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IDA/R2017-0033/1

February 23, 2017

**Closing Date: Tuesday, March 14, 2017
at 6 p.m.**

FROM: Vice President and Corporate Secretary

Pakistan - Punjab Tourism for Economic Growth Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Pakistan for a Punjab Tourism for Economic Growth Project (IDA/R2017-0033), which is being processed on an absence-of-objection basis.

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Report No: PAD2070

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF (SDR36.8) MILLION
(US\$50 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

PAKISTAN: PUNJAB TOURISM FOR ECONOMIC GROWTH PROJECT

FEBRUARY 17, 2017

*Food & Agriculture Global Practice
Trade & Competitiveness Global Practice
Pakistan Country Management Unit
South Asia Region*

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CURRENCY EQUIVALENTS

(Exchange Rate Effective {January 31, 2017})

Currency Unit = Pakistani Rupee (PKR)
US\$1 = SDR 0.73592723
US\$1.35883000 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

A&A	Accounts and Administration (A&A)
AGP	Auditor General of Pakistan
B&B	Bed and Breakfast
BER	Budget Execution Report
BDS	Business Development Services
CAO	Contract Add and Operate
CAD	Ministry of Capital Administration and Development
CE	Citizen Engagement
CGA	Controller General of Accounts
CPS	Country Partnership Strategy
CQ	Consultants Qualification
DA	Designated Account
DCO	District Coordination Officers
DoT	Department of Tourism
DOT	Develop Operate and Transfer
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ETPB	Evacuee Trust Property Board
FABS	Financial Accounting and Budgeting System
FDI	Foreign Direct Investment
FM	Financial Management
FMIS	Financial Management Information System
FY	Financial Year

Regional Vice President:	Annette Dixon
Country Director:	Patchamuthu Illangovan
Senior Global Practice Director:	Juergen Voegelé
Practice Manager:	Shobha Shetty
Task Team Leaders:	Kamran Akbar
	Michael Olavi Engman
	Haroon Sharif

GDP	Gross Domestic Product
GoP	Government of Pakistan
GoPb	Government of Punjab
GP	Global Practice
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Report
IUFR	Interim Unaudited Financial Report
IPF	Investment Project Financing
IRR	Internal Rate of Return
ISDS	Integrated Safeguards Data Sheet
IT	Information Technology
JV	Joint Venture
M&E	Monitoring & Evaluation
MC	Management Contract
MoIB	Ministry of Information, Broadcasting and Cultural Heritage
MSME	Micro, Small and Medium-sized Enterprises
MTBF	Medium Term Budgetary Framework
MTFF	Medium Term Fiscal Framework
NAM	New Accounting Model
NCB	National Competitive Bidding
NPV	Net Present Value
OP/BP	Operational Policy/Bank Procedure
P&DD	Planning and Development Department
PAD	Project Appraisal Document
PCR	Physical Cultural Resources
PCSW	Punjab Commission on the Status of Women
PEFA	Public Expenditure and Financial Accountability
PDO	Project Development Objective
PFM	Public Financial Management
PforR	Program for Results
PID	Project Information Document
PISC	Project Implementation Support Consultant
PMT	Project Management Team
PKR	Pakistani Rupee
PPP	Public Private Partnership
PRMP	Punjab Resource Management Program
PSC	Project Steering Committee
PSD	Private Sector Development
PSDF	Punjab Skills Development Fund

PTDC	Pakistan Tourism Development Corporation
QCBS	Quality and Cost Based Selection
RAP	Resettlement Action Plan
RFP	Request for Proposal
ROO	Rehabilitate Own and Operate
ROT	Rehabilitate Operate and Transfer
RPF	Resettlement Policy Framework
SC	Service Contract
SDR	Special Drawing Rights
SME	Small and Medium-sized Enterprises
SOP	Series of Projects
SORT	Systematic Operations Risk-Rating Tool
TA	Technical Assistance
TDCP	Tourism Development Corporation of Punjab
TEVTA	Technical Education and Vocational Training Authority
TSD	Tourism Services Department
UNESCO	United Nations Educational, Scientific and Cultural Organization
VGf	Viability Gap Fund
WBG	World Bank Group
WDD	Women Development Department

ISLAMIC REPUBLIC OF PAKISTAN
Punjab Cultural and Heritage Tourism Project
TABLE OF CONTENTS

I.	STRATEGIC CONTEXT	1
	A. Country Context.....	1
	B. Sectoral and Institutional Context.....	1
	C. Higher Level Objectives to which the Project Contributes.....	5
II.	PROJECT DEVELOPMENT OBJECTIVES	5
	A. PDO.....	5
	Project Beneficiaries.....	5
	PDO Level Results Indicators.....	6
III.	PROJECT DESCRIPTION	6
	A. Project Components.....	6
	B. Project Financing.....	8
	Project Cost and Financing.....	8
	C. Lessons Learned and Reflected in the Project Design.....	9
IV.	IMPLEMENTATION	10
	A. Institutional and Implementation Arrangements.....	10
	B. Results Monitoring and Evaluation.....	11
	C. Sustainability.....	11
	D. The Role of Partners.....	11
V.	KEY RISKS	11
	Table 2: Overall Risk Rating and Explanation of Key Risks.....	12
VI.	APPRAISAL SUMMARY	13
	A. Economic Analysis.....	13
	B. Technical.....	14
	C. Financial Management.....	14
	D. Procurement.....	15
	E. Social.....	15

