigation measures are listed below, and a detailed Risk Matrix is provided in Annex 12.

Table-10: Project Risks and Proposed Mitigation Measures

Risk Category	Risk Level	Mitigation Measure
Stakeholders risk: Stakeholders, including households, communities, and local institutions are weakened due to the widespread disaster, rendering a beneficiary- driven reconstruction approach more taxing, and the community institutions required to coordinate grievance and reconstruction more fragile	M	This risk is mitigated by the establishment of the dedicated EA (SPHF) working in collaboration with local NGOs to ensure effective institutional coordination and stakeholder outreach. Given the large number of individual housing units to be targeted, there is a risk of exclusion. The risk will be mitigated by developing objective selection criteria and a transparent MIS with technology-driven validation protocols. The risk of political/elite capture will be mitigated through comprehensive household-level damage assessment and eligibility verification process, which will be closely monitored during project implementation.
Project Execution Risk: The newly established EA/PMU may not have adequate experience in project management. They will require intensive support and capacity building to undertake this complex program. Non-proper monitoring of construction of houses and WASH facilities.	M	The PMU team is formed from qualified staffs who were selected competitively based on WB procedures. The IsDB team will provide close technical support to the EA by strengthening the PMU with additional staff. The wide coverage of the program and capacity building needs of the community will require support from NGOs. Project will ensure IsDB financed houses are being supervised in an efficient manner by IPs for those contracts were awarded under the WB financing. Separate consultant will be selected to supervise construction of WASH facilities
Environment and Social risk: Key risks pertain to the construction of houses/WASH facilities, disposal of waste, labor issues, exclusion of vulnerable groups, etc.	H/M	Comprehensive ES Mitigation Framework developed which streamlines E&S requirements as part of the project design and preparation of relevant E&S instruments; Project will ensure presence of qualified E&S staff in the EA as well as the IPs; Strong community engagement and awareness building will be ensured; and adopting strong GRM.
Climate and Disaster risk: Sindh is exposed to a range of natural hazards including floods, cyclones, droughts, and tsunamis. Occurrence of new natural disasters can undermine recovery progress and have direct effects on sustainability of certain activities.	M	The GOS, with support from the development partners, will continue undertaking efforts to strengthen DRM related agencies. It is also expected that beneficiaries will receive training to prepare and respond better to future adverse natural events. Risk-sensitive technical design and implementation will mitigate disaster and climate risks. These will be further addressed by training local communities in resilient construction practices and adopting appropriate designs. A separate, but complementary, intervention will be included through TA on capacity building and awareness raising on climate change resilience.

2. Project Sustainability

(i) *Economic Sustainability:* The Project is expected to produce an acceptable level of economic returns on the lives and livelihoods of the end-beneficiaries. The most important benefit will be ownership of the solid housing structure, including land titleship. In addition to protection of life that is threatened by poor living conditions in disaster-prone areas, the project will provide opportunity to increase revenue that may arise from capacity building of workers and end-beneficiaries, and health benefits stemming from improved living conditions, including improved access to water supply and sanitation. The project will positively impact the domestic construction value chain (breaks and materials manufacturing, transport/logistics, jobs for skilled workers, etc.). This will generate additional revenue to the local budget, which in turn would improve fund allocation into communal level infrastructure maintenance, re-investment, and upgrades. The financial inclusion of the beneficiary households into the formal banking system would also yield significant economic benefits.

(ii) *Social Sustainability:* By design, this project has a strong social sustainability feature, whereby end-beneficiaries will obtain increased safety and security, while not forced/invited to relocate to another area. By implementing Village Reconstruction Communities (VRCs) and adopting a beneficiary-driven approach, the project will strengthen social inclusion and community building. Moreover, at least 30% of women-led households will receive the financing, and employment opportunities will be created for youth, who will benefit from the capacity building. Education and communication programs will be implemented to induce knowledge, attitude and behavioral changes targeted toward a range of multi-hazard resilient construction and WASH practices.

(iii) *Environmental Sustainability:* Positive environment and social impacts are anticipated to emerge with the project as the housing structures will be climate- and multi-hazard resilient. Re-use of construction material, as well as promotion of the use of climate-friendly construction techniques will be promoted. Risk of over-exploitation and over-extraction of construction and building materials was identified and the EA confirmed it will coordinate closely at the local level with the suppliers to avoid any shortage of material, as well as negative externalities to the environment. The project will also further promote the utilization of environmental and climate-friendly construction techniques through the introduction and use of alternative methods of residential unit construction, such as compressed stabilized earth blocks.

(iv) *Operational Sustainability:* The project is adopting durable construction practices by consistently applying the criteria for multi-hazard resilience and climate-risk informed siting that are included in the Program Implementation Manual. The EA has developed a robust and transparent identification mechanism of end-beneficiaries, as well as M&E system to ensure effective and transparent implementation of project activities at all levels. The project will establish easily maintainable small-scale WASH facilities resilient to climate change and disaster. The project will also enhance the technical capacity of targeted communities and VRC members in operating WASH facilities. This will facilitate long-term maintenance and promote community participation (and thus ownership) during planning, design, and implementation. The project will support in upgrading and strengthening traditional building systems for ensuring resilience for future events.

152. Political commitment is needed for successful implementation of the project. The SFEHRP has strong institutional buy-in from the GOS given the scale and impact of this disaster. Experience from previous Bank projects reinforces the well-recognized principle that integration with existing government institutions and processes can increase political commitment and help leverage the project's influence. The implementation arrangements for the SFEHRP follow government mandates and institutional responsibilities.

J. PROJECT JUSTIFICATION

1. Technical Feasibility

153. The SFEHRP supports beneficiary-driven, multi-hazard resilient reconstruction of about 700,000 damaged houses with a focus on vulnerable populations. The project will address the issue of shelter and will create beneficial distributional effects as benefits of the project will go, disproportionately to the poor. Housing reconstruction includes the provision of housing grants to verified beneficiaries in targeted areas.

154. Core housing units will be planned and built as per the technical guidelines on multi-hazard resilient construction that will be developed under the project, to ensure resilience to account for local weather patterns, especially rainfall and extreme temperatures, as well as site safety against floods and other hazards. These technical guidelines will also aim to utilize easily accessible materials and familiar construction methods, reflecting local cultural preferences to ensure that the beneficiaries are not burdened and have access to critical inputs.

155. Given the urgency of rehabilitation needs, particularly for housing, the Bank is supporting the GOS in achieving readiness through mobilization of critical upstream activities prior to project effectiveness. A dedicated housing reconstruction company (the SPHF) has already been established and is mobilizing partners and resources to undertake upstream activities, including eligibility surveys, establishment of an MIS, and onboarding of Implementation Partners.

156. For staffing of the SPFH, a secretary-level government officer has already been appointed as full-time Chief Executive Officer while hiring for remaining positions has also been initiated on a competitive basis. The first draft of Program Guidelines has been submitted by the SPHF for concurrence. The eligible activities will be considered for retroactive financing under the operation.

2. Economic Analysis

157. Project economic benefits: The project aims at reconstruction of damaged houses, which will provide shelter to a significant proportion of affected population. The benefits of this can be estimated through increased utility of families owning reconstructed houses. This will also add to their lifetime labor productivity associated with reduced exposure to health risks. However, due to data limitations, these benefits are difficult to estimate at this stage.

158. The project plans to provide technical assistance and training for rebuilding to multi-hazard resilient standards. This has two benefits: saving of human lives and housing assets in future disasters and the externality benefits that will accrue to the society due to promotion

of disaster resilient housing. The reconstruction activity will have an immediate effect on economic activity as local materials and labor will be used. This will have a multiplier effect on local economies and will support the livelihoods of a significant number of people. Finally, the project aims to support institutional strengthening and providing technical assistance to concerned departments of Sindh province. The expected benefits of improved capacity of personnel in concerned departments as well as better skills of workers involved in the housing sector. Project benefits will be further analyzed during the project appraisal stage through field visits and consultation with local stakeholders.

Economic Internal Rate of Return:

159. The Gumbel distribution (also known as the Type-I generalized extreme value distribution) is used to model the Internal Rate of Return. Method is applied as its commonly used extreme value theory to model the distribution of extreme events such as floods etc. To determine the present value of future cash flows, a 12% discount rate is used. The factors accounted for are inflation and opportunity cost. Standard Conversion Factor (SCF) of 0.9 is used to convert Financial Value into Economic Value. The Economic Internal Rate of Return (EIRR) of the project is estimated to be 31.29%. Details of the model are shown in Annex 13.

Table-11: Result of Economic Analysis (million PKR)

PRESENT VALUE OF TOTAL COST:	0.284
PRESENT VALUE BENEFITS:	0.712
NET PRESENT VALUE (NPV)	0.428
BENEFIT COST RATIO (BCR)	2.51
Economical Internal Rate of Return (in %)	31.29%

Table-12: Result of Sensitivity Analysis

	NPV(MRs)	EIRR	BCR
Cost Increased by 10% :	0.40	28.77%	2.28 :1
Benefits Decreased by 10% :	0.36	28.52%	0.206 :1
Cost Incr. & Benefits Decr. by 10% :	0.33	26.16%	2.05 :1

K. CONDITIONS OF FINANCING

1. Installment Sale Financing

160. In this Instalment sale financing structure, the process for IsDB funding (EUR 165.10 million) and facilitating the construction of houses in Pakistan is outlined to ensure clarity and transparency. The key steps involved are as follows:

1. Agreement Signing: The IsDB and the GOP execute the Instalment Sale Framework and Agency Agreement for a total financing amount of EUR 165.10 million to support the construction of 150,000 houses.

2. Executing Agency and Oversight: GOP's executing agency, the SPHF, has established internal service agreements with five NGOs responsible for supervising the identification, screening of beneficiaries and related due diligence services, except transfer of funds (see point 5 below). These NGOs, through individual Memorandums of Understanding (MoUs), engage with the individual flood-affected (IFA) beneficiaries who will personally undertake the house construction.

3. Disbursement Request: SPHF submits a disbursement request to IsDB, specifying a particular batch operation amount, such as EUR 55 million for 50,000 houses, with the aim of completing construction within a predefined timeframe, say one year.

4. Fund Flow: IsDB disburses the funds to a special account held at the NBP. This account is controlled and operated within the Islamic Window of NBP. NBP is a government-owned bank. The IsDB transfer of funds occurs through the Central Bank (State Bank of Pakistan - SBP), which converts the EUR amount into the local currency before transferring it to NBP.

5. Beneficiary Disbursement: SPHF transfers the funds from NBP and disburses them directly to the bank accounts of IFA beneficiaries (not via NGOs). It is crucial to note that these beneficiary accounts must be maintained in either an Islamic bank or the Islamic Window of a Conventional Bank to ensure compliance with Shari'ah principles. In exceptional cases where no Islamic banking options are available nearby, non-interest bearing conventional bank accounts in nearby conventional banks may be used as a last resort, with a strong preference for Islamic banking options. This is to promote a Shari'ah compliant Islamic finance ecosystem across the value chin of IsDB's intervention.

6. Beneficiary Disbursement to match Stages of Completion: SPHF disburses funds to IFA beneficiaries in four installments, corresponding to four stages of house completion: first mobilization advance, second plinth level completion, third upon walls completion, and fourth upon completion of the roof.

7. Project Completion: At the end of the year, all 50,000 houses are expected to be completed, and SPHF notifies IsDB of the successful completion by sending a "Delivery Notice".

8. Ownership Transfer: IsDB and GOP sign an I. Sale Offer and Acceptance Agreement, transferring ownership of the completed 50,000 houses from IsDB to GOP.

9. Grant Distribution: As the new owner of the houses, GOP now has the authority to grant these completed houses to the IFA beneficiaries. It is crucial to emphasize that the monetary payments made during the four construction stages is not a grant; the grant itself is the completed houses handed over to the beneficiaries.

161. Special Practical Considerations:
   - It is possible that some houses will be completed early before the 1-year timeframe so the IFA beneficiaries will be given a right to use the houses before ownership is granted to them. A clause will be inserted in the framework agreement to facilitate this flexibility.
   - In cases of delays resulting in construction not being completed within the 1-year timeframe. The sale offer and acceptance should be postponed until the entire batch operation is finalized so as to minimize administrative complexities and payment schedule disruptions. The number of batch operations will determine the number of sale offer and acceptance signings required.
   - From a Shari'ah perspective there is no objection on the possibility to have 2 concurrent batch operations running simultaneously as long as the sum of houses in the 2 batches are delivered and form the underlying assets to be sold via the 2 offer and acceptance signings. This will help SPHF in managing and utilizing disbursed funds more effectively to onward disburse to IFA beneficiaries quickly rather than keeping idle funds awaiting the next stage of completion.

162. Pricing: This Project is comprised of three operations 20 years from the date of disbursement to the due date of last installment of the Sale Price for each of the 3 operations; tentatively composed of a Sale Price payment period of 19 years after the Gestation Period of 1 year for each Operation. Mark-up rate to be applied to each disbursement is the sum of reference rate of 10-year EUR Mid-Swap rates as of the disbursement date plus the spread of 190 bps. The spread is subject to semi-annual update by the IsDB to reflect cost of funding.

2. Loan Financing

163. Ordinary Loan in the amount of EUR 23.60 million (ID 19.00 million) will cover the cost of (i) construction of part of houses under Component A, (ii) construction and installation of WASH facilities under Component B; (ii) consultancy services under components C and D; and (iii) PMU staff salary and operational expenditures, including office equipment.

164. Pricing: The IsDB will conclude the Loan Agreement with Recipient (GOP) detailing out terms and conditions of financing. The IsDB Loan financing will be for a total financing period of 20 years with a grace period of 5 years, and a service fee of 1.5% per annum applied from the Loan agreement signing date and until Project Closing Date. Tentative repayment schedule will be provided in the Agreement that would be basis for the GOP to effect payment part of the service fee immediately after signing of the Loan agreement. Repayment of principle amount will be after grace period of 5 years.

165. Summary of Terms and Conditions of Financings provided in Annex 14.

Annex 1

Results Framework and Monitoring (Results Based Logical Framework)

IMPACT			
The aim of the project is to contribute to the national targets of SDG-11 and SDG-13 through providing robust houses that are resistant and adapted to the adverse conditions of climate change and natural disasters. The Project Development Objective is to deliver beneficiary-driven, multi-hazard resilient, reconstruction of core housing units to the populace affected by the 2022 floods in selected districts of Sindh province. Investments to improve access to water and sanitation will contribute to SDG-6 targets.			
OUTCOME (BY 2028)			
Statement	**Result Indicators**	**Means of Verification**	**Risks/Assumptions**
Population in Sindh province received access to improved houses and WASH services	#1: People provided access to improved houses (number). Target: 4.2 million people (900,000 from IsDB) (CRI[9] – 7600) #2: People provided access to improved WASH services (number) Target: 1.3 million people (230,000 from IsDB) (CRI – 7000 and 7100)	GOS/P&D annual performance report IsDB/IEvD report	- GOP continues implementation of housing development strategy. - Required funding ensured by the Federal, Provincial governments and local beneficiaries. - WASH facilities are adequately operated and maintained by the communities
OUTPUTS (BY 2027)			
Statement	**Result Indicators**	**Means of Verification**	**Risks/Assumptions**
Output-1: Core housing units reconstructed to multi-hazard resilient standards	1.1 Core housing units reconstructed (number), of which at least are for female headed households and households with vulnerable women (%) Target: 700,000 houses constructed, including 155,000 units from IsDB financing, where at least 30% are female led-families (CRI-7900)	Progress reports of EA PIASR of IsDB PCR of the EA PCR of the IsDB	- Project stakeholders fulfil their respective obligations on time and effective communication between them. - Procurement & Disbursement are done timely and effectively - Compliance to ESMP
Output-2: WASH facilities constructed	2.1 WASH facilities constructed/ installed and operational (number) Target: 75,000 facilities constructed, including 13,000 units from the IsDB financing		
Output-3: Beneficiaries received trainings for multi-hazard resilient reconstruction practices	3.1 Beneficiaries received trainings and orientation on multi-hazard resilient reconstruction practices (number), including female participants (%)		

[9] Core Results Indicators of the IsDB

	Target: 30,000 masons and 700,000 beneficiaries, at least 15% female (CRI-9000)		
ACTIVITIES			INPUTS
Output-1 (Housing Reconstruction)	1.1 Identification of beneficiaries; concluding contract/agreement between EA and Implementing Partners (NGO) and beneficiaries for development of house (WB financing) 1.2 Construction by end-beneficiary through community participation; Supervision by appointed IP		Total Cost: EUR 874.80 million IsDB: EUR 188.70 million WB: EUR 471.70 million GOS: EUR 214.40 million
Output-2 (WASH Supportive Facility)	2.1 Identification of sites/communities for construction and installation of WASH facilities 2.2 Development of specifications, construction (by communities) and supervision by qualified engineers		
Output-3 (Institutional Strengthening & Technical Assistance)	3.1 Undertaking damage assessment survey (WB financing) 3.2 Development of housing reconstruction strategy (WB financing) 3.3 Selection and contracting IPs for housing construction (WB financing) 3.4 Selection and contracting Supervision Consultant for WASH (GOS/IsDB financing) 3.5 Training: development of training materials and modules; selection of consultancy service; assignment delivery (WB financing)		
Support for Project Implementation	– Functioning PMU supported by PMC, regular reporting (physical and financial) – Project start-up workshop, and familiarization visit for the EA staffs to the IsDB office (HQ or RH-Turkiye) – Periodic supervision and MTR assessment by the IsDB; submission of PCR by EA – Annual financial audit, and interim validation of SOE		

Annex 2

Map of the Country and Project Location

The map is neither the production of IsDB nor does it reflect IsDB's views on international boundaries.