F. Environment	15
G. Other Safeguards Policies Triggered.....	16
H. World Bank Grievance Redress.....	16
VII. Results Framework And Monitoring	17
Annex 1: Detailed Project Description	20
Annex 2: Implementation Arrangements.....	23
Annex 3: Implementation Support Plan.....	33
Annex 4: Economic Analysis.....	34
Annex 5: Map	37

PAD DATA SHEET

Pakistan

PK: Punjab Tourism for Economic Growth Project (P158099)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

0000009243

Report No.: PAD2070

Basic Information			
Project ID P158099	EA Category B - Partial Assessment	Team Leader(s) Kamran Akbar,Haroon Sharif,Michael Olavi Engman	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 15-May-2017	Project Implementation End Date 31-Dec-2022		
Expected Effectiveness Date 15-May-2017	Expected Closing Date 30-Apr-2023		
Joint IFC No			
Practice Manager/Manager Shobha Shetty	Senior Global Practice Director Juergen Voegele	Country Director Patchamuthu Illangovan	Regional Vice President Annette Dixon
Borrower: Islamic Republic of Pakistan			
Responsible Agency: Punjab Resource Management Program			
Contact: Telephone No.: 92-42-99200508	Iftikhar Ali Sahoo	Title: Email: iftikhar.sahoo@punjab-prmp.gov.pk	Program Director/Secretary P&D
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	55.00	Total Bank Financing:	50.00
Financing Gap:	0.00		

Financing Source		Amount								
BORROWER/RECIPIENT		5.00								
International Development Association (IDA)		50.00								
Total		55.00								
Expected Disbursements (in USD Million)										
Fiscal Year	2017	2018	2019	2020	2021	2022	2023	0000	0000	0000
Annual	0.50	3.50	8.00	20.00	8.00	8.00	2.00	0.00	0.00	0.00
Cumulative	0.50	4.00	12.00	32.00	40.00	48.00	50.00	0.00	0.00	0.00
Institutional Data										
Practice Area (Lead)										
Agriculture										
Contributing Practice Areas										
Jobs, Trade & Competitiveness, Transport & ICT										
Proposed Development Objective(s)										
The Project Development Objective (PDO) is to strengthen institutional capacity, increase private sector participation and improve infrastructure services in support of the tourism sector in the Province of Punjab.										
Components										
Component Name							Cost (USD Millions)			
1. Policy, Institutions and Governance for Tourism Development							11.00			
2. Private Investment and Entrepreneurship Promotion							10.00			
3. Public Investment Facility							30.00			
4. Project Management, Monitoring and Evaluation							4.00			
Systematic Operations Risk- Rating Tool (SORT)										
Risk Category								Rating		
1. Political and Governance								Substantial		
2. Macroeconomic								Moderate		
3. Sector Strategies and Policies								Moderate		
4. Technical Design of Project or Program								Substantial		
5. Institutional Capacity for Implementation and Sustainability								Substantial		
6. Fiduciary								Moderate		
7. Environment and Social								Moderate		

8. Stakeholders	Substantial		
9. Other			
OVERALL	Substantial		
Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes [X]	No []	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Explanation:			
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Project Steering Committee	X		CONTINUOUS
Description of Covenant			
The Project Implementing Entity shall establish and thereafter maintain throughout the period of implementation of the Project, a Project Steering Committee, with composition and terms of reference satisfactory to the Association, and with responsibilities as set out in the Project Operations Manual.			
Name	Recurrent	Due Date	Frequency
Punjab Resource Management Program (PRMP)	X		CONTINUOUS

Description of Covenant			
The Project Implementing Entity shall maintain throughout the period of implementation of the Project, the Punjab Resource Management Program, with composition and terms of reference satisfactory to the Association, as set out in the Project Operations Manual.			
Name	Recurrent	Due Date	Frequency
Civil Engineer	X		CONTINUOUS
Description of Covenant			
The Project Implementing Entity shall appoint a monitoring and evaluation specialist and a civil engineer in the PRMP with qualifications and experience, and on terms of references satisfactory to the Association.			
Name	Recurrent	Due Date	Frequency
Grievance Redress Mechanism	X		CONTINUOUS
Description of Covenant			
The Project Implementing Entity shall establish and thereafter maintain throughout the implementation of the Project: (a) a grievance redress mechanism with guidelines and procedures satisfactory to the Association; and (b) a grievance redress committee with composition and terms of reference satisfactory to the Association.			
Name	Recurrent	Due Date	Frequency
Matching Grants	X		CONTINUOUS
Description of Covenant			
The Project Implementing Entity shall make part of the proceeds of the Financing available to Investors on a grant basis (“Matching Grant”), and pursuant to the eligibility, selection criteria and arrangements set out in the Matching Grants Manual.			
Name	Recurrent	Due Date	Frequency
Safeguards	X		CONTINUOUS
Description of Covenant			
The Project Implementing Entity shall carry out the activities under the Project in accordance with the provisions of the ESMF and RPF, the objectives, policies and procedures thereof, and the social and environmental mitigation measures and monitoring requirements provided therein including any and all plans, acceptable to the Association, developed thereunder			
Name	Recurrent	Due Date	Frequency
Safeguards	X		CONTINUOUS
Description of Covenant			
The Project Implementing Entity shall: (a) prepare, prior to commencement of civil works under the Project for a site, and thereafter implement an ESMP, RAP, including where required a Cultural Resource Management Plan, satisfactory to the Association, (b) not amend, suspend or abrogate any of the provisions of the ESMP, RAP or Cultural Resource Management Plan without the prior agreement of the Association			
Name	Recurrent	Due Date	Frequency
Safeguards	X		CONTINUOUS