Project Location in Sindh Province

Adminstrative Map: Area Proposed for Islamic Development Bank (IsDB)

District Name	Taluka
Jamshoro	Kotri
	Sehwan Sharif
	Thana Bulla Khan
Dadu	Dadu
	Mehar
	Johi
	K N Shah
Matiari	Hala
	Matiari
	Saeedabad
Tando Muhammad Khan	Bulri Shah areem
	Tando Ghulam Hyder
	Tando Muhammad Khan
Tando Allah Yar	Chamber
	Jhando Mari
	Tando Allah Yar
Thatta	Keti Bandar
	Mirpur Sakro
	Thatta
	Ghorabari
Sujawal	Sujawal
	Kharochan
	Mirpur Bathoro
	Jati
	Shah Bander
Badin	Badin
	Matli
	Shaheed Fazal Raho
	Talhar
	Tando Bago
Jacobabad	Jacobabad
	Ghari Khairo
	Thul
Khairpur	Fai Ganj
	Gambat
	Khairpur
	Kingri
	Koti Diji
	Mirwah
	Nara
	Sobho Dero
Ghotki	Mirpur Mathelo
	Ghotki
	Ubauro
	Khangarh
Shaheed Benazirabad	Daur
	Nawabshah
	Qazi Ahmed
	Sakrand

District Name	Taluka
Sukkur	Sukkur City
	New Sukkur
	Rohri
	Saleh Pat
	Pano Aqil
Qamber Shahdadkot	Qamber
	Miro Khan
	Shahdadkot
	Warah
	Siji Wal Junejo
	Nasirabad
	Qubo Saeed Khan
Shikarpur	Shikarpur
	Garhi Yasin
	Lakhi
	Khanpur
Kashmore	Kashmore
	Kandhkot
	Tangwani
Mirpurkhas	Digri
	Kot Ghulam Muhammad
	Mirpurkhas
	Jhuddo
	Sindhri
	Hussain Bux Mari
	Shujabad
Umerkot	Umerkot
	Pithoro
	Samaro
	Kunri
Noushehro Feroz	Noushehroferoz
	Bhiria
	Mehrabpur
	Kandiaro
Sanghar	Jam Nawaz Ali
	Khipro
	Sanghar
	Shahdadpur
	Sinjhoro
	Tando Adam
Larkana	Larkana
	Rato Dero
	Dokri
	Bakrani

Note: This map shows the Program Area Proposed for Islamic Development Bank (IsDB) at district level of Sindh Province Pakistan.

Disclaimer: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by SHRRP.

0 50 100 km

N

Legend

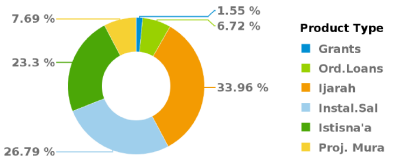
- International Boundary
- Province Boundary
- District Boundary
- Sindh Province

Annex 3

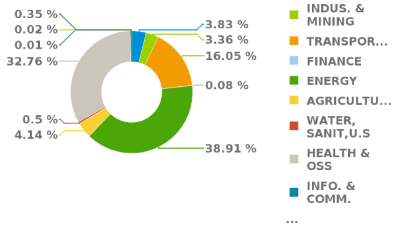
List of Related Projects Financed by IsDB and/or Other Agencies

Part I - Summary of Approvals

	Active			Cancelled			Completed			Total		
	No of Ops	$m	IDm	No of Ops	$m	IDm	No of Ops	$m	IDm	Operations	$m	ID
Grants	6	27	20	9	2	2	41	23	17	56	52	38
Ord.Loans	2	13	9	3	26	19	16	189	135	21	227	164
Ijarah	1	35	25	13	468	327	10	646	420	24	1,149	772
Instal.Sal	2	110	80	10	81	60	14	716	453	26	906	593
Istisna'a				2	104	70	7	684	436	9	788	507
Proj. Mura	2	100	74				3	160	116	5	260	190
Sum:	13	284.95	208.36	37	680.00	477.92	91	2417.70	1576.82	141	3,383	2,263



	Active			Cancelled			Completed			Total		
	No of Prjs	$m	IDm	No of Prjs	$m	IDm	No of Prjs	$m	IDm	Projects	$m	ID
Agriculture	1	0.20	0.14	4	149.87	100.90	7	30.35	25.38	12	180	126
Education				5	20.07	14.58	18	106.08	73.60	23	126	88
Energy	1	35.00	24.76	3	328.00	220.38	12	953.17	609.25	16	1,316	854
Finance	1	0.28	0.20	2	0.26	0.06	12	105.75	76.57	15	106	77
Health And Other S	5	249.21	183.05	1	0.29	0.20	10	603.17	407.50	16	853	591
Industry And Minin				15	111.00	85.49	3	129.63	83.14	18	241	169
Information And C							2	0.32	0.23	2	0	0
Public Administrat				1	0.39	0.30	1	0.12	0.08	2	1	0
Transportation				3	59.50	46.96	9	483.26	296.82	12	543	344
Water, Sanit. & Urb	1	0.27	0.20	2	10.63	9.06	4	5.85	4.24	7	17	13
Sum:	9	284.95	208.36	36	680.00	477.92	78	2417.70	1576.82	123	3,383	2,263



Part II - Active Portfolio

Code	Project Definition	Operation			D. Approved	D.Signed	D.of Effectiveness	Appr. Am.(ID)	Appr. Am.($)	Disb. Am.(ID)	Disb. Am.($)	D. of First Disb.	D. of Last Disb.	Gest. Per. End
Is Disbursing								**96**	**133.753505**		**112.771034**			
PAK1015	Reverse Linkage Project between Pakistan	Grants	WAQ	90003665	26.07.2016	31.10.2016	31.10.2016	0.1951142	0.27	0.15	0.21	02.02.2017	29.08.2023	11/30/2023
PAK1001	Implementation of the Fael Khair Donatio	Grants	MClin	90003827	03.02.2016	03.02.2016	03.02.2016	18.429601	25.51	7.24	10.11	24.03.2016	12.10.2022	3/25/2024
PAK0155	Central Asia South Asia Electricity Tran	Ijarah	OCR	70000410	01.10.2017	17.03.2019	12.07.2020	24.764735	35.00	23.11	31.09	05.11.2020	02.06.2023	11/5/2025
PAK1035	Operationalization of EXIM Bank of Pakis	Grants	WAQ	90004131	26.02.2019	02.05.2019	02.05.2019	0.198582	0.28	0.11	0.14	03.08.2021	18.07.2023	6/30/2024
PAK1054	IVAC COVID-19 Vaccine Support for Pakist	Ord.Loans	ISFD	10001305	12.12.2021	20.12.2021	27.12.2021	1.7908951	2.50	1.76	2.46	27.01.2022	27.01.2022	12/20/2026
		Instal.Sal	OCR	60000606	12.12.2021	20.12.2021	27.12.2021	50.145063	70.00	49.28	68.62	27.01.2022	26.05.2022	11/23/2024
PAK1055	Enhancing Community's Resilience through	Grants	WAQ	90004734	27.12.2021	27.12.2021	27.12.2021	0.142899	0.20	0.11	0.14	26.01.2022	26.10.2022	11/16/2023
Not Disbursing								**113**	**151.20026**		**0**			
PAK1057	SINDH INTEGRATED HEALTH AND WOMEN'S EMPO	Ord.Loans	OCR	10001954	27.12.2022	13.05.2023	#	7.69	10.2340932	0	0	#	#	5/13/2028
		Instal.Sal	OCR	60001262	27.12.2022	13.05.2023	#	30.056205	40	0	0	#	#	6/7/2029
		Grants	WAQ	90005387	27.12.2022	13.05.2023	#	0.2	0.26616627	0	0	#	#	12/31/2025
PAK1058	Polio Eradication Phase IV Project	Proj. Mura	OCR	120000110	10.05.2023	#	#	44.518312	60	0	0	#	#	9/24/2026
		Proj. Mura	OCR	120000210	10.05.2023	#	#	29.678875	40	0	0	#	#	11/24/2026
PAK1059	Emergency Flood Response for Pakistan	Grants	WAQ	90005235	08.10.2022	13.05.2023	#	0.5458005	0.7	0	0	#	#	12/15/2023
9									**284.95**		**112.77**			

List of related projects financed by IsDB and/or other agencies in Pakistan

Source	Project Name	Key Dates a. Approval b. Completion	Amount (US$ m eq.) a. IsDB b. Other	Status Ongoing or Completed
IsDB	Central Asia – South Asia Regional Electricity Transmission Interconnection Project CASA – 1000	a. 17.03.2019 b. 12.07.2025	a. US$ 35 m b. US$ 185 m	Ongoing
	Mohmand Dam Hydropower Project	a. 21.03.22 b. 18.06.28	a. US$ 180 m b. US$ 412 m	Ongoing
	IsDB COVID-19 Financing	a. 20.12.2021 b. 31.01.2023	a. US$ 72.5 m b. US$ 653 m	completed
	Polio Eradication Program in Pakistan (Phase: I, II, III, IV)	a. 18.02.2013 b. 31.12.2026	a. US$ 582	Ongoing
	Sindh Integrated Health & Women Empowerment Project	a. 27.12.2022 b. 30.04.2028	a. US$ 50.26 m b. US$ 229.74 m	Ongoing
	Medical Mobile Units (MMUs) for Health care in Rural Areas in Pakistan	a. 19.05.2015 b. 31.12.2024	a. US$ 25 m	Ongoing
Asian Development Bank	Emergency Flood Assistance Project	a. 12 Dec 2022 b. 31 Dec 2025	US$ 475 m	Ongoing
	Flood Emergency Reconstruction and Resilience Project	a. 30.06.2015 b. 10.02.2021	US$ 220.04 m	Completed
	Sindh Coastal Resilience Project	a. - b. -	US$ 125 m	Committed
World bank	Sindh Floods Emergency Rehabilitation Project	a. 19.12.2022 b. 31.12.2027	US$ 500 m	Ongoing
	Pakistan Crisis-Resilient Social Protection (CRISP)	a. 25.03.2021 b. 30.06.2025	US$ 600 m	Ongoing
	Integrated Flood Resilience and Adaptation Project	a. 25.05.2023 b. 31.12.2028	US$ 213 m	Ongoing
	Punjab Affordable Housing Program	a. 10.03.2022 b. 30.06.2027	US$ 200 m	Ongoing
	Pakistan Housing Finance Project	a. 29.03.2018 b. 30.06.2026	US$ 230 m	Ongoing
	Sindh Resilience Project	a. 21.06.2016 b. 28.08.2024	US$ 100 m	Ongoing
	Disaster and Climate Resilience Improvement Project	a. 02.06.2015 b. 30.11.2021	US$ 125 m	Completed

Annex 4

Country and Sector Context / Background

1. In 2022, Pakistan faced eight cycles of monsoon while, normally, the country has only three to four cycles of rain. Flash flooding from monsoon rains submerged thousands of homes, washing away towns and villages. A total of 2,288,481 houses were affected, out of which 897,014 were fully damaged and 1,391,467 were partially damaged since 14 June 2022, according to the National Disaster Management Authority (NDMA). The National Authorities qualified this disaster as the worst "humanitarian disaster of this decade".

2. Overall damages are estimated at US$14.9 billion, equivalent to 4.8% of FY2022 GDP. The recovery needs across 17 priority sectors have been estimated at US$ 16.3 billion. The agriculture sector and industry sector each incurred one-quarter of the total damages, while the services sector accounted for nearly half of the total damages. Inflationary pressures are expected to continue being elevated on account of rising food prices and the weaker exchange rate. Inflation could increase further as food prices rise in response to crop damage, loss of livestock, and the disruption of transport infrastructure critical for supplying agriculture output to markets[10].

3. The NDMA reports that around 33 million people—that is, one in seven— have been affected by the floods, including nearly 8 million displaced. The floods have taken the lives of more than 1,700 people, one-third of which were children. Rain-induced floods, accelerated glacial melt, and resulting landslides devastated millions of homes and key infrastructure, submerging entire villages and destroying livelihoods. Preliminary estimates suggest that, as a direct consequence of the floods, the national poverty rate will increase by 3.7 to 4.0 percentage points, pushing between 8.4 and 9.1 million people into poverty. As of 11 October 2022, total of 94 districts were declared as "calamity hit," accounting for more than half of all districts in the country, where majority were in Baluchistan and Sindh provinces.

4. Housing in Sindh: The majority of Sindh's rural population is settled across a large area, making efficient delivery of quality services challenging and constraining access to opportunity. An analysis of the latest population census shows while there are 5,428 villages (revenue units/mauzas) in Sindh, the population is scattered in 30,055 settlements; 40 % of these settlements are in villages with over 10 settlements, and another 30 % are in villages with 6-9 settlements. The average population per settlement is 766 persons, with 9 of the 24 districts of Sindh having an average population of over 1,000 per settlement, and the remaining 15 averaging between 373 (Badin district) and 892 (Shaheed Benazirabad district) persons per settlement.

5. Sindh's housing sector has been severely affected by the 2022 flooding. According to the last pre-floods housing census from 2017, there were 276 million katcha and 5.60 million pakka housing units in Sindh, with the former concentrated mainly in rural areas and the latter more prevalent in urban areas. While house ownership is higher in rural areas, housing with unclear ownership status is proportionately higher due to the relative informality of the

[10] Pakistan Floods: 2022, Post-Disaster Needs Assessment, Min. of Planning Dev. and Spec. Initiatives, October 2022

housing sector in rural areas. Assuming linear growth between 1998 and 2017, the number of katcha houses in Sindh has grown at a rate of about 1.6 % annually, while pakka houses have an annual growth rate of about 4 % per year. According to PDNA estimates, at least 1.7 million houses in Sindh were partially or fully damaged during the 2022 floods, the highest out of all the provinces – accounting for over 20 % of the documented provincial housing stock.

6. WASH Sector in Sindh: The importance of WASH has been recognized in the Vision 2025 of Pakistan. The Vision emphasizes the provision of safe drinking water and improved sanitation through an integrated development strategy. Further, the document highlights water contamination, water quality issues and the pressing need for eliminating open defecation. Pakistan's water resources are under stress due to factors such as population growth, climate change, and inefficient water management. Water scarcity leads to reduced access to clean and safe drinking water.

7. Sindh primarily relies on water sources from the Indus River and its tributaries. Within this total, the Indus Basin accounts for a substantial 96.3%, with the Kharan desert contributing 1.3%, and the Makran coastal drainage providing 2.4% of the water resources. Due to the seasonal variability and challenges in managing surface water supplies across Pakistan, groundwater has emerged as a critical resource. Groundwater serves as the source for approximately 50–60% of irrigation, 90% of domestic, and almost 100% of industrial water needs. This underscores the pivotal role of groundwater in water supply and sustainability.

8. Contaminated water sources cause waterborne diseases such as diarrhea, cholera, and hepatitis. Inadequate sanitation facilities, low hygiene awareness and open defecation worsen the situation, causing health issues. With urban-rural and socioeconomic disparities in WASH access, marginalized groups face more challenges. Rapid urbanization puts pressure on existing WASH infrastructure, leading to increased demand and challenges in providing services to urban populations. Government capacity is limited for effective WASH interventions and insufficient funding slows progress. Frequently occurring natural disasters damage WASH infrastructures and services.

9. The Pakistan Social and Living Standards Measurement Survey (PSLM, 2018-2019) indicates that in Sindh, 95% of households have access to improved drinking water sources, with 99% in urban areas and 91% in rural areas. In urban areas, piped water (50.4%) is predominant, while rural areas rely on hand pumps (69.6%). Based on same survey, 41.7% have improved sanitation, but 11.9% practice open defecation. Rural areas lag with 10.6% access compared to 68.2% in urban areas, where open defecation is minimal at 0.9%. Flush-to-sewer toilets are most common (40.1%), followed by flush-to-open drains (19.3%) and dry pit toilets (10.4%). About 12% have no toilets. Over 27.4% of toilets are connected to underground drains, 9.3% to covered drains, and 23.9% to open drains. Almost 39.4% lack any sanitation, with rural areas at 75.6% and urban areas at 8.3%. This poses severe environmental pollution risks from improper disposal of fecal sludge and wastewater.