Description of Covenant				
The Project Implementing Entity shall: (a) ensure that any technical assistance, market or pre-feasibility studies or plans to be supported under the Project are carried out under terms of reference satisfactory to the Association and (b) ensure that any capacity building activities under the Project are consistent with, and pay due attention to, the Association's Safeguard Policies.				
Name	Recurrent	Due Date	Frequency	
Safeguards	X		CONTINUOUS	
Description of Covenant				
The Project Implementing Entity shall not commence any civil works under the Project until project design and supervision consultants have been appointed, with qualifications and experience and on terms and conditions satisfactory to the Association.				
Conditions				
Source Of Fund	Name		Type	
IDA	Additional Effectiveness Condition		Effectiveness	
Description of Condition				
Adoption of the Project Operations Manual by Project Implementation Entity in the form and substance satisfactory to the Association				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Kamran Akbar	Team Leader (ADM Responsible)	Senior Disaster Risk Management Specialist		GSU18
Haroon Sharif	Team Leader	Adviser		SARVP
Michael Olavi Engman	Team Leader	Senior Economist		GTC06
Rehan Hyder	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist		GGO06
Uzma Sadaf	Procurement Specialist	Senior Procurement Specialist		GGO06
Qurat ul Ain Hadi	Financial Management Specialist	Financial Management Specialist		GGO24
Anwar Ali Bhatti	Team Member	Financial Analyst		SACPK
Danielle Malek Roosa	Counsel	Senior Counsel		LEGES
Faly Diallo	Team Member	Finance Officer		WFALA
Farah Dib	Team Member	Young Professional		GTC07
Hasan Afzal Zaidi	Team Member	Sr Transport. Spec.		GTI05

Huma Zafar	Team Member	Consultant		GSU18
Jorge Luis Alva-Luperdi	Counsel	Senior Counsel		LEGES
Mariam Sara Altaf	Team Member	Communications Officer		SACPK
Monika Sharma	Team Member	Private Sector Specialist		GTCSA
Rahat Jabeen	Safeguards Specialist	Environmental Specialist	Environmental Specialist	GEN06
Rohan G. Selvaratnam	Team Member	Operations Analyst		GFA12
Salma Omar	Safeguards Specialist	Senior Social Development Specialist		GSU06
Shahnaz Arshad	Team Member	Sr Urban Spec.		GSU12
Shahnaz Meraj	Team Member	Program Assistant		SACPK
Sumaira Sagheer Toor	Team Member	Consultant		GSPDR
Vidya Venugopal	Team Member	Counsel		LEGES
Zafar Iqbal Raja	Team Member	Sr Highway Engineer		GTI05

Extended Team

Name	Title	Office Phone	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Pakistan	Punjab	Punjab	X		

Consultants (Will be disclosed in the Monthly Operational Summary)

Consultants Required ?	Consultants will be required
------------------------	------------------------------

I. STRATEGIC CONTEXT

A. Country Context

1. ***Pakistan's economy has gradually progressed from stagnation to growth in the last two years but the country's trade and investment records need substantial improvement.*** The gross domestic product (GDP) per capita (constant 2010 US\$) grew by an average of 1.7 percent per year in the decade ending 2015.¹ The economy was stagnant in 2008-11 on a per capita basis but it has since then increased every year and Pakistan's economy posted a GDP growth of 4.7 percent in FY2015/2016. The country's trade and foreign direct investment (FDI) records are weak. Net inflows of FDI dropped from an average of 2.5 percent of GDP in 2006-10 to 0.5 percent of GDP in 2011-15. The trade deficit has remained large over time. In 2015, exports of goods and services exceeded imports of goods and services by 67 percent. Pakistan could attain a higher economic growth rate if it attracted more productive investment. The China-Pakistan Economic Corridor is expected to improve Pakistan's transport and energy infrastructure and there are high hopes that this mega-project will have a catalytic effect on trade and investment.

2. ***In spite of Pakistan's positive record of reducing poverty a majority of Pakistanis find themselves in vulnerable occupations in the informal sector.*** The poverty headcount ratio (at national poverty lines) fell from 64.3 percent in 2001 to 29.5 percent in 2013. This strong record of poverty eradication is overshadowed by the fact that many Pakistani families live just above the official poverty line. Few citizens have the incentive or can afford to register as unemployed. Thus, only 5-6 percent of the labor force is officially unemployed. But nearly two-thirds of those employed find themselves in vulnerable employment. Approximately four-fifths of the labor force work in the informal economy. In 2015, the labor force participation rate was 56.6 percent and most women remain outside the labor force. The Government of Pakistan (GoP) needs to build a stronger foundation for private sector-led and inclusive growth to generate more jobs.