Annex 5

Detailed Project Description

Component A - Housing Reconstruction

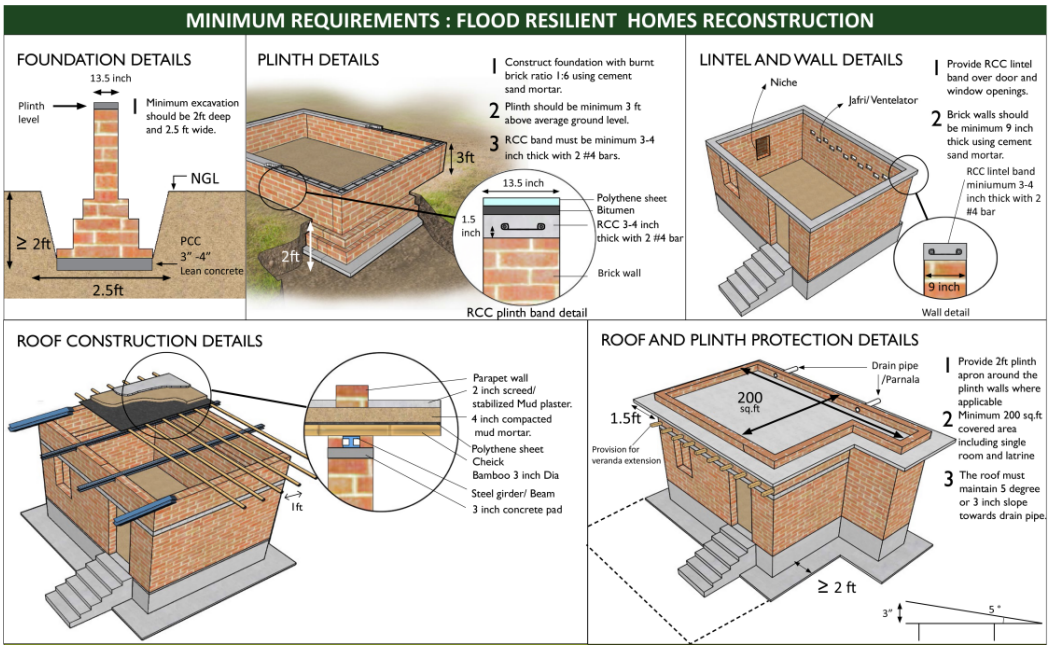
1. This component will support the provision of Housing Reconstruction Grants to Beneficiaries for reconstruction and/or restoration of a core housing unit, which comprises a core unit of fixed covered area built or restored to prescribed multi-hazard resilient standards. At this stage the housing grants under this component will include reconstruction grants for completely destroyed units. Key criteria, procedures and implementation arrangements for the project are included in the Program Implementation Manuals adopted by the SPHF.

2. Principles for Housing Reconstruction:
   (i) Establish building standards and designs that are hazard resistant and bioclimatic.
   (ii) Rebuild in situ, means the reconstruction should take place at the same location / land unless endangered. A minimum population and settlement relocation should take place. Communities will only be relocated if sites are severely geo-hazardous.
   (iii) Rebuilding will be owner driven. Owners need to understand hazard resistant building techniques as they will rebuild themselves or hire labor to re-build houses.
   (iv) Familiar construction methods and easily accessible materials will be used in rebuilding. Hazard resistant elements need to be introduced in the existing traditional building techniques.
   (v) A uniform financial assistance package for rebuilding will be disbursed to all the affected, irrespective of source of financing.
   (vi) Any entity or individual interested in financing reconstruction of flood affected houses may do so following reconstruction guidelines approved by GOS and will keep the SPHF informed and share data on specified formats.

3. The construction of one-room houses is driven by several key factors:
   (i) Land Availability: The project is focused on housing reconstruction within the constraints of existing land availability. Due to limited space, the construction of one-room houses is the most feasible option.
   (ii) Stakeholder Approval: After extensive consultations with stakeholders, the one-room house design received approval from the Government. This decision takes into account various factors, including the availability of financial resources, local building materials, and the presence of skilled labor for construction. However, it's worth noting that the project allows for the extension of one-room houses if the homeowner is willing to incur additional costs and if there is available land for such an extension.
   (iii) Community Preference: Field visits and interactions with villagers revealed their satisfaction with having a solid, one-room house compared to their previous temporary and low-quality dwellings. It was also noted that the community prefers having a separate kitchen outdoors due to wood-based cooking, which generates smoke. Additionally, due to the hot climate, it's common for individuals, particularly males, to sleep outdoors during the night.

4. It is estimated that approximately 700,000 core housing units will be constructed under the project, including 155,000 houses to be financed from the proceeds of the IsDB financing. The houses will follow minimum construction requirements and will not be less than 210 square feet of the covered area. The building will be constructed from pakka (solid construction material-base breaks or blocks) that will be reinforced by cement concrete at foundation, and in plinth, lintel and roof joints.

Figure-1: Housing Design (Basic Model)



5. Housing Reconstruction Process: The reconstruction process will involve:
   a. Preparation and dissemination of reconstruction guidelines. This will include easily incorporated structural improvements and using indigenous materials and environment friendly technologies. The structural improvements will also be incorporated into the houses that have undergone partial damages. The detail guidelines developed during the initial phase of the Project.
   b. Once the households are familiarized with the building techniques, disbursements will be made to each affected and participating household, according to the mode of disbursement as prescribed by SPHF.
   c. Disbursement of funds will be tied to various stages of construction and contingent upon adherence to the features/guidelines, as specified from time to time by SPHF.
6. Material Supply: It is anticipated that during the reconstruction phase construction material will be run in short supply. The IPs will encourage to mobilize communities to undertake bulk purchasing from major supply centres located in the urban areas. IPs are encouraged to facilitate linkages between communities and material suppliers.
7. Financial Assistance: the financial assistance package shall be disbursed to eligible households through modes defined by SPHF as follows:

a) An amount of PKR 350,000 will be paid for Completely Destroyed Houses. House shall be considered Completed Destroyed when structural damage is beyond repair. Compensation for destroyed houses will be paid in four instalments, 25% as mobilization advance, 32.5% upon plinth level completion, 32.5% upon walls completion and final 10% on completion of roof. Subject proportion maybe changed during project implementation, if needed.

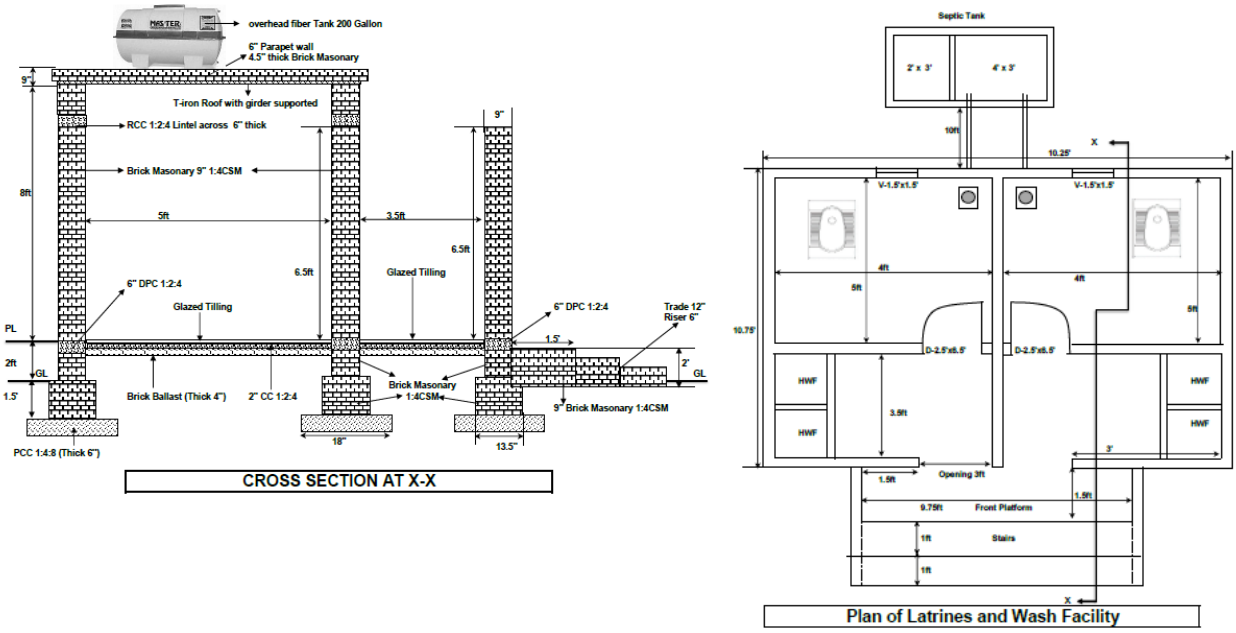
b) Disbursement shall be made after technical inspection documentation by the EA's Field Teams, on the basis of a complete record entered in the Central MIS. The IPs will facilitate visits of independent validator and SPHF team to ensure that reconstructed houses are not in violation of area specific plans (if applicable) and that they are constructed in accordance with reconstruction guidelines.

Component B: WASH Supportive Facilities:

8. Component considers financing construction and equipping WASH facilities in selected project communities. Facility will be constructed on a platform with supra structure (6x4 m2) and will have septic tank with a soak pit, water tank, hand pump (borehole 60-80 feet deep with 1.5" diameter pipe), electric or solar connections, handwashing facilities, water quality testing for basic parameters, and other miscellaneous works.

9. It is anticipated that approximately 75,000 community-based shared WASH facilities will be constructed and installed (including 13,000 from IsDB financing) through community participation in places where there are no such facilities available. Community-Led Total Sanitation (CLTS) or Participatory Approaches for Total Sanitation (PATS) approaches will be adopted to declare open defection-free (ODF) villages.

Figure-2: Schematic drawing of Latrines and Wash facility



Component C: Institutional Strengthening and Technical Assistance

10. Component scope grouped into following 5 activities:

(i) Detailed Damage Assessment & Eligibility Verification Survey will be conducted to: (a) categorize the level of damage to each housing unit; (b) establish the status of land ownership; and (c) establish lists of eligible beneficiaries and vulnerable individuals/households that are unable to prove their identity/property ownership, including households with disabled persons and households headed by women with high dependency ratios. Subject exercise is on-going under WB financing.

(ii) Technical Assistance for Reconstruction Program: This subcomponent will provide technical assistance for the housing reconstruction program of the GOS. This will include support for: (i) Formulation of Housing Reconstruction Strategy that will provide the policy framework for the overall housing reconstruction program of the GOS, including eligibility criteria, compensation policies, and technical standards; (ii) Developing Multi-Hazard Resilient Housing Solutions which are efficient, economical, and suited to local norms and locally available materials. These solutions will be standardized across the reconstruction program to ensure transparency and efficiency.

(iii) Implementation Support through IPs: In view of the extensive outreach needed for the credible administration and monitoring of the housing reconstruction, existing public sector institutional capacity will require considerable reinforcement. However, building capacity requires a longer timeline, while the housing reconstruction activity cannot wait indefinitely. This component will assist in enhancing the public sector's delivery capacity through partnerships with reputable IPs which will include NGOs having strong existing outreach at community level.

(iv) Design and Supervision WASH Facilities: this subcomponent envisions financing development of detailed design, specifications and supervision of construction and installation of WASH facilities. The first phase of the activity will be funded from the GOS resources, while second phase from the IsDB resources.

(v) Skills Training Program on Resilient Construction will include training on resilient construction practices for artisans and orientation of beneficiaries on program participation. Specialized training programs will also be introduced to train masons in responding to the needs of persons with disabilities, as well as to benefit persons with disabilities beyond the life of the project. A separate, but complementary, capacity building intervention will be included on disaster and climate resilience for an amount of US$ 200,000 for which the scope will be determined at a later stage during the implementation of the project. The IsDB grant will be from 2024 grant allocation of Resilient and Climate Action Department.

Component D: Project Management and Implantation Support

11. This component will support the management and implementation of the project, including the establishment and operationalization of an empowered implementation agency - SPHF. The activities supported will include:
    (i) Incremental operating costs including recruitment of permanent staffs and individual consultants as required to support the SPHF operations.
    (ii) Consultancy firm costs related to establishment of Management Information System, Digital M&E and Reporting
    (iii) Expenditures on fiduciary systems, ESS management requirements and setting up of a Grievance Redressal Mechanisms.
    (iv) Consultancy service for Communications and Visibility
    (v) Project start-up workshop and familiarization visit for the EA/PMU to train on the IsDB policies and procedures. Mid-term review, supervision and follow-up activities will be part of component scope.

Component E: Financial Audit Services:

12. Provision of audit service by AGP, which is an independent entity that audits the governmental and public institutions. The auditor will be tasked to monitor the eligibility of project expenditures and prepare project audit reports. The scope of the project audit and the audited financial statements should reflect all project activities, financing, and expenditures, including those financed by IsDB, the co-financiers, and the GOP. The independent external audit firm retained by SPHF (PWC), or any other independent audit firm recruited for the purpose, shall certify Statements of Expenditures for SA replenishment requests as well as prepare a consolidated report on the utilization of the respective SA for its closure.

13. The annual audit report will include the following elements: (i) an opinion on the project's financial statements; (ii) a separate opinion on the eligibility of expenditures incurred and reported in the WAs; (iii) a Management Letter which will reflect on weaknesses of the internal control systems, inappropriate accounting practices, non-compliance with covenants of the FAs, and any other matter considered significant by the auditor.

Component F: Contingency for Emergency Response:

14. Due to recurrent natural disasters in Pakistan (extreme heat, floods, draught, etc.) the proposed project will have Contingency Emergency Response Component (CERC) with Euro zero (0) allocation to enhancing effective emergency response and to "Build Back Better" in recovery.

15. The CERC funds will finance emergency response and post-disaster emergency recovery eligible expenditures in support of the Government's rapid emergency response efforts, and subject to prior consultation with IsDB prior to reallocation of Project funds.

Annex 6

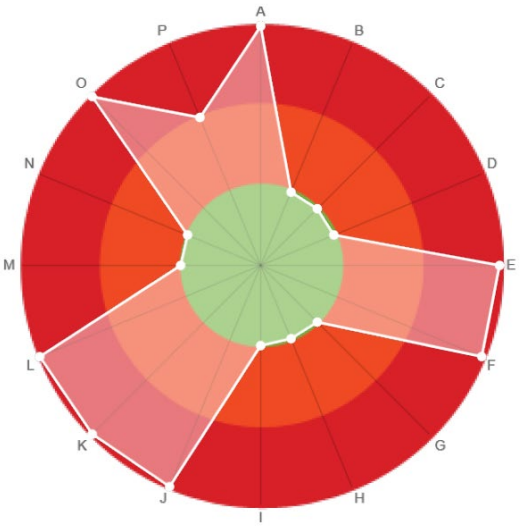
Climate Change Mainstreaming and Risk Rating

The climate risk screening using the "IsDB Aware for climate" indicates Sindh province's high exposure to climate risks that include (i) temperature increase, (ii) precipitation increase; and (iii) flooding (v) Wind speed increase (iv) Onshore Category 1 storms and (v) Water availability.

Final project climate risk ratings

High Risk

Breakdown of climate risk topic ratings

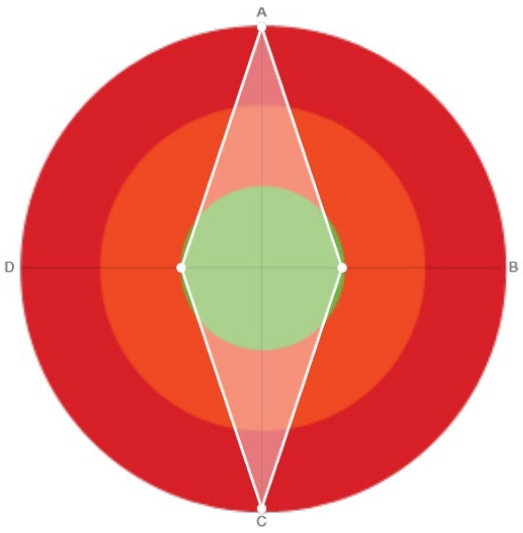


A) Temperature increase
B) Wild fire
C) Permafrost
D) Sea ice
E) Precipitation increase
F) Flood
G) Snow loading
H) Landslide
I) Precipitation decrease
J) Water availability
K) Wind speed increase
L) Onshore Category 1 storms
M) Offshore Category 1 storms
N) Wind speed decrease
O) Sea level rise
P) Solar radiation change

Final project geological hazard risk ratings

High Risk

Breakdown of geological hazard risk topic ratings



A) Earthquake
B) Seismic landslide
C) Tsunami
D) Volcano

Annex 7

Project Costs/Financing Plan

In EUR million

Sr. No	Components	IsDB (I. Sale)*	IsDB (Loan)	IsDB-Total		WB		GoS		Total Cost
		Amount	Amount	Amount	%	Amount	%	Amount	%	
A	Housing Reconstruction	160.00	9.531	169.53	*22.1*	420.28	*54.8*	176.54	*23.04*	766.35
B	WASH Supportive Facilities		11.38	11.38	*17.5*	23.11	*35.5*	30.66	*47.06*	65.15
C	Institutional Strengthening and Technical Assistance		0.94	0.94	*4.3*	19.20		1.59		21.74
C.1	Damage Assessment Survey			-		4.72	*100.0*			4.72
C.2	TA for Housing Reconstruction Programme/Strategy			-		6.60	*100.0*			6.60
C.3	Implementation Support Through IPs			-		7.55	*93.6*	0.52	*6.43*	8.07
C.4	Design and Supervision WASH Facilities		0.94	0.94	*46.7*			1.08	*53.27*	2.02
C.5	Skills Training Program on Resilient Construction**		-	-	-	0.33	*100.0*			0.33
D	Project Management and Implementation Support		0.75	0.75	*7.6*	9.10		-		9.86
D.1	EA/PMU staffing and operating cost		0.27	0.27	*7.7*	3.25	*92.3*			3.52
D.2	Management Info System; Digital M&E and Reporting			-		2.70	*100*			2.70
D.3	Environment & Social Safeguard; GRM			-		2.47	*100*			2.47
D.4	Communication and Visibility		0.35	0.35	*34.1*	0.68	*65.9*			1.03
D.5	Familiarization Visits, Workshops, Reviews, Trainings		0.13	0.13	*100*					0.13
E	Financial Audit			-		-		0.17	*100.00*	0.17
F	Contingency for Emergency Response			-						-
	Base cost	160.00	22.60	182.60	*21.2*	471.70	*54.6*	208.96	*24.21*	863.26
	Contingency (Physical)	2.40	0.40	2.80		-		5.44		8.24
	Contingency (Financial)	2.70	0.60	3.30				-		3.30
	Grand Total	165.10	23.60	188.70	*21.6*	471.70	*53.9*	214.40	*24.51*	874.80