3. ***Tourism is a large, growing and untapped market that Pakistan could better use to create more and better jobs.*** Pakistan is home to numerous historical, leisure, and adventure sites as well as heritage sites linked to the Indus Valley civilization, a Bronze Age civilization in north-western Pakistan, the Mughal Empire and colonial era monuments. It also hosts many important pilgrimage sites for Buddhists, Hindus, Sikhs and Muslims. In 2014, the direct contribution of travel and tourism in Pakistan was 2.9 percent of GDP and the sector supported 1.4 million jobs.² The total contribution of travel and tourism was 6.9 percent of GDP and the sector supported 3.5 million jobs. This is significantly lower than in South Asia at large: according to the World Travel and Tourism Council, in 2014, the travel and tourism industry in South Asia generated 9 percent of GDP and supported 5 percent of employment. Approximately 40 percent of the world tourism revenue is linked to faith based tourism and this is a market with tremendous potential that Pakistan has hardly started to develop.³ Tourism could be turned into an important income source and engine for employment.

B. Sectoral and Institutional Context⁴

4. ***Pakistan's natural, cultural and heritage assets are extraordinary and the country's travel and tourism sector has been remarkably resilient during difficult times.*** The World Bank's World

¹ The World Bank's World Development Indicators were used to generate the data in paragraphs 1-2.

² WTTC Economic Impact 2015 Pakistan Country report.

³ UN World Tourism Organization.

⁴ UNWTO states that 'tourism' "comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" and the 'tourism sector' "is the cluster of production units in different industries that provide consumption goods and services demanded by visitors." It

Development Indicators highlight that Pakistan's tourism sector—as captured by international tourist arrivals and tourism receipts—has expanded despite continued issues of insecurity. In 1995-2000, the number of tourist arrivals grew by 8 percent annually. The September 11 terror attacks and follow-up security operations had a negative effect on tourist arrivals in 2001-03 (-11 percent). International tourist arrivals then returned to growth and despite setbacks in 2007-08, the compound annual growth rate of international tourist arrivals was 11 percent in 2003-11, with a peak of 1,161,000 tourists reached at the end of that period. Arrivals dropped by 17 percent in 2012 as a result of a series of domestic terror attacks. While 2013 also showed a declining trend, an improvement in national security in 2015-16 is a positive development that may be reflected in an increase in tourist arrivals.

5. *The growth in receipts from international tourism has been relatively strong but it still underperformed GDP growth in the last decade.* In 2003-11, receipts from international tourism grew annually by 8 percent to reach US\$1.13 billion.⁵ By 2014, however, it had declined to US\$0.97 billion, as reflected by a drop in arrivals. Roughly two-thirds of the receipts from international tourism were linked to transport. In 2014, investment in travel and tourism, which captures transport and domestic and international tourism, was 9.2 percent of total investment in Pakistan.⁶ Receipts from international tourism made up 0.4 percent of GDP in the same year; down from 1.0 percent of GDP in 1997. The data seem to indicate that the sectors that rely on tourism and the mobility of people more broadly—such as the transport sector, accommodation and hospitality sectors—have done relatively well. A majority of Pakistan's international visitors belong to the diaspora and visit for family reunion and business reasons. The market segment that caters specifically to international leisure tourism may on the other hand have lost out during the last two decades.⁷

6. *Spending on travel and tourism is predominantly linked to domestic leisure tourism and Pakistan's travel and tourism sector is catering more to the outbound than inbound market.* In 2014, leisure travel and business travel (domestic and outbound) generated 83 percent and 17 percent, respectively, of spending in the travel and tourism sector.⁸ While business travel grew faster than leisure travel in 2015, the leisure travel category is expected to grow slightly faster than business travel—5.5 percent per year versus 5.1 percent per year—in the coming decade.⁹ Domestic tourism generated 92 percent of revenue in the sector compared to 8 percent for foreign visitor spending. Expenditure on outbound travel exceeds visitor exports by 2:1 and almost all travel agencies and air transport companies consulted in Lahore and Islamabad focus almost exclusively on promoting outbound tourism. Promotion of inbound tourism is currently targeted at particular niche markets largely catering to cultural and heritage tourism.

7. *The key challenge to the development of tourism in Pakistan is international perceptions of insecurity.* Recurrent violence and instability in the region have had a strong negative impact on inbound tourism in Pakistan. High profile terror attacks on Pakistani soil have also deterred international tourism. National security has improved in recent years due to great efforts by the government. In particular, the army's continued presence in all regions of Pakistan and a crackdown on violent groups have led to a reduction in attacks. Nevertheless, high profile terror attacks on soft targets like schools and religious

includes transactions linked to transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses and other hospitality services.

⁵ The data in this paragraph come from the World Bank's World Development Indicator database.

⁶ WTTC Economic Impact 2015 Pakistan Country report.

⁷ There is a shortage of data linked to tourism both at the national and provincial levels. Data definitions tend to be crude and aggregate, and there are significant lags between collection and publication.

⁸ WTTC Economic Impact 2015 Pakistan Country report.

⁹ Ibid.

minorities still takes place. A continued improvement in the security environment will certainly have a positive effect on the tourism sector.

8. ***The governance of most tourist sites remains complex and requires reform.*** Historical sites are managed by various entities; some sites are with the Archaeology Department, some are managed by the Auqaf Department, a few fall under the domain of Municipal bodies whereas a number of sites remain under private ownership. The Archaeology Department regulates 402 sites, including 142 under its direct control whereas the remaining are private properties. Of these, 140 are regulated through the Antiquities Act 1975, amended after the 18th Amendment as the Antiquities (Amendment) Act 2012, whereas the remaining 362 fall under the purview of the Punjab Special Premises (Preservation) Ordinance, 1985. The Auqaf Department established under Punjab Waqf Properties Ordinance, 1979, manages 24 important Mosques and 37 Sufi shrines across the province. Some of the religious and cultural sites, according to the Evacuee Trust Properties (Management and Disposal) Act 1975, are the primary responsibility of the Evacuee Trust Property Board (ETPB), which is a federal authority.¹⁰

9. ***Overlap of tourism management functions between federal and provincial government still needs clarity.*** After the 18th constitutional amendment, the tourism, culture, archeology, youth affairs and sports functions were devolved to the provinces, including the Tourism Services Department (TSD) of the Ministry of Tourism. However, some tourist sites remained in the federal domain. The provinces control their own tourism development corporations but the Pakistan Tourism Development Corporation (PTDC) remains in operation under the federal Ministry of Information, Broadcasting and Cultural Heritage (MoIB). The future of assets owned by the federal tourism ministry is yet to be decided. The Islamabad TSD has been mapped to the Ministry of Capital Administration and Development (CAD). The Punjab TSD is part of the provincial Department of Youth Affairs, Sports, Archaeology and Tourism, which operates independently of the Tourism Development Corporation of Punjab (TDCP). Customs, aviation and immigration remain under the Federal Government. An effective tourism promotion program would require coordination and dialogue between these public institutions and the business community.

10. ***Hotel developers and tour operators argue that federal and provincial government-owned companies and agencies crowd out private investment.*** Tourism-related services are underdeveloped and some niche markets are dominated by state-owned agencies. The private sector wants the public sector to facilitate and promote private tourism development rather than control and manage assets and activities that could be delivered by the private sector in coordination with public sector. Relatively few citizens derive their main livelihoods from tourism around touristic sites, though some Sufi shrines currently yield substantial economic benefits to local populations. A facilitative regulatory environment coupled with the private sector capital, the relevant expertise and necessary business networks to build sustainable businesses that can realize the potential of the sector. For example, the private sector has currently a very limited role, and influence, in catering to the market for pilgrimage tourism, which is dominated by the ETPB. The TDCP is running everything from guided bus services to an extensive and expanding hotel network. The Government of Punjab (GoPb) is currently developing a Tourism Policy to provide a clear vision of private sector-led inclusive growth in the tourism sector.

11. ***Investors in the tourism sector are also concerned about site specific infrastructure, availability of skills and the implementation of rules and regulations in the sector.*** The infrastructure around many sites is underdeveloped, including access roads, road-side facilities, parking, pedestrian areas and boarding and lodging facilities. There is a severe shortage of accommodation facilities for visitors during major

¹⁰ The Board controls and manages 109,404 acres of agricultural land and 46,499 acres of built-up urban sub-units in accordance with the "Scheme for the Lease of Evacuee Trust Agricultural Land, 1975" and the "Schemes for the Management and Disposal of Urban Evacuee Trust Properties, 1977". Evacuee Trust Properties are attached to charitable, religious or educational trusts or institutions.

festivals having an economic potential of PKR 1.75 billion for Lahore city. Some of the sites have been neglected and require restoration. The ETPB has a vision for some sites but the plans need to be refined, anchored locally and adequately financed. Coordination and a shared vision between the GoPb and the ETPB is needed to execute these plans effectively. Private investors highlight the need of a pro-market tourism policy and incentives to support their investment plans. They are requesting more clarity with regards to opportunities for public-private partnerships, access to land, permit and license requirements, etc.

12. *Tourism development is a priority both at the federal and provincial levels and the World Bank has worked closely with the GoPb in assessing the sector.* The GoP and the GoPb both target tourism development as a means to generate more jobs and to promote regional cooperation. In 2014, the GoPb requested support from the World Bank Group (WBG) to produce a series of studies to assess the potential of the sector. The analytical work and consultations conducted until date highlight that a stronger historical, leisure and cultural and heritage tourism sector, supported with a well targeted marketing and communication campaign, would not only help promote economic development and better protect the country's cultural heritage but also help project a softer image of the country and its most populous province.

13. *There is proven private sector interest to invest in new accommodations and improved infrastructure and logistics services linked to tourism.* A combination of inadequate responses by concerned authorities and regulatory burdens impede progress. In particular, new hotel investments are likely to materialize if the GoPb facilitates the investment approval process.