** The I. Sale financing will be structured in to 3 operations within the IsDB systems, having an equal amount of EUR 55.03 million per operation.*

*** A planned separate, but complementary, intervention will be included on capacity building and awareness raising on disaster and climate resilience for an amount of US$ 200,000 for which the scope will be determined at a later stage during the implementation of the project. The IsDB grant will be from 2024 grant allocation of Resilient and Climate Action Department.*

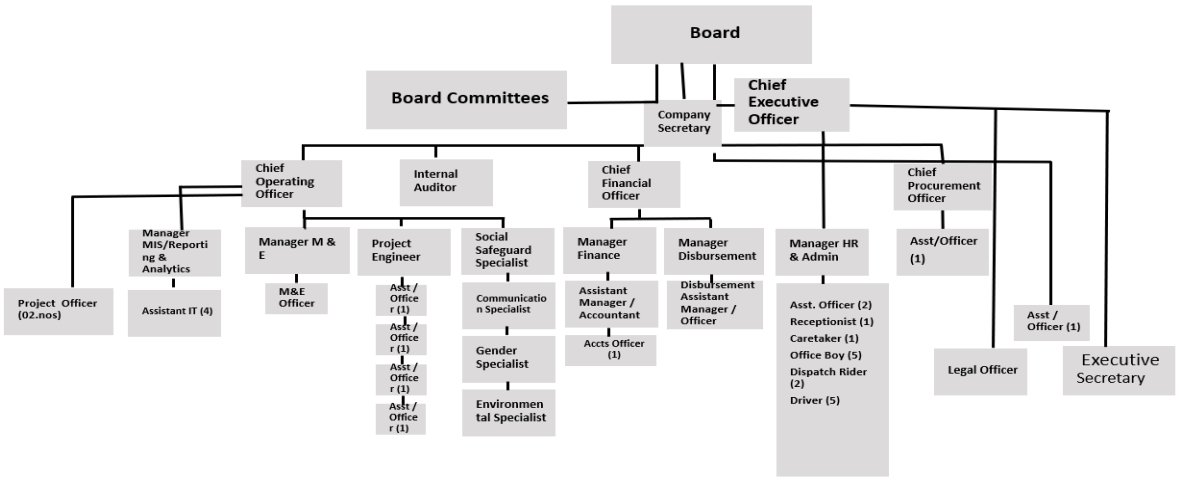
Annex 8

Implementation Arrangements

Executing Agency / Implementing Partners

1. The Executing Agency (EA) is the Sindh People's Housing for Flood Affectees (SPHF). The SPHF has been established to manage and implement the SFEHRP and has been registered under Section 42 of the Companies Act 2017. To ensure effective governance and oversight, a Board of Directors (BOD) consisting of six members has been instituted within the SPHF. The BOD comprises three government representatives and three independent directors, with the Chairman of the Planning and Development Board (P&D Board) of GOS serving as the chairperson of the BOD of SPHF. The board holds regular meetings to oversee the functioning and reporting of the project, and given the emergency situation, it will meet on a monthly basis.
2. The SPHF, who is also PMU of the Project is led by Chief Executive Officer (CEO). The CEO is supported by qualified Chief Operating Officer (COO), Chief Financial Officer (CFO), groups of engineers, financial management, procurement, M&E and social, environment, gender specialists and others. The SPHF team currently consists of about 40 staff, including team of assistants. The SPHF will have the overall responsibility for management and implementation of the project, including preparing the annual work plans and progress reports, conducting procurement and financial management, maintaining audits, reporting on Results Framework indicators, conducting M&E activities, and providing supportive supervision under the project. An organizational chart of the SPHF is provided below.

SINDH PEOPLES HOUSING FOR FLOOD AFFECTEES -ORGANOGRAM



3. Additional short-term and long-term resources may be hired from the market based on specific technical expertise, specializations, and skillsets as needed. The PMU is being advised by an international project management consultant (PMC) since the project start, and a contract with Ernest and Young (EY) is concluded for this purpose who acts as a project advisor to PMU and its BOD.

4. The SPHF/PMU capacity is assessed out of consideration of two kinds of responsibility: project management and operating the project's outputs. Based on the aforementioned questions, in an IsDB's financed project, capacity assessment concerns the following:

Table 1: Capacity Assessment Matrix

ASSESSMENT MATRIX	CAPACITIES		
	HUMAN	PHYSICAL (Office Space, IT)	ORGANIZATIONAL (Procedures, Guidelines)
Project Management Capacity			
Monitoring and assessing the project's progress	Sufficient	Sufficient	Sufficient
Building and retaining the project team	Sufficient	Sufficient	Sufficient
Undertaking procurement for the project	Medium	Sufficient	Sufficient
Managing the contractual relationships within the projects	Sufficient	Sufficient	Sufficient
Managing the project's financial resources	Medium	Sufficient	Sufficient
Identifying and mitigating the project's risks	Sufficient	Sufficient	Sufficient
Doing formal and informal communication	Sufficient	Sufficient	Sufficient
Existing Technical Capacity			
Operating the project's output(s)	Sufficient	Sufficient	Sufficient
Undertaking preventative maintenance	Sufficient	Sufficient	Sufficient
Undertaking corrective maintenance	Sufficient	Sufficient	Sufficient
Expand the project's output(s)	Sufficient	Sufficient	Sufficient

5. To strengthen the PMU, additional staff will be recruited from the IsDB financing, including Assistant Manager Finance, Assistant Manager Disbursement, Procurement Officer, Project Officer, and M&E Assistant. These staff will oversee the implementation of the project in accordance with the IsDB procedures and guidelines. The PMU core-staff will be provided training on IsDB procedures during the project start-up workshop, and a follow-up familiarization visit to the IsDB HQ and/or RH Ankara will be organized to further enhance their knowledge on IsDB procedures, policies, products, etc.

6. The project will use the existing government setup for executing project activities. The use of mainstream ministries, departments, and agencies will ensure that the incremental capacity, technical knowledge, and implementation experience developed through Project implementation continue to remain available to the institutions even after Project closure.

Implementation Partners (IPs)

7. To ensure the housing reconstruction project is carried out with the utmost credibility and monitoring, the SPHF/PMU has engaged reputable IPs from among the experienced NGOs. The PMU has already contracted five specialized NGOs in post-disaster recovery and rehabilitation to support the execution of the project. These are Sindh Rural Support Organization (SRSO), Health & Nutrition Development Society (HANDS), SAFCO Support Foundation, National Rural Support Program (NRSP), and Thardeep Rural Development Program (TRDP). The primary scope of these NGOs includes undertaking a damage assessment survey, determining eligible beneficiaries, concluding Contracts/MOUs with households on behalf of PMU, and facilitating the construction process, including quality review, validation of expenditures, and issuance of payment certificates in compliance with the guidelines and standards adopted under the project for housing construction.

8. In addition, the IPs will engage social mobilizers and engineers who will remain on the field throughout the project implementation. The engineers are tasked with performing on-ground validation to ensure that houses are being constructed in compliance with the

technical guidelines provided in the operations manual of the company. The IPs will be required to provide information on a timely basis to the PMU based on their verification/validation, along with evidence such as pictures, GPS coordinates, and any other requirements that may arise from time-to-time and on a case-to-case basis. This will be necessary for the payment of the respective portion of grants by the PMU.

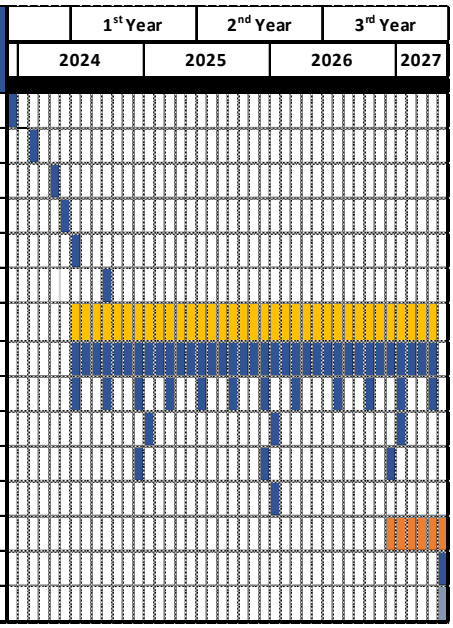
Village Reconstruction Committees (VRCs)

9. In order to foster community engagement, it is essential to rally and coordinate both beneficiary and non-beneficiary households. These groups come together to establish VRCs that will provide assistance to beneficiaries and IPs in the reconstruction process. Additionally, VRCs can aid in the resolution of local disputes. The committee may feature village elders and members of existing Local Service Organizations (LSOs) that operate within the VRC's jurisdiction. To ensure gender inclusion, it is required that at least two female representatives be present on the VRC.

Implementation Plan and Readiness of Projects

10. Timeline of Project Activities: The project will be implemented for 3 years and 3 months from the date of effectiveness of the IsDB financing. An implementation schedule depicting the timeline of project activities is provided at below.

PROJECT ACTIVITIES	TIMING
BED Approval	December 2023
Signing Financing Agreement (FA)	February 2024
Declaration of Effectiveness	April 2024
PMU-recruitment of additional staffs	May 2024
First Disbursement Date (FDD)	June 2024
Start-up Workshop	September 2024
Implementation of Components*	36 Months
Project Progress Review Meetings	Monthly
EAPRs	Quarterly
PIASRs	Annually
IsDB Supervision Missions	Annually
Mid-term Review	At project midpoint
Close Out Period	180 days before LDD
Last Disbursement Date (LDD)	End of Project Duration
Project Completion Report (PCR)	End of Project Duration



* For details of activities please see Procurement Plan at the Annex 9.

11. The EA adopted Project Implementation Manual (as per WB requirements) that outlines the project management process, including construction works. The Guideline is periodically updated to adopt the project needs, and taking into account the emergency nature of the project.

IsDB Project Monitoring and Implementation Support Plan

12. In collaboration with the EA/PMU, IsDB team adopted an implementation support plan that focuses on timely achieving the project results and ways to mitigate those risks during project implementation. The monitoring and support plan considers following key activities:

13. Project Start-up Workshop (PSW): IsDB organizes PSW as early as possible after effectiveness of the financing agreement. The PSW is to prepare EA/PMU for implementing the project and familiarizing them with IsDB procedures with regards to procurement, tendering, financial management and disbursement. Additionally, the PSW is an efficient means of generating visibility for the project, sharing key information about the project with its stakeholders, updating the project implementation timeline (if needed), and others.

14. Project Progress Review Meetings: IsDB and the PMU conducts monthly project progress meetings (virtually). The PMU prepares an excel based tracker file to report the main characteristics of the project, the contractual items and its breakdown, the site activities conducted, problems faced and the mitigation actions taken or proposed solutions, the physical and financial progress achieved/planned, and the S-curve for financial progress.

15. Executing Agency Progress Reports: The PMU furnishes the reports quarterly in the given format at the start-up workshop. These reports demonstrate the progress achieved in a clear and tangible manner during the reporting period against the results framework developed and targets set. The EAPRs also include detailed elaboration on key bottlenecks encountered and proposed corrective measures.

16. Project Supervision Missions: Periodic project supervision missions will be undertaken to assess project's overall progress, documenting certain milestones, files, correspondence and other relevant project documents. Project Supervision Missions will be held at least annually during the implementation period. The IsDB prepares PIASRs that will provide the key aspects of the project progress and Bank's project performance rating.

17. Mid Term Review (MTR): Comprehensive review process will be undertaken to assess the overall performance of the Project and gap analysis to identify if any improvements are needed. The launch of the MTR is contingent upon the achievement of a certain milestone (to be agreed) or timeline in the project. The outcomes of the MTR study will result in taking additional measures to improve the project design and implementation.

18. Close Out Period: This is a period of 3 to 6 months before the Last Disbursement Date during which the bank will work with the beneficiary to ensure submission of disbursement requests covering all eligible expenditures as well as the closing of the special account (if any) and return of unutilized advance under the Financing Agreement

19. Project Completion Report (PCR): Upon full utilization of the IsDB financing for the project or nearing completion, the EA/PMU will prepare and submit PCR. The PCR will provide a formal framework for assessing and consolidating project's performance in terms of implementation and results (and their sustainability), including lessons learned. It will also serve as a mechanism for gathering project data, information, and knowledge for subsequent preparation of Bank's internal PCR, which will be done by the IsDB (Global Practice Directorate) after project closure, usually within 6 months.

Annex 9

Procurement Arrangements

(1) Operational Context

1. *Governance*: Based on global best practice for post-disaster reconstruction, the Government of Sindh (GOS) has established an empowered and independent company, the Sindh Peoples Housing for Flood Affectees (SPHF), to lead the housing reconstruction program and serve as the PIU for this project. The company has been set up under Section 42 of the Companies Act 2017 and is responsible for managing all technical, fiduciary, and safeguard management aspects of the overall housing reconstruction program of the GOS, in collaboration with Implementation Partners (IPs). The GOS has fulfilled all administrative and legal requirements for establishment of the company on a fast-track basis, including budgetary allocation to initiate operations.

2. A secretary-level government officer has already been appointed as full-time Chief Executive Officer, while the selection for most of the remaining positions has also been completed on a competitive basis. The selected experts have also joined the SPHF. The company's Board of Directors includes high-level representation of key government departments, as well as private sector experts.

3. *Economic*: Over the past two decades, Pakistan has achieved significant poverty reduction, but human development outcomes have lagged, and economic growth has remained volatile and slow.

4. The recent floods have had enormous human and economic impacts. Pakistan experienced heavy monsoon rains between June and September 2022, which has severely affected millions of households, mainly in Sindh and Balochistan. Around 33 million people have been displaced and more than 13,000 kilometers of roads destroyed. The flooding has damaged 2.2 million houses, flooded around 9.4 million acres of crops, and killed an estimated 1.2 million livestock, adversely affecting rural livelihoods. Limited access to input and output markets and temporary disruptions to supply chains have driven up food prices and added to existing price pressures resulting from reduced agricultural yields and the global rise of food prices. Preliminary estimates suggest that as a direct consequence of the floods, the national poverty rate may increase by up to 4.0 percentage points, potentially pushing around 9 million people into poverty. The recently completed Post-Disaster Needs Assessment (PDNA) estimates total damages to be US$14.9 billion, while total economic losses reached about US$15.2 billion. About 70 percent of the total damages and losses happened in the Sindh province. Estimated needs for rehabilitation and reconstruction is at US$16.3 billion, not including new investments beyond the affected areas to strengthen Pakistan's resilience to future shocks.

5. Sindh has a population of 50.4 million people (23 percent of the country's population) and generates 27 percent of Pakistan's GDP. Nearly half (48 percent) of Sindh's population lives in rural areas and about 37 percent of the rural population lives below the poverty line—higher than the Pakistan average. Poverty rates are much higher in some flood-impacted districts, reaching 53.4 percent in Badin district. Satellite and survey data suggest that even within tehsils, poorer areas were more likely to be affected by the floods. Beyond monetary and non-monetary poverty, areas in Sindh affected by the floods showed some of the highest stunting rates in the country, reflecting limited access to sanitation facilities and clean water. Agriculture accounts for about 24 percent and 70 percent of provincial GDP

and employment in Sindh, respectively, and poor households derive 56 percent of their income from agriculture. Poverty levels in rural Sindh are closely correlated with farm size or tenure relationships as small farmers tend to have less access to technologies, credit, water, and government support programs.

6. The province is particularly vulnerable to natural disaster events due to its geographical location, socioeconomic vulnerability, and climatic conditions. Sindh is estimated to have received rainfall in excess of 400 percent over the 30-year average. Agricultural land in the low-lying areas of the province, downstream of the Indus, is highly exposed to flooding, threatening food security in the province and across the country. The floods in 2010, which were primarily riverine, caused damages of US$4.3 billion in the province, with almost 900,000 houses completely or partially destroyed along with major impacts on agriculture and infrastructure. Rain-induced floods in 2011 had a major impact on agriculture, livestock, and fisheries, as well as housing. Sindh possesses around 300 kilometers of the country's coastline, which are threatened by a projected 40 centimeters rise in sea levels by the end of the 21st century. The high prevalence of poverty, as much as 40–60 percent in certain districts, further exacerbates vulnerability. These areas also face inadequate health services, water and sanitation, schooling, and limited access to electricity.

7. Sindh has been disproportionately affected by the 2022 floods. The province is estimated to have received rainfall in excess of six times of its average monthly total. According to the NDMA, as of November 3, 2022, 799 of the 1,739 nationwide casualties were in Sindh, including 338 children, with 8,422 people injured. Almost 1.9 million houses in Sindh were damaged or destroyed, nearly 83 percent of the nationwide total. Reports estimate that more than 4.4 million acres of agricultural land has been damaged and 0.8 million livestock perished in the country, with the damages and losses in Sindh contributing to 72 percent of the total value of the damage and losses registered in the sector, which could contribute to food shortages in the near future. Vast areas in Sindh witnessed prolonged inundation lasting several weeks with floodwater accumulating from other parts of the country following glacial melt in the mountainous north and record monsoon rains nationwide. Stagnant water in several districts gave rise to skin, gastric, and mosquito-borne diseases. Emergency rehabilitation is essential to facilitate those impacted by the floods.