14. *There is strong interest in the GoP and the GoPb to implement a tourism project and the private sector and civil society are strongly supportive of this.* The Chief Minister of Punjab established a Steering Committee on July 7, 2015, to oversee tourism, especially cultural and heritage aspects, and its promotion in the province. It is chaired by the Minister of Tourism and comprises senior representatives from the Planning and Development Department (P&DD), Tourism, Archaeology and Youth Affairs, Home Affairs, Finance, Construction and Works, the TDCP and a Member of the Punjab Assembly. Two private sector representatives have also been invited to join the committee. A sub-committee was formed in November 2015 with key focal points from the TDCP, the ETPB and District Coordination Officers (DCOs). The DCOs serve as lead persons for the sites in their areas. Finally, the GoPb has also recently set up an Advisory Council comprising distinguished professionals (including both men and women from the private and public sectors) to oversee the overall policy related to the promotion of tourism and project implementation. These proactive initiatives show a commitment to turn this project into an effective vehicle for tourism development.

15. ***The project would help strengthen the governance and institutional capacity of the province to promote and leverage private participation in order to realize the economic potential of the sites for the benefit of local populations.*** The WBG financed the preparation, through a trust fund, of a new Tourism Policy of Punjab in FY17 Q1-2 and the IDA credit will support the implementation of this policy. The project will enable the private tourism sector to lead the development of the market and ensure that public institutions facilitate rather than impede this process while fulfilling their respective mandates. It will aim to put in place a solid foundation for private sector participation to drive tourism development. The ultimate rationale of WBG engagement is to ensure that local populations get a fair chance to participate in this process through improved service delivery, better skills development opportunities, stronger governance, and a more prominent say in local development plans with a special focus on improving female labor force participation.

C. Higher Level Objectives to which the Project Contributes

16. The WBG's Country Partnership Strategy (CPS) for FY15-19 is anchored in the GoP Development Agenda, which is centered on four pillars: energy, the economy, extremism and education; and long-term priorities in Pakistan's Vision 2025, which aims to boost economic growth, job creation and regional cooperation in addition to bolstering the country's image abroad—in particular through tourism development. The Project will support one of the CPS's four main results areas, which aims to strengthen private sector development. In particular, the Project will support the CPS objectives of expanding support for strengthening the business environment, including in the provinces, to improve competitiveness and expand investment, and create productive and better jobs. It will contribute to key CPS outcomes by restructuring one state-owned enterprise and increase the number of trainees in skills programs. Finally, the Project will support the Punjab Growth Strategy 2018 and three of its seven key objectives: (i) increasing private investment; (ii) creating more quality jobs; and (iii) training more skilled graduates.

17. The project will focus primarily on putting in place a stronger foundation for private sector participation in the tourism sector, including through the new Tourism Policy framework, institutional reforms, improved governance, sector coordination, destination management and improved access and tourist facilities. The nascent tourism sector in Punjab is potentially a large niche market that will be developed to demonstrate the benefits that the sector can offer the local economy. An additional financing could be discussed at a later stage if the GoPb wants to deepen its interventions and finds itself in a position to attract and realize much larger private investments, given the more conducive investment climate, and scale up training of, in particular, youth and women to meet an expected increase in the demand for labor. The IDA credit of US\$50 million and counterpart funding of US\$5 million will finance subjects covered by the Punjab Provincial authorities and coordination efforts between the federal and provincial levels.

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

18. The Project Development Objective (PDO) is to strengthen institutional capacity, increase private sector participation and improve infrastructure services in support of the tourism sector in the Province of Punjab.

Project Beneficiaries

19. The main Project beneficiaries are: (i) firms in the tourism sector benefitting from lower transaction costs and a more conducive investment climate, improved infrastructure and access to a better trained workforce; and (ii) individuals and households benefitting from training programs and improved infrastructure services, including women (disaggregated). Benefits are expected to accrue to both existing

firms (e.g. through strengthened sector governance) and new firms (e.g. through improved market access). In the long-term, the project is expected to have a positive effect on job creation and overall economic growth in Punjab.