8. Sindh's housing sector has been severely affected by the 2022 flooding. According to the last pre-floods housing census from 2017, there were 2,756,499 katcha and 5,600,885 pakka housing units in Sindh, with the former concentrated mainly in rural areas and the latter more prevalent in urban areas. While house ownership is higher in rural areas, housing with unclear ownership status is proportionately higher due to the relative informality of the housing sector in rural areas. Assuming linear growth between 1998 and 2017, the number of katcha houses in Sindh has grown at a rate of about 1.6 percent annually, while pakka houses have an annual growth rate of about 4 percent per year. According to PDNA estimates, at least 1.7 million houses in Sindh were partially or fully damaged during the 2022 floods, the highest out of all the provinces – accounting for over 20 percent of the documented provincial housing stock.

9. *Sustainability*. The sustainability of the project interventions will be ensured by adopting a "build-back-better" approach for the reconstruction of damaged housing units. The following aspects of project design will directly contribute towards sustainability:

   – promoting the use of local construction materials for cost effective reconstruction and lower maintenance costs;

- ensuring beneficiaries have some form of ownership or lease of land on which the housing units will be reconstructed or restored; and
- adopting durable construction practices by consistently applying project criteria for multi-hazard resilience and climate-risk informed siting that are included in the Program Guidelines.

10. *Technology*: following solutions are adopted within the project context:
    - Use of Technology Solutions: The project is making its best effort to utilize modern technology solutions such as satellite and drone imagery, including artificial intelligence, to cross verify and speed up the damage and quality assessments of the targeted housing stock. Given the wide geographical scope and extensive nature for reconstruction activity envisioned under the project, such solutions will be critical for efficient implementation and transparency.
    - Management Information System: A comprehensive geo-enabled MIS has been established on a priority-basis to serve as the backbone of project implementation. The MIS will include a data management system that will process all information related to beneficiaries, disbursements, verification, and monitoring. Under a cascade information flow approach, the field staff from IPs will be able to directly upload geo-tagged information to the MIS through their smartphones which will then be consolidated and verified centrally by relevant staff at the SPHF.

(2) Assessment of Executing Agency's Procurement Capacity

11. *Experience*: SPHF is a special purpose public sector company established and incorporated with Securities and Exchange Commission of Pakistan under Section 42 of the Company's Act, 2017 for the design and execution of this housing reconstruction program. The Company is a headed by a senior government officer of secretary level as Chief Executive Officer. The SPHF will be the Implementation Agency/ Project Implementation Unit (PIU) for the project.
12. The SPHF has almost completed the recruitment process of professional staff. The experts already joined the SPHF include Chief Operating Officer, Chief Financial Officer, Procurement Specialist, M&E Specialist, Gender Specialist, Social Safeguard Specialist, Communication Specialist, Environmental Specialist and Project Engineer.
13. From December 2022 onward, these experts have been actively involved in the current project activities which is being funded by the World Bank. The SPHF is governed by a Board of Director (the Board). The Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. The Board of Directors of the Company is headed by the Chairman Planning and Development Board, Govt of Sindh. The Board comprises of seven (06) Directors of which three (03) are independent Directors (01 Community Development Specialist, 01 Professional Banker and 01 Senior Economist & Researcher) and three (03) are appointed by GOS including the CEO.
14. There is a number of sub-committees to support the Board in its functions efficiently and for seeking assistance in the decision-making process by the Board. These committees also include a Technical and Procurement Committee to ensure transparency in the procurement processes.

15. *Procurement Capacity and Contract Management Capability*: Procurement and contract management for the implementation of the project's activities will be the responsibility of the Company /Program Management Unit (PMU). The Company is presently supported by a procurement specialist and a procurement assistant. The procurement specialist is a well-qualified and highly experience professional who has been working on senior procurement positions for a considerable number of foreign funded development projects.
16. The assessment of the Procurement capacity of the Company reveals that procurement unit of SPHF during last six months have smoothly procured a sizeable number of consulting and non- services and goods. The procurement risk rating at the start of the project activities was 'substantial' which has improved and become 'moderate'. The first ever procurement post review has recently been completed by the World Bank. It was mainly due to this report that the risk rating of the project procurement was improved.
17. An additional staff for procurement and contract management with special background in the works will be hired at the SPHF to cope with the additional requirement of the project. For the project procurements, approvals have been delegated to the CEO by the Board of Directors of SPHF which will tremendously curtail the procurement lead-time and improve the overall efficiency of the procurement unit.
18. The EA developed Program Implementation Manual, that outlines process for contracts management, and monitoring processes. A project procurement manual is being developed, which will include composition of the procurement/evaluation committees, roles and responsibilities of various staff for the procurement functions, service standards, approving authority, contract signing and management responsibility for the contracts to be awarded under the project. The evaluation committee will comprise COO, procurement specialist, relevant technical person from SPHF/co-opted form market if necessary. The evaluation committee's recommendation will need to be approved by CEO before award. Relevant procurement staff will be provided training in the procurement and contract management function under the WB/IsDB procurement regulations and procedures.
19. *Complaints Management and Dispute Resolution Systems*:: Communities and individuals who believe that they are adversely affected by the project may submit complaints to existing project-level grievance mechanisms.
20. SPHF is also in the process to engage the services of a reputable consultant to establish, operate and maintain a Grievance Redress System (GRS) to receive, record, and manage the grievances received from project beneficiaries and other stakeholders under the Project. The Grievance Redress Mechanism (GRM) Consultant is expected to receive, register and manage grievances promptly and effectively while maintaining complete confidentiality, impartiality, and transparency. The precise objectives of the GRM Consultant are as follows:
    - Establish a user-friendly, web-based GRS for flood affected and other stakeholders to lodge grievances related to SFEHRP project interventions;
    - Maintain and manage accurate records of all grievances and resolutions.

3) National Regulations

21. Public Procurement came to be considered as a critical function in the late 1990s as the quantum of public procurement and in particular infrastructure procurement increased as part of the government expenditure. There was an increased realization that transparency and controls on corruption can lead to substantial public savings and could help in better utilization of available resources. World Bank carried out first ever assessment in 2000. On the basis of this assessment, recommendations were made by WB to bring legislative and systemic reforms for a robust and effective procurement regime in the country. After consultations with stakeholders and the multilateral donors, Government of Pakistan decided to establish Public Procurement Regulatory Authority (PPRA) at the federal level under the Public Procurement Regulatory Authority Ordinance 2002 followed by promulgation of Public Procurement Rules in 2004.

22. The PPRA is an autonomous body endowed with the responsibility of recommending laws and regulations governing public procurements. It is also responsible for monitoring the application of procurement laws and performance of federal procuring agencies with a view to improve governance, management, transparency, accountability and quality of public procurements. Due to the efficient working of PPRA, training of the procuring agencies and effective rules and regulations such as those related to planning, advertisements, bidding etc, procurement efficacy has improved at the federal level. Accountability and transparency have also increased manifolds since the establishment of PPRA as it forces procuring agencies to advertise properly, open bid transparently and be wary of challenges due to the accountability provisions now available to the private parties.

23. The provincial governments (except Balochistan) have also established regulatory authorities and notified Public Procurement Rules. The provincial rules are broadly in sync with federal rules. Sindh is ahead of other provinces in carrying out procurement reforms. Sindh government adopted the Federal Public Procurement Authority Ordinance in 2006 and came up with its own Public Procurement Rules in 2010. But the main difference from other provinces is the working of Sindh Public Procurement Regulatory Authority which has established effective control systems and grievance mechanism and has increased transparency and accountability.

(4) Market Analysis

24. The national market in terms of participation of the firms in the competitive procurement under public and private sectors is quite cordial and open in Pakistan. There is a good number of national and international firms that take part in the bidding process under public procurement initiatives. A sizeable number of international firms are performing their services on various public sector projects in Pakistan.

25. In order to meet the pressing requirement of having project implementing services onboard, it was decided to procure these services directly from the highly experienced Non-Government Organizations (NGOs). These organizations have vast experience of working with the local communities in similar projects and have been performing their services successfully in the past. Due to the emergency situation, it seemed fit to carry out direct contracting over a competitive bidding process as NGOs are the key project implementing body and shall be onboarded quickly for the validation phase to be initiated while this process was reviewed and approved by the World bank. The world bank also recommended hiring of Implementation Partners through direct contracting keeping in view the similar

projects carried out in Nepal and other countries. A good number of these NGOs exists in the country who are qualified to carry out such type of services. The WB also conducted a post review of the procurement process of these non-consulting services and showed their satisfaction.

26. The significant procurement activities under the project include various consulting/non-consulting services like training on resilient construction, media & Communication services and event management services. The goods required under the project include printing & publication of IEC material and couple of small activities of procuring IT equipment and Furniture etc. The suppliers of such types of the goods are available in the local market and have been supplying similar goods for various number of development projects in the country/region for years.

27. The procurement of civil works is not required as such under the project as the construction of the houses and WASH facilities are being carried out directly by the community under the supervision of the IPs. This model of having these works done by the community through the IPs has been successful in terms of the quality of the construction and meeting the timelines. In addition to this arrangement, there are the Independent Technical Verification Consultants who randomly check the quality of the construction works on site.

28. Following is the list of consulting/non-consulting firms and goods providers in the country actively participating in public sector projects:

Name of Firms

1. M/S NATIONAL RURAL SUPPORT PROGRAM (NRSP)
2. M/S SINDH RURAL SUPPORT ORGANISATION (SRSO)
3. M/S HEALTH AND NUTRITION DEVELOPMENT SOCIETY (HANDS)
4. M/S THARDEEP RURAL DEVELOPMENT PROGRAM (TRDP)
5. M/S SAFCO SUPPORT FOUNDATION
6. M/S EA CONSULTING PVT. LTD.
7. M/S MM PAKISTAN PVT. LTD.
8. M/S M3 TECHNOLOGIES PAKISTAN PVT LTD
9. M/S KPMG TASEER HADI & CO.
10. M/S EY FORD RHODES
11. M/S NATIONAL ENGINEERING SERVICES PAKISTAN (PVT) LTD
12. M/S OSMANI & COMPANY (PVT) LTD
13. M/S G3 ENGINEERING CONSULTANTS (PVT) LTD
14. M/S HALCROW PAKISTAN PVT LTD
15. M/S BBDO PAKISTAN PVT. LTD.
16. M/S M&C SAATCHI WORLD SERVICES
17. M/S CONNECT MARKETING COMMUNICATIONS PVT. LTD.
18. M/S ACE CONSULTANTS
19. M/S ECIL PAKISTAN
20. TECHNO CONSULTANT INTERNATIONAL
21. M/S. MANAGEMENT DEVELOPMENT CENTRE (MDC).
22. M/S ENGINEERING CONSULTANTS INTERNATIONAL (PVT.) LTD.
23. M/S UMAR MUNSHI ASSOCIATES

(5) General description of procurement procedures to be applied within the Project

29. All procurement under the project components jointly financed by the IsDB and the Government of Pakistan (GOP) will be undertaken in accordance with IsDB's procurement policy and procedures through provisions contained in the Bank's *Guidelines for Procurement of Goods, Works and Related Services under IsDB Project Financing* (April 2019 edition, revised in February 2023) and *Guidelines for Procurement of Consultants Services under IsDB Project Financing* (April 2019 edition, revised in February 2023) by using the Bank's relevant Standard Procurement Documents (incl. Contracts Forms).[11]

30. Procurement of all components of the project shall strictly adhere to the requirements contained in the IsDB's Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IsDB Group-Financed Activities, IsDB Group Integrity Policy, Principles and Guidelines, and sanctions procedures set out in the Financing Agreement. The following procurement approach will be applied for the IsDB financed activities:

Table-1: Summary of Procurement Arrangements

Project Components	Goods and Works				Services		
	ICB-Open	NCB	Shopping	Community Participation	QCBS Open	CQS	IC / NC
Component A – Housing Reconstruction				✓			
Component B –Construction of WASH Supportive Facilities				✓			
Component C.4 –Consultancy Supervision Services for Construction of WASH Facilities					✓		
Component D.1 – Selection of PMU Staffing							✓
Component D.1 – Procurement of IT, furniture and Office Equipment for PMU			✓				
Component D.4 – Selection of Consultancy Services for Media and Communication						✓	
Component D.4 – Procurement of Printing and Publication/IEC Material		✓					
Component D.4 – Procurement of Event Management Services			✓				

ICB Open with PQ: Open International Competitive Bidding with prequalification, NCB: National Competitive Bidding, QCBS: Quality and Cost Based Selection, CQS: Consultants Qualification Selection, ICS/NS: Individual Consultant Selection through shortlisting from national individuals

COMPONENT-A "Housing Reconstruction"

31. Civil works to be conducted under this component will be conducted through **Community Participation** procedure by considering the interest of project sustainability and to achieve specific social objectives of the project; since **i)** there is a need of participation of local communities in the delivery of civil works incl. some good items by considering the works are labor-intensive, **ii)** there is a need of utilization of local know-how and materials.

32. All required support during construction works and supervision of civil works will be given/done by the Implementing Partners (IPs) selected by the World Bank's Procurement Procedures and responsible to handle these tasks for IsDB financed civil works as well.

[11] Electronic versions of documents are available at https://www.isdb.org/project-procurement/documents

COMPONENT-B "Construction of WASH Supportive Facilities"

33. Civil works to be conducted under this component will be conducted through Community Participation procedure by considering the interest of project sustainability and to achieve specific social objectives of the project; since i) there is a need of participation of local communities in the delivery of civil works incl. some good items by considering the works are labor-intensive, ii) there is a need of utilization of local know-how and materials.

Justification for Construction of Housing and WASH Facilities through CP method:

- Under SPHF, the preferred method for implementation of WASH facilities, including procurement of the same through communities, carries merit under the said project due to advantages including but not limited tH o;
- Local Empowerment: Empowering local communities by involving them in the decision-making process leads to sense of ownership and pride in the projects and services rendered. Furthermore, keeping in view the unique needs, customization of the supposed facilities can be opted as per their requirements as per resulting in better outcomes and sustainability of interventions. Furthermore, engaging communities in the process would result in fostering social capital, cohesion, and unity.
- Transparency: Community involvement will further result in enhancing the transparency of the whole process while reducing the likelihood of leakages with the involvement of the end user/ beneficiary as the key stakeholders.
- Accountability: The proposed method is expected to result in a greater degree of accountability as both SPHF and the implementing partner are more likely to be accountable for the implementation of proposed works due to strong active involvement of the communities.
- Cost Efficiency: Tapping into local knowledge and resources within the benefiting areas, this approach can lead to the cost savings as the communities are aware of local suppliers or solutions that can reduce expenses. Moreover, the proposed mechanism can stimulate innovation as communities may suggest novel approaches or technologies to address their needs.
- Increased Project Sustainability: under the said approach it is more likely to ensure the long-term sustainability of the project or service. This can lead to better maintenance and continued success. Furthermore, local businesses and suppliers would benefit from community-driven procurement, leading to economic development within the community.
- Improved Project Relevance: By involving the communities, the decisions are more likely to align with actual community needs and priorities, making projects more relevant and effective. In addition the method will facilitate identifying and mitigate risks early in the process, as local stakeholders are more likely to be aware of potential challenges. It is further expected that the community input can lead to decisions that prioritize social and environmental considerations, resulting in projects and services that are more sustainable and responsible.
- Finally, engaging communities can lead to long-term partnerships and collaboration between stakeholders, which can be beneficial for future projects and initiatives.

COMPONENT-C.4 Consultancy Supervision Services for Construction of WASH Facilities

34. Consultant for performing the assignment of "Supervision of Construction of WASH Supportive Facilities" will be selected through Quality and Cost Based Selection (QCBS) procedure (a quality: cost ratio of 80:20) among shortlist of international firms due to limited number of qualified firms in IsDB Member Countries and as well as in local market. Therefore, QCBS is the most appropriate method to encourage proper competition and maximum benefits of VfM.

COMPONENT-D "Project Management and Implementation Support"

D.1.1 - EA/PMU Staffing and operating cost

35. In terms of providing support to the EA/PMU on the following subjects, the relevant five (05) staff will be selected through "Selection of Individual Consultants" procedure among national individual candidates either by advertisement of REoI or comparing the qualifications of at least three candidates in terms of academic, experience and if the relevant for the assignment, knowledge of the local conditions and language; since assignments do not require a team of experts from a Consultant Firm.
    - Consultant No.1: Procurement Officer
    - Consultant No.2: Project Officer
    - Consultant No.3: Monitoring and Evaluation Assistant
    - Consultant No.4: Assistant Manager Disbursement
    - Consultant No.5: Assistant Manager Finance

D.1.2 - Capital and Operating cost

36. Supplier(s) for the sub-component of "Procurement of laptops and other relevant equipment" will be selected through National Shopping procedure by comparing official price quotations obtained from a minimum of at least three Suppliers to assure competitive prices, since i) there are enough qualified national Suppliers that have capacities to provide similar type of supplies in Sindh district, existed in the market to ensure appropriate quotations and good competition, ii) goods are available locally at prices below the international market and are adequate in terms of efficiency and prompt delivery.

37. Supplier(s) for the sub-component of "Procurement of furniture and fixture" will be selected through National Shopping procedure by comparing official price quotations obtained from a minimum of at least three Suppliers to assure competitive prices, since i) there are enough qualified national Suppliers that have capacities to provide similar type of supplies in Sindh district, existed in the market to ensure appropriate quotations and good competition, ii) goods are available locally at prices below the international market and are adequate in terms of efficiency and prompt delivery.

D.4 - Communication and Visibility

38. Consultant for performing the assignment of "Consultancy Services for Media and Communication related activities" will be selected through Consultant Qualifications Selection (CQS) procedure, since the assignment is costed a limited budget with a short delivery duration.