PDO Level Results Indicators

20. The achievement of the PDO would be measured by the following PDO results indicators:

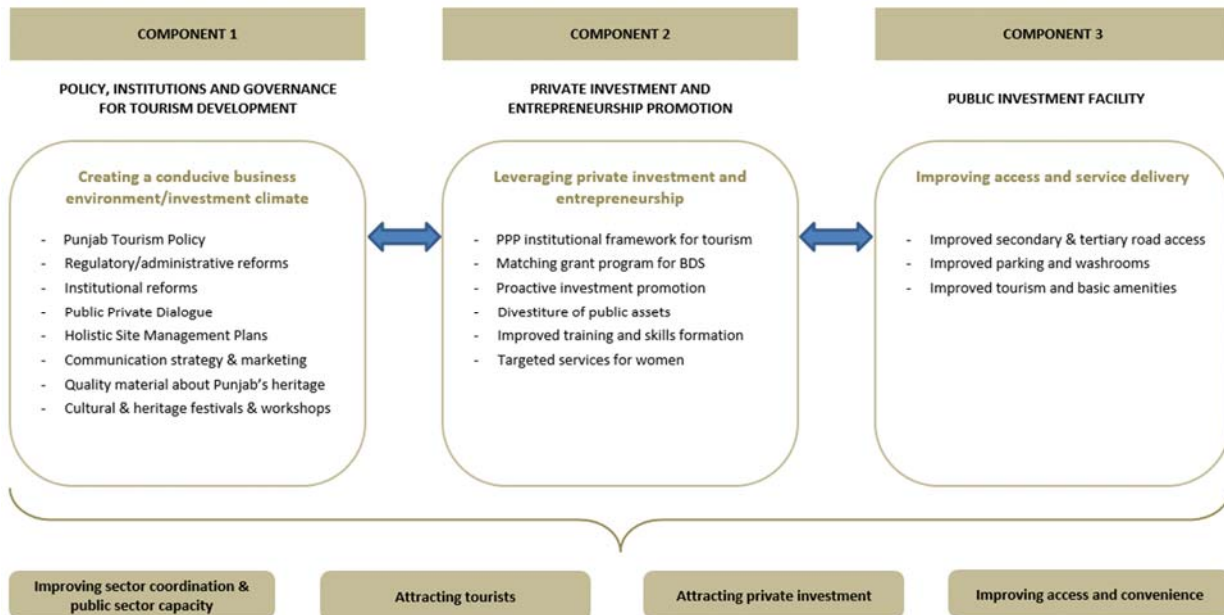
- i. Increased number of visitors to the targeted sites;
- ii. Number of reforms implemented (as outlined in the Punjab Tourism Policy);
- iii. Amount of private, tourism-related investment facilitated;
- iv. Number of direct project beneficiaries (gender-disaggregated).

III. PROJECT DESCRIPTION

A. Project Components

21. The Project will have four components: (i) ‘Policy, Institutions and Governance for Tourism Development’ for better policy and sector coordination, public governance, and knowledge/outreach; (ii) ‘Private Investment and Entrepreneurship Promotion’ to encourage private participation and leadership in the development of the sector and the emergence of a better trained workforce; (iii) ‘Public Investment Facility’ to strengthen infrastructure services that can improve access and support facilities to and around the sites; and (iv) ‘Project Management, Monitoring and Evaluation’ for daily implementation activities (see Figure 1). The following section presents the broader objectives that the project will seek to achieve (see Figure 2 in Section VII for a Results Chain) while Annex 2 presents a detailed breakdown of the activities that the project will finance under each component. Annex 5 presents a map of the province and the location of selected sites that the activities will primarily target, including sites of historical importance for Buddhism, Hinduism, Islam and Sikhism.

Figure 1: Project Structure



Component 1: Policy, Institutions and Governance for Tourism Development (US\$11mn)

22. The first component will address market failures linked to sector coordination failures, uncompetitive markets and legacy information failures. The project activities will support implementation of the new Tourism Policy by: (i) reforming and strengthening public institutions mandated with sector regulation and governance aimed at improving market competition; (ii) improving tourism data collection and strengthening sector coordination between federal, provincial and local authorities, including relevant authorities, and tourism industry associations, religious institutions and civil society; (iii) improving management and the protection of sites; and (iv) improving the quality of information about the sites, their cultural significance, and facilities within and around the sites that can be accessed by visitors. A tourism promotion and marketing campaign will also project a nuanced view of the security risks in the Province of Punjab. A formal communication strategy will also address information bottlenecks at the service delivery level that affect how the potential target audience perceives information about tourist sites, interact and engage with different aspects of service provision in the tourism industry in Pakistan, e.g. ensuring awareness and visibility of tourist infrastructure, security, hospitality facilities and amenities that are specially sensitive to women's needs around the specific sites.

Component 2: Private Investment and Entrepreneurship Promotion (US\$10.0mn)

23. The second component will address pockets of uncompetitive markets as well as missing markets associated with public ownership of commercial properties and services. It will promote positive externalities linked to people-to-people contact and a better informed local population. The project activities will address: (i) weak capacity for facilitation and promotion of private investment in the tourism sector; (ii) insufficient options and quality of training in tourism-related institutes of learning; (iii) weak cooperation and product coordination between tourism and other important market segments; and (iv) entry barriers affecting women entrepreneurs and female labor force participation. For example, the main festivals attract large numbers of visitors that the hospitality industry cannot serve despite the fact that the numbers are subdued due to considerable access barriers. A more strategic, coordinated and a gender responsive private sector-led approach to tackle marked seasonality would help generate more sustainable businesses. The targeted private sector will be encouraged to sign the Women's Empowerment Principles (WEPs)¹¹ to improve their business practices by allowing more women to be part of the workforce at all levels.

24. Targeted communications and engagement activities will facilitate dialogue among provincial authorities and private sector players, including participation from local hospitality, tourist infrastructure, service providers, entrepreneurs and practitioners from creative and culture heritage industries. A consultative process will engage key sector players through seminars and workshops to facilitate ideas for promotion, investment and local entrepreneurship in tourism including ensuring greater female labour force participation. Coordination mechanisms will be developed with the Women Development Department (WDD), Punjab Commission on the Status of Women (PCSW), the Local Government and Community Development Department and Social Welfare Department to increase women's employment rates, create conducive work environment for their retention as well as facilitate establishment of new businesses owned by women.