39. Supplier for the sub-component of "Procurement of Printing and Publication/IEC Material" will be selected through National Competitive Bidding (NCB) procedure, since i) contract value is relatively small, ii) goods are available locally at prices below the international market and are adequate in terms of efficiency and prompt delivery.

40. Under this non-consulting services relevant sub-component, Supplier(s) for "Procurement of Event Management Services" will be selected through National Shopping procedure by comparing official price quotations obtained from a minimum of at least three International or Domestic Suppliers to assure competitive prices based on the scope of the assignment.

41. Procurement Plan. An initial 18-months Procurement Plan for the Project implementation was developed during Project appraisal based on the analysis and outcomes of the Procurement Strategy and the schedules of delivery of the works, goods, and consultancy services. The Procurement Plan will be updated periodically at reasonable intervals through the procurement and project cycle or as required to reflect the actual project implementation needs.

42. Procurement Review Arrangements. Given the past experience of implementing projects in the sector and in line with risk-based approach, all procurement under this Project will be subject to the Bank's Prior review, except for civil works to be procured by using community participation method and low-value goods & non-consultancy services to be procured by using Shopping procurement method.

43. Use of Standard Procurement Documents. The EA/PMU will use the appropriate Standard Procurement Documents for Goods, Works, and Services as issued by IsDB with minimum changes, acceptable to IsDB, as necessary to address country and project specific issues.

44. Advanced Contracting. Based on the assessment of the EA's capacity in above section (2); the Beneficiary may use "Advanced Contracting", with IsDB's no objection, by proceeding with the procurement process and contract award prior to the signing of the Financing Agreement. In that case, the Beneficiary undertakes such Advanced Contracting at its own risk and any concurrence by IsDB regarding the procedures and/or contract award does not commit IsDB to provide the Project Financing for the contract(s) in question.

Procurement Objectives

45. According to the analysis of the country context, EA/PIU capacity assessment, procurement related risk assessment, the following key procurement objectives shall be prioritized to achieve:

    (i) Taking measures and conducting capacity building for the PIU procurement staff.

    (ii) Completion of construction works for at least 50,000 units of houses and 4500 units of WASH facilities for the first year, which are being identified by the results of community dialogue and community consultations facilitated by and conducted with support of IP.

    (iii) Implementation of the procurement activities of the 18-month Procurement Plan according to the agreed and approved scheduled.

    (iv) Implementation of the Risk Management Plan to address substantial risks highlighted in the Risk management analysis Matrix.

(5) Procurement Risk Assessment

Risk Category	Risk Description	Likelihood Rating (A)	Impact Rating (B)	Overall Risk Score	Conse-quence	Proposed Mitigation Plans	Risk Owner	Procurement Stage	Proposed Action Plans
Procurement Regulatory Framework	Discrepancy between national procurement regulation and IsDB Procurement Guidelines	2	3	6	Moderate	Dialogue with the country on the application of the IsDB Procurement Guidelines for the jointly financed components	Beneficiary, IsDB	Preparation, Implementation	Reflect in the FA applicability of the IsDB Procurement Guidelines as a governing procurement rule for the components jointly financed
Management Capability	Lack of procurement training and on-the-job capacity building	2	4	8	Moderate	Enhance EA's / PMU's staff knowledge on IsDB Procurement Principles	EA, IsDB	Implementation	Provide procurement related training sessions to the EA/PMU staff to ensure better understanding of IsDB's Procurement Principles
						Increase EA's / PMU's staff capacity on procurement related activities through specialized external procurement courses	EA, IsDB	Implementation	Recommend completing Bank's e-Learning Courses on Introductions to Contract Management, Introduction NPF, PS&PP Development and attending CPW.
Procurement Process	Lack of capacity in Bid Evaluation Committee Members	3	3	9	Moderate	Increase EA's / PMU's capacity on management of procurement related activities	EA, IsDB	Implementation	Recommend including qualified Experts and/or Individual Consultants in the Bid Evaluation Committee to guide the process.
	Poor Quality of Procurement Documents	2	4	8	Moderate	Recruit qualified PMU staff knowing MDB procedure	EA	Implementation	Recruitment of qualified experts / consultant by using clear TOR for preparation of well written procurement documents
Market Readiness	High and volatile Inflation Rate risk in Country	3	3	9	Moderate	Analyze the market and prices continuously to determine the market price trend	EA	Preparation and Pre-bidding stage	Use more stable foreign currency(ies) as fixed price

Risk Category	Risk Description	Likelihood Rating (A)	Impact Rating (B)	Overall Risk Score	Conse-quence	Proposed Mitigation Plans	Risk Owner	Procurement Stage	Proposed Action Plans
						Increase the EA's knowledge on application of price adjustment provisions	IsDB	Pre-bidding stage	Provide short training session or during Start-up Workshop to the EA/PMU staff on how to apply price adjustment provisions
	Lack of specialized local and regional firms/suppliers	3	3	9	Moderate	Consider approaching international market through QCBS-Open and CQS	EA	Pre-bidding stage	Advertising in IsDB website, DG Market and UNDB online contracts of international interest
	Fluctuations in material prices	3	4	12	High	Considering the monsoon rain period, detailed planning is required before starting the construction process of houses and WASH facilities.	EA	Pre-bidding and Implementation stage	In light of detailed planning made before starting the construction process of houses and WASH facilities; coordinate procurement of the relevant critical materials before the monsoon rain period.
	Non-proper monitoring of construction works of houses and WASH facilities by the IPs	2	3	6	Moderate	Ensuring IsDB financed houses are being supervised in an efficient manner by 5 number of IPs for those contracts were awarded under the WB financing, Separate consultant will be selected to supervise construction of WASh facilities	EA, IsDB	Implementation stage	Regular review to be performed by the SPHF and Bank's Operations Team on the Monthly Progress Reports, Quarterly Progress Reports, Annual Progress Reports, and Project Completion Report to be submitted during project implementation stage.
	Frequent Submission of Abnormally Low Bids	2	3	6	Moderate	Increased oversight by the Bank	EA, IsDB	Implementation	Prior review of all contracts for consultancy services and NCB type goods & non-consultancy services before award

(6) Risk management analysis Matrix:

CONSEQUENCE/ IMPACT

LIKELIHOOD	INSIGNIFICANT 1	MINOR 2	SIGNIFICANT 3	MAJOR 4	SEVERE 5
ALMOST CERTAIN 1					
LIKELY 2			MODERATE 6	MODERATE 8	
MODERATE 3		MODERATE 6	MODERATE 9	HIGH 12	
UNLIKELY 4					
RARE 5					

Key Conclusions:

46. Project procurement risk is classified as Moderate, and assessment determines that the risks that impact at the Project level are not major and can be mitigated by application of IsDB procurement policy and procedures and through considering educating internal and external project stakeholders involved in tender committees on IsDB's New Procurement Framework.

47. Procurement risk analysis is the process of identifying and minimizing the likelihood of a project or procurement risk occurring and minimizing its impact on the project development objective. Identification of these risks is critical as it allows for a prioritization of mitigation strategies based on an evaluation of impact to the project.

Table-2: Simplified Project Procurement Plan

Project Information

Country	Pakistan
Name of Beneficiary	Islamic Republic of Pakistan
Project Name	Sindh Flood Emergency Housing Reconstruction Project
Project Pipeline Number	PAK-1060
Date of Approval (tentative)	December 2023
Date of Signature (tentative)	February 2024
Date of Effectiveness (tentative)	April 2024
Amount IsDB financing	EUR 188.70 million
Amount GOP financing	EUR 214.40 million
Executing Agency	SPHF
Expected date of GPN	May 2024
Advance Contracting	Yes
Retroactive Financing	No
Period Covered by this Plan (18 months)	1-August-2024 to 31-October-2025. After 18 months, PIASR to be carried out and Procurement Plan to be updated for remaining period

	Procurement Summary – Goods & Works, Non-Consultancy Services	
Procurement Method	Number of packages	Total amount in EUR mln.
Community Participation	Multiple	169.53
National Competitive Bidding	1	0.122
Shopping (International or Domestic Firms)	Multiple	0.305
Subtotal Goods & Works and Non-Consultancy Services	-	**169.96**
	Procurement Package Summary - Consultancy Services	
Procurement Method	Number of Packages	Total amount in EUR mln.
Quality and Cost-Based Selection (QCBS) – International	1	0.94
Consultants Qualification based Selection (CQS)	1	0.042
Selection of Individual Consultants from National Individuals	5	0.198
Subtotal Consultancy Services	7	1.18
Total Procurement Package	-	171.14

Table-3: Procurement Description

Procurement Description: The list of indicative Procurement Packages is presented in the table below with the related procurement method, the expected date of advertisement.					
Project Components*	**Contract Package**	**Budget** EUR Million	**Procurement Methods**	**Review Type**	**Advertisement / Invitation date**
Component A – Housing Reconstruction	Multiple	169.53	Community Participation	Post Review	-
Component B –Construction of WASH Supportive Facilities	Multiple	11.38	Community Participation	Post Review	-
Component B –Consultancy Services for Supervision of WASH Supportive Facilities	1	0.940	Quality Cost Based Selection (QCBS)	Prior Review	August 2024
Component D.1.1 – Selection of PMU Staffing	5	0.198	Individual Consultancy - NC	Prior Review	July 2024
Component D.1.2 – Procurement of Laptops and other equipment	1	0.086	Shopping	Post Review	July 2024
Component D.1.2 – Procurement of Furniture and Fixture	1	0.031	Shopping	Post Review	July 2024
Component D.4 – Selection of Consultancy Services for Media and Communication	1	0.042	Consultants Qualification based Selection (CQS)	Prior Review	September 2024
Component D.4 – Procurement of Printing and Publication/IEC Material	1	0.122	NCB	Prior Review	September 2024
Component D.4 – Procurement of Event Management Services	Multiple	0.188	Shopping	Post Review	September 2024

** Sub-Component reference and cost breakdown provided in Financing Plan (Annex-7)*

Annex 10

Project Financial Management

1. The project financial management (PFM) arrangements will be managed in accordance with the Bank's Project Financial Management Policy (2020). The virtual Financial Management Assessment covered the following elements: Budgeting and Planning, Financial Reporting, Internal Controls, Funds flow management, and External Audit. The Financial Management Assessment determined: (a) whether the EA and PMU have adequate financial management mechanisms in place to ensure that project funds would be used for the intended purposes, and in an efficient and economical way; (b) the project financial reports, including the Interim Financial Report (IFR), will be prepared correctly, reliably and in a timely manner; and (c) the project assets will be safeguarded (d) adequate internal controls are in place. The overall risk associated with the financial management environment of the EA is assessed as moderate; SPHF has adequate accounting systems and internal control procedures, skilled staff, and experience in implementing projects funded by international institutions.

Country Financial Management System

2. The last Public Expenditure and Financial Accountability (PEFA) assessment for the Sindh Province was undertaken in 2019 and published in 2020. Overall, the results of the PEFA assessment revealed that public financial management systems in Sindh Province showed improvement compared to the last assessment undertaken in 2013. The aggregate fiscal discipline improved due to better payroll, procurement, and internal control and audit. However, neither the strategic allocation of resources nor service delivery outcomes exhibited the same degree of improvement in relevant indicators and deteriorated in some instances such as availability of information on resources received by services delivery units. However, the existence of sector strategies with multiyear costing of recurrent and investment expenditure did improve marginally.

3. The Controller General of Accounts, with an extensive network of offices including the Accountant General Sindh, makes payments, maintains accounts, and prepares annual financial statements. The AGP has an extensive organization to conduct financial compliance audits, and through DG Audit Sindh, undertakes various audits of Sindh Government. State Bank of Pakistan (SBP) acts as banker for the government, and the NBP acts as agent of the SBP in areas where SBP does not have a branch. At the policy level, Sindh Provincial Assembly has a key role in authorizing revenues, expenditures, and debt. Departments and SOEs have well-defined roles in implementing budgets and submitting accounts for incurred expenditures.

4. In terms of aggregate fiscal discipline, implementation of the budget law remains an issue as evidenced by the many budget adjustments which lacked adequate legislative oversight and partial compliance with the guidelines of the Finance Department and Planning and Development Department. Strategic allocation of resources was affected by vulnerabilities in relation to project planning, costing, prioritization, and screening were noted. The existing development budget practices do not support effective public investment management. Although the guidelines on the ADP formulation recommends that line departments align with the investment decisions with the Sindh Vision 2025, the lack of 'costed sectoral strategies' undermines the value for money perspective in capital investments.

5. Although there have been initiatives to improve Efficient use of resources for service delivery, fragmented budgeting, uninformed resource allocations, manual processes parallel to automated systems, and poor incentive regime are still features of the system and impact on effective delivery. The existence of large expenditure arrears points to the deficiencies in the budget allocations vis-à-vis cash availability to the spending units.

Project Financial Management System

6. Overview: SPHF financial management system is accrual based and conforms with the IPSAS, all financial transactions are executed using an in-house SAP Enterprise Resource Planning System; these arrangements will be applied for this project. The financial management assessment indicates that the GOS and SPHF have put in place adequate procedures and operational manuals to guide staff in the performance of their duties.

7. SPHF will act as the EA/PMU, a dedicated qualified accountant will be recruited for the financial management of the project and will work under the direct supervision of the senior management of the finance department. SPHF internal audit function is outsourced to a reputed Chartered Accountant Firm- Messrs. KPMG THK & Co., and they shall provide oversight on all financial transactions and ensure compliance with the application of agreed procedures for the project activities during implementation, as required.

8. Strengths: SPHF has experience managing externally financed projects including those of WB. There is an established internal control system as well as oversight from the AGP via financial compliance audits, and through DG Audit Sindh. It has automated accounting and asset management systems that ensure adequate record keeping and monitoring risk management. In addition, the EA has well established a segregation of duties, controls, and procedures for the flow of funds, financial information, accountability, reporting, & auditing.

9. Weaknesses: The SPHF is a relatively newly setup organization and has no prior experience with IsDB projects. Thus, close supervision to provide guidance and early identification of issues is required.

Personnel

10. The SPHF has qualified and experienced staff, responsible for financial management matters. The team is headed by CFO with more than 26 years of experience and is a fellow member of institute of Chartered Accounts of Pakistan with Certification of Directorship from institute of cost and management accounts of Pakistan. Furthermore, the team comprises of highly qualified and experienced Managers responsible for Disbursement and Finance that are experienced with WB Financed Projects, and ADB Projects. A dedicated accountant shall be recruited for the project and be supervised by the CFO and Managers.

Planning and Budgeting

11. SPHF's Finance Unit is responsible for the preparation of the budget with input from all concerned units and the management under the oversight of the CFO. The budget planning is carried out in consultation with all the relevant departments/unit heads in alignment with the organization’s targets and timelines. The approvals of capital and revenue budget authority is with the BOD of SPHF. The budget implementation is regularly reviewed by SPHF Management, the BOD and its relevant the sub-committees as well as regular reviews by Project Steering Committee and Planning and Development Board GOS.

12. GOS counterpart funding will be mobilized through the annual budget process via July - June financial year. The SPHF will send requests to the GOS for allocation of required funds in the Annual Budget through the ADP budget book. During the year SPHF shall send requests for release of funds to the GOS in the projects' designated counterpart funds assignment account for subsequent disbursements for eligible expenditure.

Accounting System

13. The country Public Financial Management used by the SPHF for accounting, budgeting, internal controls, and reporting will be adopted for this project. SPHF applies accrual basis of the IPSAS for its accounting and financial reporting and further guided by the instructions issued by the Controller General of Accounts and requirements of the Public Finance Management Act 2019, as well as the Handbook of Accounting Guidelines. Furthermore, the project accounting will be administered using the SAP based ERP for recording, processing and generating financial reports for all project transactions.

Financial Audit

14. The annual external audit of the project's financial statements shall be done in accordance with International Standards on Auditing (ISAs). The audit will be conducted annually by the AGP, while the independent external audit firm retained by SPHF (currently Messrs. Price Waterhouse Coopers) or any other independent external auditor recruited by SPHF for the purpose, shall review and certify SOE for SA replenishment requests, to avoid delays in processing withdrawal applications that is often experienced when SOE certification is to be done by the AGP. In addition, to close a SA (for a specific operation), the external auditor (Special Account Auditor) shall prepare a consolidated report on the utilization of the respective SA within 3 months after the end of the gestation period of that specific operation.

15. The project financial audit will be comprehensive and cover all aspects of the project including: (i) the project financial statements (ii) special account (iii) statements of expenditure (iv) compliance with procurement terms of the financing agreement (v) activities related to the disbursement of funds to beneficiaries in accordance with the agreed procedures and financing agreement. The auditor will also provide a letter to management on internal control procedures, stating recommendations for the improvement of the control system, accounting, and financial procedures. This letter will accompany the audit report. Audit reports must be submitted to the Bank no later than six months after the end of each fiscal year.

16. The audit scope of work shall be reviewed and cleared by the Bank and include the review and validation of SOE prepared to support replenishment requests during the project implementation. Where the project's LDD and/or financial activities does not align with the end of a financial year, a final audit report shall be prepared for the project before closure.

Financial Reporting

17. To align with the Banks' principle of encouraging use of Country systems, the project accounting will be based the IPSAS in use by SPHF. In accordance with the Bank's financial reporting and auditing requirements, the PMU will prepare and submit unaudited quarterly interim financial reports and the audited annual financial reports of the project. The interim financial reports will be sent to the Bank no later than 45 days after the end of the semester.

Internal Control

18. The SPHF shall maintain dedicated SAs referred to as "assignment accounts" along with supporting documents for the project to avoid co-mingling of funds. Housing reconstruction grants will be transferred directly in the accounts of beneficiaries with proper monitoring and assurances of the use of grant for intended purposes by SPHF Engineering team and IPs; using well-established MIS for monitoring.

19. A dedicated account officer with experience in MDB projects will be recruited by SPHF to implement the financial management aspects of the IsDB funding to ensure proper accounting and reporting for the project; this staff shall be under the supervision of the Manager Accounts and Disbursement as well as the CFO.

20. Furthermore, the SPHF is required to retain and keep in safe custody all records and documentation that are evidence of the project financial activities; all such documentation shall be stored in both physical and digital formats. Records and documentation must be made available to the IsDB's representatives and/or external auditors on request for at least [10] years after operational completion of the project. The internal control function of SPHF is outsourced to M/s KPMG THK & Co. and reports directly to the Finance and Audit Committee of BOD. They shall provide oversight and conduct regular project internal audits and prepare reports; any adverse findings and corrective actions taken must be communicated to the Bank via the project progress reports.

Asset Safeguards

21. SPHF shall use its existing Asset and Inventory Management System to manage all the projects' assets. All assets financed by the IsDB shall be labelled/engraved with the name of the Bank, and the logo of the Bank to show that these assets have been financed by IsDB. This is necessary for the purpose of making IsDB's brand known in its constituency, asset tracking, and to minimize any chances of misuse of project assets in any way. Each asset shall be labelled with a unique code and regular physical asset verifications should be conducted by the PMU.

Financial Closure

22. The Project Accounts should be closed after IsDB has received satisfactory documentation showing how the amounts advanced have been disbursed by SPHF. Bank statement(s) showing that the account balance has been reduced to zero should be provided along with the final audit report showing evidence of eligible transactions. In the event of any amount remaining outstanding after the closing date specified in the Financing Agreement, the Beneficiary shall promptly refund to the IsDB any balance outstanding in the account.

Funds flow

23. The SPHF shall open a dedicated "assignment" account for the flow of funds from IsDB at the NBP. Grant payments to beneficiaries will be disbursed from NBP Assignment Account directly into the Beneficiary accounts by using IBT / IBFT following fulfillment of disbursement validation and certification process by the PMC.

24. Key PFM related risks identified and mitigations measures provided in the table-1 blow:

Table-1: Financial Management Risk Matrix

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
I. Country Specific External shocks including severe impacts of floods, the large volatility in commodity prices, and the tightening of external and domestic financing conditions have resulted in economic challenges.	Moderate	Pakistan's economic reform program and the recently approved IMF 9-month Stand-By Arrangement (SBA) for an amount of about $3 billion to support the authorities' economic stabilization program is expected to help regain macroeconomic stability and address these imbalances through consistent policy implementation[2].
Overall Inherent Risk	Moderate	
Control Risk		
II. Executing Agency Experience with IsDB projects	Moderate	SPHF no prior experience implementing IsDB projects. EA staff have experience with WB and ADB projects and will be trained during the startup workshop on IsDB project implementation including financial management and disbursement processes.
III. Information Systems Availability of automated financial systems	Low	SPHF has SAP based Enterprise Resource Planning Software for project accounting and its staff are trained in using it.
IV. Internal Controls Inadequate controls for project accounting, reporting and documentation	Low	SPHF has put in place adequate internal control procedures and outsourced this function to a reputable audit firm. The AG Audit of the province also provides oversight in its activities.
Overall Control Risk	Low	
Overall FM Risk	Moderate	

Annex 11

Project Disbursement Arrangements

1. Disbursements under IsDB financing will be in accordance with IsDB's disbursement policies and guidelines. For financing activities under the Installment Sales portion, it is proposed to adopt SA disbursement modality to transfer in total up to EUR 165.10 Million (including the potential use of contingencies for those items) to the EA. The funds will be disbursed in 3 operations, and a separate SA will be opened for each operation in National Bank of Pakistan with a maximum amount of EUR 55.03 million, where each disbursement shall not exceed 25% of overall approved amount under the IS mode of financing, which corresponds to maximum of EUR 41.28 million. Payments to beneficiaries will be disbursed from the NBP directly into the Beneficiary accounts after completion of validation and certification processes by the SPHF and PMC.

2. Among the financing activities within the Loan Portion, component C.4, Consultancy Services for Supervision WASH Supportive Facilities, will utilize a direct payment method (allocated budget EUR 0.94 million). However, considering that the remaining components will be constructed either through a community-driven approach, will involve nominal payments to the ultimate beneficiaries, or will require the management of smaller contracts, a SA will be established at the NBP to facilitate the transfer of funds to SPHF The maximum amount to be financed out of the SA is ID 18.30 million (equivalent to EUR 22.66 million). The ceiling of each disbursement to the Special Account will be based on six-month forecasted project expenditures, but not exceeding 25% of loan allocation, which corresponds to ID 4.58 million. . In instances where contracts surpass the value of EUR 250,000, the consideration of a direct payment mechanism may be subject to approval by the SPHF and clearance from the Bank during the project's implementation phase.

3. As a condition for the first disbursement, the SPHF must provide documentary evidence that an independent financial auditor recruited by SPHF is assigned to conduct the audits related to replenishing and closing the project's SA. Withdrawal applications for replenishing SA must be accompanied by audit reports or statements that verify the utilization specifics and the eligibility of previous disbursements. To close a SA (for a specific operation), the Financial Auditor shall prepare a consolidated report on the utilization of the funds from the respective SA within 3 months after the end of the gestation period of that specific operation.

4. As agreed with the SPHF during the disbursement capacity assessment exercise, a disbursement specialist will be hired for the smooth implementation of the project. The SPHF will be responsible for collecting and archiving any required supporting documentation and, whenever requested, submitting it to IsDB. The disbursement profile for IsDB financed components will depend on the work progress during the implementation period. The tentative Project Disbursement Schedule is provided in Table-1 below:

Table-1: Disbursement Schedule (Tentative, in million EUR)

Operation	Year-1	Year-2	Year-3	Total
Installment Sale	55.03	55.03	55.04	165.10
Loan	6.0	8.8	8.8	23.60
Total	61.03	63.83	63.84	188.70

Annex 12

Project Risk Matrix

Risk Category	Risk impact	Likeli-hood	Mitigation Measure	Risk impact after mitigation
Country risks: While the project is expected to remain a priority, the decision making may slow down during the upcoming elections. Further delays may occure with signing and effectiveness of the project	M	Likely	The project is strongly supported by the provincial Government in the context of flood emergency, which is reflected in the close and frequent monitoring of the project by various stakeholders as well as the visibility given by the Government to the project at its various milestones. The interim government has provided clearance for external borrowing for the subject project. Pre-approval negotiations between IsDB and GOP/GOS carried out prior to approval of the project, which will be followed with post-approval engagement by the Regional Hub.	Medium
Stakeholders risk: Stakeholders, including households, communities, and local institutions are weakened due to the widespread disaster, rendering a beneficiary- driven reconstruction approach more taxing, and the community institutions required to coordinate grievance and reconstruction more fragile	M	Likely	This risk is mitigated by the establishment of the dedicated EA (SPHF) working in collaboration with local NGOs to ensure effective institutional coordination and stakeholder outreach. Given the large number of individual housing units to be targeted, there is a risk of exclusion. The risk will be mitigated by developing objective selection criteria and a transparent MIS with technology-driven validation protocols. The risk of political/elite capture will be mitigated through comprehensive household-level damage assessment and eligibility verification process, which will be closely monitored during project implementation.	Medium
Project Execution Risk: The newly established EA/PMU may not have adequate experience in project management, including in MDB procedures, mainly fiduciary. They will require intensive support and capacity	M	Less Likely	The PMU team is formed from qualified staffs who were selected competitively based on WB procedures. The IsDB team will provide close technical support to the EA by strengthening the PMU with additional staff. The wide coverage of the program and capacity building needs of the community will require support from Implementation Partners (NGOs). The project will consider NGOs with	Low

building to undertake this complex program. Non-proper monitoring of construction of houses and WASH facilities.			credible and strong track records of working with government on disaster reconstruction. Project will ensure IsDB financed houses are being supervised in an efficient manner by IPs for those contracts were awarded under the WB financing. Separate consultant will be selected to supervise construction of WASH facilities	
Based on the vast scale of reconstruction activity, there is a risk of access/availability of construction material and potential price gouging.	M	Likely	The Project will mitigate this risk by promoting the use of innovative and locally available construction materials, accurate construction planning of houses (spread proportionally over the construction season and among districts). Sufficient funds allocated to contingencies to mitigate the price escalation.	Low
Environment and Social risk: Key risks pertain to the construction of houses/WASH facilities, disposal of waste, labor issues, exclusion of vulnerable groups, etc. Additionally, the beneficiary-driven approach could pose additional challenges for the implementation of E&S related aspects.	H/M	Likely	Comprehensive ES Mitigation Framework developed which streamlines E&S requirements as part of the project design and preparation of relevant E&S instruments; Project will ensure presence of qualified E&S staff in the EA as well as the IPs; Strong community engagement and awareness building will be ensured; and adopting strong GRM.	Medium
Climate/Disaster risk: Sindh is exposed to a range of natural hazards including floods, cyclones, droughts, and tsunamis. Occurrence of new natural disasters can undermine recovery progress and have direct effects on sustainability of certain activities.	M	Likely	The GOS, with support from the development partners, will continue undertaking efforts to strengthen DRM related agencies. It is also expected that beneficiaries will receive training to prepare and respond better to future adverse natural events. Risk-sensitive technical design and implementation will mitigate disaster and climate risks. These will be further addressed by training local communities in resilient construction practices and adopting appropriate designs. A separate, but complementary, intervention will be included through TA on capacity building and awareness raising on climate change resilience.	Medium

Annex 13

Economic Analysis

Result of Economic Analysis	Million PKR
PRESENT VALUE OF TOTAL COST:	0.284
PRESENT VALUE BENEFITS:	0.712
NET PRESENT VALUE (NPV)	0.428
BENEFIT COST RATIO (BCR)	2.51
Econ Internal Rate of Return (EIRR in %)	31.29%

Result of Sensitivity Analysis

	NPV(MRs)	EIRR	BCR	
Cost Increased by 10% :	0.40	28.77%	2.28	:1
Benefits Decreased by 10% :	0.36	28.52%	0.29	:1
Cost Incr. & Ben Decr. by 10% :	0.33	26.16%	2.05	:1

Table I: Flood Damage Factors:

Class / Losses Averted	Million PKR
Katcha House	0.600
Fixed Assets	0.750
Increase in Value	0.100
Moveable Assets	0.150
Displacement Cost	0.015
Composite Factor	1.615

Table-II: Return Period

Return Period	Flood damages
	PKR million
20.00	1.615
2.33	0.0

Table – III Annualized Value of Damages PKR in Million

Return Period	Flood Damages PKR million
20.00	1.615
15.00	1.158
10.00	0.701
8.00	0.518
5.00	0.244
3.00	0.061
2.33	0.000

Table–IV: Project Annuitized Inundation Benefits (PKR Million)

Return Period Years	Frequency	Damages	Average Damages	Frequency Interval	Annual Damages
2.33	0.43	0.000			
			0.03	0.10	0.003

3	0.33	0.061			
			0.15	0.13	0.020
5	0.20	0.244			
			0.38	0.08	0.029
8	0.13	0.518			
			0.61	0.03	0.015
10	0.10	0.701			
			0.93	0.03	0.031
15	0.07	1.158			
			1.39	0.02	0.023
20	0.05	1.615			
					0.121

ECONOMIC ANALYSIS

Base Case					
Year	Economic Value		Total Cost	Total Benefits	Net Cash Flow
	Const: Cost	O & M Cost @ 10%			
1	0.27	-	0.270	-	-0.270
2	-	0.01	0.014	-	-0.014
3	-	0.01	0.005	0.121	0.116
4	-	0.01	0.005	0.121	0.116
5	-	0.01	0.005	0.121	0.116
6	-	0.01	0.005	0.121	0.116
7	-	0.01	0.005	0.121	0.116
8	-	0.01	0.005	0.121	0.116
9	-	0.01	0.005	0.121	0.116
10	-	0.01	0.005	0.121	0.116
11	-	0.01	0.005	0.121	0.116
12	-	0.01	0.005	0.121	0.116
13	-	0.01	0.005	0.121	0.116
14	-	0.01	0.005	0.121	0.116
15	-	0.01	0.005	0.121	0.116
16	-	0.01	0.005	0.121	0.116
17	-	0.01	0.005	0.121	0.116
18	-	0.01	0.005	0.121	0.116
19	-	0.01	0.005	0.121	0.116
20	-	0.01	0.005	0.121	0.116
21	-	0.01	0.005	0.121	0.116

Results @ 12% Discount Rate

	Base Case	
PRESENT VALUE OF TOTAL COST (Million PKR):	0.284	
PRESENT VALUE BENEFITS (Million PKR) :	0.712	
NET PRESENT VALUE (NPV) (Million PKR) :	0.428	
BENEFIT COST RATIO (BCR) :	2.51	:1
Econ Internal Rate of Return (EIRR in %)	31.29%	

SENSITIVITY ANALYSIS

Cost Increased by 10%			Benefits Decreased by 10%			Cost Increased & Ben Decrease by 10%		
Total Cost	Total Benefits	Net Cash Flow	Total Cost	Total Benefits	Net Cash Flow	Total Cost	Total Benefits	Net Cash Flow
0.297	-	(0.297)	0.270	-	(0.270)	0.297	-	(0.30)
0.015	-	(0.015)	0.014	-	(0.014)	0.015	-	(0.01)
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10
0.006	0.121	0.115	0.005	0.109	0.104	0.006	0.109	0.10

	SENSITIVITY ANALYSIS WITH		
	Cost Incr by 10%	Ben Decr by 10%	Cost Incr & ben Decr by 10%
PRESENT VALUE OF TOTAL COST (Million PKR):	0.312	0.284	0.312
PRESENT VALUE BENEFITS Million PKR):	0.712	0.641	0.641
NET PRESENT VALUE (NPV) (Million PKR):	0.400	0.357	0.329
BENEFIT COST RATIO (BCR):	2.28	2.26	2.05
Econ Internal Rate of Return (EIRR in %)	28.77 %	28.52 %	26.16 %

Annex 14

Terms and Conditions of Financing

INSTALLMENT SALE

Recipient:	Islamic Republic of Pakistan
Project Title:	Sindh Flood Emergency Housing Reconstruction Project
Financing Mode:	INSTALMENT SALE
Financing Structure:	The Bank shall, at the request of the Recipient, procure the Project assets (in three operations), and sell the Project assets to the Recipient, in consideration of payment of the sale price in instalments. The Bank shall appoint the Recipient as its agent in procuring the Project assets.
Financing Amount:	EURO 165,100,000 (One Hundred Sixty Five Million and One Hundred Thousand Euros)
Maturity:	20 (twenty) years from the date of disbursement to the due date of last installment of the Sale Price for each of the 3 (three) operations; tentatively composed of a Sale Price payment period of 19 (Nineteen) years after the Gestation Period of 1 (One) year for each Operation.
Mark up Rate:	To be applied to each disbursement, the sum of: (i) Reference rate: 10 Year EUR Mid-Swap rate that is prevailing on the date of each disbursement, fixed for the entire duration of financing for each disbursement. In the event that the reference rate is negative, the reference rate shall be deemed to be zero. (ii) The prevailing contractual spread on the date of each disbursement, fixed for the financing tenor for each disbursement. As a guide, the contractual spread for the period *1st July to 31st December 2023* is *60* bps. (iii) The prevailing funding spread on the date of each disbursement, fixed for the financing tenor for each disbursement. As a guide, the funding spread for the period *1st July to 31st December 2023* is *60* bps. (iv) The prevailing risk premium on the date of each disbursement, fixed for the financing tenor for each disbursement. As a guide, the risk premium for the period *1st July to 31st December 2023* is *70* bps. The contractual spread, funding spread, and risk premium is subject to semi-annual update by the Bank to reflect changes in market condition as published on the Bank's website.
Advance Payment:	Semi-annual payments of accruing mark-up during the gestation period.
Documentation	The Framework Agreement and the Agency Agreement (together the Financing Agreements) shall respectively be subject to 2020 Edition of the IsDB General Conditions Applicable to Instalment Sale Financing and 2020 Edition of the IsDB

General Conditions Applicable to Agency Agreements approved by the Bank's Board of Executive Directors on 16th February 2020 (the General Conditions).

Effectiveness Conditions: Legal opinion acceptable to the Bank issued by the Legal Authority of the Recipient stating that the terms and conditions of the Financing Agreements constitute enforceable and binding obligations upon the Recipient.

Procurement: Unless otherwise indicated in the Agency Agreement, the Recipient, as an agent of the Bank, shall follow the Bank's Procurement Guidelines and Procedures in procuring the Project assets.

The procurement of the Project assets shall be as follows:

(i) Component A – Housing Reconstruction shall be procured through Community Participation method.

Executing Agency: Sindh Peoples Housing for Flood Affectees.

Implementation: The Recipient, in its capacity as the Bank's agent shall, on behalf of the Bank:

(i) negotiate and agree with the contractor/consultant for the relevant prices, specifications and delivery of the Project assets.

(ii) ensure that the procurement agreement(s) to be concluded between the contractor and the Recipient, as the Bank's agent, provides for the contractor's all risks insurance with a reputable insurance company acceptable to the Bank, and the Bank is named as a loss payee under the insurance policies so made.

(iii) submit request for disbursements for payments under the procurement agreement(s).

(iv) arrange and be responsible for all costs not covered by the Bank's financing.

Delivery Notice: The Recipient shall take delivery of the Project assets on behalf of the Bank and issue notice of delivery of the Project assets to the Bank

Offer and Acceptance: Upon the Recipient receiving a sale offer from the Bank, the Recipient shall, in exercise of its promise to purchase the Project assets from the Bank upon delivery, indicate its acceptance of the sale offer within seven (7) business days from the date of receipt of the sale offer.

Deadlines: If at any time a binding obligation of the Recipient is not fulfilled within the stipulated time, the Bank has the right to terminate the Financing Agreements. If the deadline of any of:

(i) signing the Financing Agreements within 6 (six) months from the approval date of the Project; or

(ii) satisfying the conditions for the effectiveness of the Financing Agreements within 6 (six) months from the signature date of the Financing Agreements; or

(iii) submitting the request for the first disbursement with 6 (six) months of the effectiveness date,

is not met, the Financing Amount approval will be automatically cancelled and, if applicable, the Financing Agreements will be automatically terminated.

Other conditions:

(i) The General Conditions are incorporated by reference to these Terms and

Conditions.

(ii) The Recipient shall ensure that an independent financial auditor for the Project is appointed to provide quality audit to the satisfaction of the Bank. The Recipient shall, when submitting a request for any Disbursement, subsequent to the First Disbursement, include in the submission an official document confirming that the process for recruitment of an independent financial auditor for the Project has been initiated. Failure to appoint the independent auditor shall be considered an Event of Default and shall result in suspension of the Approved Amount.

(iii) The project funds will be disbursed to the dedicated Special Accounts for each operation opened at a bank acceptable to IsDB. The maximum amount to be financed out of the SA is EUR 165.10 million. The ceiling of each Special Account will be EUR 55.03 million, where each disbursement shall not exceed 25% of overall approved amount under the IS mode of financing, which corresponds to maximum of EUR 41.28 million. The SA will be managed as per the IsDB procedures and expenditures utilized from SA will be periodically reviewed and certified by a financial auditor.

(iv) IsDB's disbursed amounts shall solely be used to finance the Project Assets (houses as specified) for the individual flood-affected (IFA) beneficiaries and shall not be subject to overdrafts or used for any other purpose including but not limited to collateral (leverage) for other loans, nor money market activities in the interim period until fully utilize by the Recipient for the purpose of the Project.

(v) The Recipient shall not in any circumstances pre-finance the Project Assets from its own funds and seek for reimbursement from IsDB. IsDB funds shall be used only for new houses (not partially completed or partially flood affected houses) on lands that do not have ownership encumbrance or litigation.

(vi) The Recipient shall undertake not to grant the Project Assets to the IFA beneficiaries before the Sale Contract between IsDB and Recipient is concluded (this is the offer and acceptance that transfers ownership from IsDB to the Recipient).

Conditions Precedent to Disbursement: A well described list of Project Assets (Houses) to be procured under the relevant Disbursement batch with sufficient specifications, location and itemized estimated costs, as approved by the Executing Agency.

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LOAN FINANCING

Recipient:	Islamic Republic of Pakistan
Project Title:	Sindh Flood Emergency Housing Reconstruction Project
Financing Mode:	IsDB Loan
Financing Amount:	ID 19,000,000 (equivalent to EUR 23,600,000).
Financing Period:	20 (Twenty) years including a Grace Period of 5 (Five) years.
Service Fee:	Up-to 1.5% per annum
Documentation	The Loan Agreement shall be subject to 2020 Edition of the IsDB General Conditions Applicable to Loan Financing approved by the Bank's Board of Executive Directors on 16th February 2020 (the General Conditions).
Effectiveness Conditions:	(i) Legal opinion acceptable to the Bank issued by the Legal Authority of the Recipient stating that the terms and conditions of the Loan Agreement constitute enforceable and binding obligations upon the Recipient.
Procurement:	The procurement of the goods and services shall be as follows: (i) Component A – Housing Reconstruction shall be procured through Community Participation method. (ii) Component B –Construction of WASH Supportive Facilities shall be procured through Community Participation method. (iii) Component C.4 – Selection of Consultancy Services for Design and Supervision of WASH Facilities shall be through Quality and Cost Based Selection (QCBS) method. (iv) Component D.1 – EA / PMU Staffing to be recruited through Individual Consultancy method. (v) Component D.1 – Procurement of IT and Office Equipment for PMU shall be procured through shopping method. (vi) Component D.4 – Selection of Consultancy Services for Media and Communication shall be through Consultant Quality Selection (CQS) method. (vii) Component D.4 – Procurement of Printing and Publication/IEC Material shall be through National Competitive Bidding (NCB) method. (viii) Component D.4 – Procurement of Event Management Services shall be through Shopping method.
Executing Agency:	Sindh Peoples Housing for Flood Affectees.
Implementation:	Implementation period of the Project will be 3 (three) years, and 3 (three) months from the effectiveness of the IsDB Loan. The Recipient will: (i) negotiate and agree with the contractor/consultant for the relevant prices, specifications and deliverables under the Project.

(ii) submit request for disbursements for payments under the procurement agreement(s).

(iii) arrange and be responsible for all costs not covered by the Bank's financing.

Deadlines: If at any time a binding obligation of the Recipient is not fulfilled within the stipulated time, the Bank has the right to terminate the Loan Agreement. If the deadline of any of:

(i) signing the Loan Agreement within 6 (six) months from the approval date of the Project; or

(ii) satisfying the conditions for the effectiveness of the Loan Agreement within 6 (six) months from the signature date of the Loan Agreement; or

(iii) submitting the request for the first disbursement with 6 (six) months of the effectiveness date,

is not met, the Financing Amount approval will be automatically cancelled and, if applicable, the Loan Agreement will be automatically terminated.

Other conditions:

(i) The General Conditions are incorporated by reference to these Terms and Conditions.

(ii) The Recipient shall ensure that an independent financial auditor for the Project is appointed to provide quality audit to the satisfaction of the Bank. The Recipient shall, when submitting a request for any Disbursement, subsequent to the First Disbursement, include in the submission an official document confirming that the process for recruitment of an independent financial auditor for the Project has been initiated. Failure to appoint the independent auditor shall be considered an Event of Default and shall result in suspension of the Approved Amount.

(iii) The project funds will be disbursed to the dedicated Special Account opened at a bank acceptable to IsDB. The maximum amount to be financed out of the SA is ID 18.30 million (equivalent to EUR 22.66 million). The ceiling of each disbursement to the Special Account will be based on six-month forecasted project expenditures, but not exceeding 25% of loan allocation, which corresponds to ID 4.58 million. The SA will be managed as per the IsDB procedures and expenditures utilized from SA will be periodically reviewed and certified by financial auditor.

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Annex 15

System Generated Basic Project Data Sheet

IsDB Islamic Development Bank

Project Data Sheet

PAK1060

Approval Status	READY FOR APPROVAL

Report is generated on 21 Oct 2023 Valid Till 04 Nov 2023 *OMS Status Appraised Generated by SAP

Section A: Project Core Data

Status Complete

*Country	Pakistan	*Processing Year	2023		
*Name	Sindh Flood Emergency Housing Reconstruction Project			Profile	Public Financing
Mapping to Org.Structure	*Complex	Operations Complex	Department		
	Director General	Country Programs	*Division	Regional Hub of Ankara, Türkiye	
Links	*Category	A	*BED	BED 353	16 Dec 2023 to 18 Dec 2023
	to Projects	Not Linked	to Programs	Not Linked	
	to Line of Finance	Not Linked	to MCPS	Not Linked	
	to MTBS	2022-2024	*to AOP	2023	
Project Team	Reg. Hub/Division	Walid Mohamad Abdelwahab	*Country Manager	Mohamed Ishthiaq Akbar	
	*Project Team Leader	Bekzod Akhatovich Parmanov			
Key Dates	Official Request Date	11 Apr 2023	OCM Clearance Date		
	Concept Clearance Date	08 Aug 2023	REN Clearance Date		
	Appraisal Date		Submitted to Approval Date	16 Dec 2023	

Submission for Approval Cost (RRP version)	*Project Currency	*IDB	Co-Financiers	*Total Cost
	EUR	188,700,000	686,100,000	874,800,000

	*Sector/Sub-Sector	Agriculture / Integrated Rural Development	*Theme/Sub-Theme	POST-CONFLICT RECONTRUCTION AND HUMANITARIAN AID / Natural disaster management
	*Beneficiary	PAK MINISTRY OF FINANCE, ISLAMABAD	*Executing Agency	Sindh People's Housing for Flood Affectees

Basic Data

*Rationale

The 2022 monsoon rains triggered the most devastating flooding in Pakistan's history, affecting all four provinces and impacting 15% of the population. Millions of people remain in need of assistance, hundreds of thousands of homes have been destroyed, critical infrastructure such as road networks, bridges, and water systems has been damaged, and livelihoods lost. Significant damage to houses, transport, agriculture, irrigation, and communication infrastructure has also been reported in Sindh province. Given the scale of the current disaster, the government requires support related to immediate relief, recovery, reconstruction, and increasing resilience in the aftermath of the floods. According to PDNA estimates, 2.1 million houses were destroyed affecting lives of more than 12 million people.

Country Alignment: The project is fully aligned with the Vision 2025, the 12th Plan of the Country and the Resilient Recovery, Rehabilitation, and Reconstruction Framework (4RF) of the GOS's strategic policy and prioritization document adopted in December 2022. The 4RF policy framework aims to address Pakistan's most urgent and immediate post-disaster needs, while setting the direction for building long term resilience. Key policy imperatives include community-driven and 'people-centered' approach, promotion of equality and opportunities for the poorest households, women, and other vulnerable and marginalized groups disproportionately impacted by the floods, employment of rapid and efficient recovery mechanisms, incorporation of green and resilient principles through a 'build back better' approach, and risk-informed resilience, etc.

The project is aligned with the recently published Pakistan Country Climate and Development Report as it contributes to the policy area of strengthening human capital, through the improvement of livelihoods and improving shockresponsiveness. The project is aligned with Pakistan's policy frameworks and plans on DRM and climate resilience. These include the National Disaster Management Act (2010), the National Disaster Risk Reduction Policy (2013), Climate Change Policy (2012), and Climate Change Act (2017).

The project contributes to achieving Sustainable Development Goal - SDG-6 (Ensure availability and sustainable management of water and sanitation for all), SDG-11 (Make cities and human settlements inclusive, safe, resilient and sustainable) and SDG-13 (Take urgent action to combat climate change and its impacts).

IsDB Alignment: The SFEHR project is in line with the IsDB Group's Realigned Strategy (2023-2025) that aims to tackling poverty and building resilience in IsDB Member Countries through development of resilient and sustainable infrastructure (Pillar-1) and inclusive human capital development (Pillar-2). The project is aligned with IsDB Group's Country Engagement Framework (CEF) for Pakistan 2023-2025 that aims to Support Resilience and Economic Transformation along with the transitional cross-cutting pillar of Flood Rehabilitation and Recovery Support.

There is a strong alignment with the cross-cutting pillars of the IsDB Group's Realigned Strategy 'Capacity Development', and 'Climate Change Mitigation and Adaptation'. The design of the project is guided by the IsDB's Agriculture and Rural Development Sector Policy, Water Sector Policy, Climate Change Policy and Disaster Risk Management and Resilience Policy

*Objective

The Project Development Objective (PDO) is to deliver beneficiarydriven, multihazard resilient, reconstruction of core housing units to the populace affected by the 2022 floods in selected districts of Sindh province. The aim of the project is to directly contribute to the national targets related to SDG-11 and SDG-13 by delivering robust houses that are resistant and adapted to the adverse conditions of climate change and natural disasters. The project contributes to the SDG-6 by improving access to water supply and sanitation services for rural population.

*Scope

The GOS established emergency housing reconstruction platform in 2022 with the support of the World Bank. The project design is built on the existing platform, and taking into account lessons learned. The project activities are grouped into the following components:
Component A: Housing Reconstruction
Component B: WASH Supportive Facilities
Component C: Institutional Strengthening and Technical Assistance
Component D: Project Management and Implementation Support
Component E: Financial Audit
Component F: Contingency for Emergency Response Component (CERC)

*Project Locations

The Project is in Sindh province - southeastern region of the country. Based on the damage assessment survey, a total of 1.4 million houses were found fully destroyed across 24 districts. The IsDB will finance reconstruction of 155,000 houses located in 21 districts (mainly rural) covering 95 taluka (second tier local government).

*Implem. Period 48 months

Section B: Financing Plan By MoF with Co-Financing (RRP

Status Complete

IsDB

*Operation/Fund	Step	*Curr	*Amount	*Amt (EUR)	*%	*Budg .Year	*Appr. (Pln)	*Sign. (Pln)	*Eff. (Pln)	*PFDD (Pln)	*PLDD (Pln)	Rate Structure	*Grace Perio	*Gest. End (Pln)	Serv.Fee /Mark-up	Tntiv Ser. Fee	Gest. Period Ref.	Repay. Perio
PAK1060-10002403-Loan / OCR	No Step	XDR	19,000,000	23,600,000	3%	2023	16.12.23	16.06.24	16.12.24	16.06.25	16.06.28	Float to Float	5y	16.06.29				240m
PAK1060-60001611-Inst. Sale / OCR	No Step	EUR	165,100,000	165,100,000	19%	2023	16.12.23	16.06.24	16.12.24	16.06.25	16.06.28	Float to Float	3y	16.06.28			EURSW AP10 Years	228m
			Total Planned	188,700,00	22%													
Other Co-financiers																		
Government of Pakistan		EUR	214,400,000	214,400,000	25%													
World Bank including IDA, IFC and IBRD		EUR	471,700,000	471,700,000	54%													

IsDB البنك الإسلامي للتنمية Islamic Development Bank

Project Data Sheet

PAK1060

Approval Status	READY FOR APPROVAL

Total Planned	686,100,00	78%
Grand Total Planned	874,800,00	100%

Section C: Financing Plan By Component RRP version

Status Complete

EUR	IDB			Gov.		Co-Financiers		Total
	No Step							
	Inst. Sale	Loan	Total IDB	GoP	Total Gov.	WBIlal	Total Co-Financiers	
1.Housing Reconstruction	160,000,000	9,530,000	169,530,000	176,540,000	176,540,000	420,280,000	420,280,000	766,350,000
2.WASH Supportive Facilities		11,380,000	11,380,000	30,660,000	30,660,000	23,120,000	23,120,000	65,160,000
3.Institutional Strengthening and TA		940,000	940,000	1,590,000	1,590,000	19,200,000	19,200,000	21,730,000
4.Project Management and Implementation Support		750,000	750,000			9,100,000	9,100,000	9,850,000
5.Financial Audit				170,000	170,000			170,000
6.Contingency for Emergency Response								
Base cost	160,000,000	22,600,000	182,600,000	208,960,000	208,960,000	471,700,000	471,700,000	863,260,000
Price Contingencies	2,700,000	600,000	3,300,000					3,300,000
Physical Contingencies	2,400,000	400,000	2,800,000	5,440,000	5,440,000			8,240,000
Contingencies	5,100,000	1,000,000	6,100,000	5,440,000	5,440,000			11,540,000
Total Planned	165,100,000	23,600,000	188,700,000	214,400,000	214,400,000	471,700,000	471,700,000	874,800,000

GoP	Government of Pakistan
WBIlal	World Bank Including IDA, IFC and IBRD

Signatures

Reg. Hub/Division Manager	Project Team Lead (PTL)
Walid Mohamad Abdelwahab	Bekzod Akhatovich Parmanov

IsDB Islamic Development Bank

Project Data Sheet

PAK1060

Approval Status	READY FOR APPROVAL

Total Planned	686,100,00	78%
Grand Total Planned	874,800,00	100%

Section C: Financing Plan By Component RRP version

Status: Complete

EUR	IDB			Gov.		Co-Financiers		Total
	No Step							
	Inst. Sale	Loan	Total IDB	GoP	Total Gov.	WBIlal	Total Co-Financiers	
1.Housing Reconstruction	160,000,000	9,530,000	169,530,000	176,540,000	176,540,000	420,280,000	420,280,000	766,350,000
2.WASH Supportive Facilities		11,380,000	11,380,000	30,660,000	30,660,000	23,120,000	23,120,000	65,160,000
3.Institutional Strengthening and TA		940,000	940,000	1,590,000	1,590,000	19,200,000	19,200,000	21,730,000
4.Project Management and Implementation Support		750,000	750,000			9,100,000	9,100,000	9,850,000
5.Financial Audit				170,000	170,000			170,000
6.Contingency for Emergency Response								
Base cost	160,000,000	22,600,000	182,600,000	208,960,000	208,960,000	471,700,000	471,700,000	863,260,000
Price Contingencies	2,700,000	600,000	3,300,000					3,300,000
Physical Contingencies	2,400,000	400,000	2,800,000	5,440,000	5,440,000			8,240,000
Contingencies	5,100,000	1,000,000	6,100,000	5,440,000	5,440,000			11,540,000
Total Planned	165,100,000	23,600,000	188,700,000	214,400,000	214,400,000	471,700,000	471,700,000	874,800,000

GoP	Government of Pakistan
WBIlal	World Bank Including:IDA, IFC and IBRD

Signatures

Reg. Hub/Division Manager	Project Team Lead (PTL)
Walid Mohamad Abdelwahab	Bekzod Akhatovich Parmanov