Component 3: Public Investment Facility (US\$30mn)

¹¹ The WEPs provide an important and targeted tool for building strong partnerships with the private sector to advance gender equality and women's empowerment. The WEPs are a set of principles for businesses, offering guidance on how to empower women in the workplace, marketplace and community. See URL: www.WEPsprinciples.org

25. The third component will provide public goods to improve access to the historical, leisure, cultural heritage sites and reduce negative externalities such as over-crowding and site-specific environmental degradation. The project activities will seek to address: (i) poor access to some sites (access roads, parking, and select border facilities); (ii) health and safety concerns for visitors, especially women; and (iii) potential strains on basic infrastructure and services resulting from a projected increase in the number of visitors, especially female visitors. It will finance technical assistance, equipment and works to improve secondary and tertiary road access, upgrade and build new parking areas, and install tourist and family friendly facilities along the main transport network and near the sites (but not within any of the sites/compounds themselves). The project will collaborate with the Punjab Commission on the Status of Women (PCSW) and the Punjab Safe Cities Authority to address women’s safety concerns including promoting harassment free environment for the staff and tourists.

Component 4: Project Management, Monitoring and Evaluation (US\$4mn)

26. The fourth component will finance a Project Management Team (PMT) in charge of project management and daily implementation of project activities, including procurement, financial management, safeguards management, monitoring and evaluation (M&E), communications, community outreach and stakeholder consultations. It will also finance TA to embed international expertise to prepare and monitor implementation of activities on a needs basis. A support program will be tailored to improve implementation capacity and a specific training program will be developed to build the capacity of staff to understand how growing tourism affects women, specifically focusing on factors that facilitate female entry into the labor force and promote female enterprise development. Training will involve local communities and the private sector to facilitate grassroots-level initiatives and encourage partnerships. It will also cover sustainable development issues in order to promote a shared understanding of the social and economic dimensions of the project.

B. Project Financing

Project Cost and Financing

27. The lending instrument for the project is Investment Project Financing (IPF) with a single borrower. It will be implemented over five years and three quarters (May 15 , 2017 until December 31, 2022). An additional financing may be considered at the mid-term review if there is client demand and satisfactory implementation progress.

28. The overall project cost is US\$55 million. Total financing through the IDA Scale Up Facility credit amounts to US\$50 million. The Interest charge will be fixed at 3.20 percent per annum on the withdrawn balance of the Credit and be repayable over 24 years including a grace period of 5 years. The frontend fee of US\$125,000 of the amount of the Credit will be capitalized and paid out of the Credit.

29. The GoPb will contribute US\$5 million as counterpart funding, which will be primarily utilized for financing salaries of government officials working on the project, improved operations and maintenance of infrastructure assets, acquisition of land, and resettlement, if applicable, and other safeguards related costs. A summary of project costs, IDA financing, and percentage IDA financing contribution to project costs, is provided in the table below.

Table 1: Indicative Costs by Component (US\$ million)

Project Components	Project cost	IDA Financing	% of IDA Financing
Component 1: Policy, Institutions and Governance for Tourism Development	11.0	11.0	100
Component 2: Private Investment and Entrepreneurship Promotion	10.0	10.0	100
Component 3: Public Investment Facility	30.0	27.0	90
Component 4: Project management, monitoring, evaluation	4.0	2.0	50
Total Costs	55.0	50.0	90.9
	Total Project Costs	55.0	
	Total Financing Required	55.0	

C. Lessons Learned and Reflected in the Project Design

30. Project design and implementation lessons draw on experiences in WBG financed tourism projects in countries such as Colombia, Georgia, Lebanon, Madagascar, Mali, Myanmar, Nepal, Sri Lanka, and Tajikistan covering areas such as urban regeneration, cultural heritage and protection, hotel and resort development, airport development, PPPs in nature reserves, and various forms of technical assistance and advisory services to governments and SMEs.¹² Some of the main principles that guide the design and implementation arrangements are as follows:

- a. **Collaborative and coordinated efforts of the public and private sectors are essential to develop the tourism sector.** Tourism development is cross-sectoral and effective design requires collaboration across multiple boundaries such as urban planning, transportation, skills, private sector participation and across diverse agencies at the local, state and national levels. The private sector is particularly central to tourism development. A project’s institutional arrangements need to ensure the collaboration among diverse public, private and civil society stakeholders, including leaders of religious communities when relevant. The project needs to equip the state and local authorities with strategic communication and change management tools for building trust, collaboration and leveraging the private sector and communities.
- b. **Involve local authorities in project preparation and implementation to build ownership.** A crucial lesson learned through tourism and cultural development projects is the need to involve municipalities (with representation from both women and men) early on and set reasonable expectations of their capacity and support them with targeted technical and managerial support. This is to ensure that the activities of the project will be owned by local authorities, integrated in development plans, and focused on inclusive development.
- c. **Adopt a holistic approach to promote inclusive outcomes.** Tourism sector projects can lead to sustainable and inclusive outcomes if an integrated approach to economic development is adopted. The likelihood of success and the potential economic impact of tourism interventions increase when they are part of a broader economic development strategy, rooted in local communities, supported by SMEs, and reflective of the local culture. Projects that focus on tourism-related investments have

¹² In 2014, the global IDA and IBRD portfolio included 64 active and pipeline lending operations—where tourism was either the main purpose of the operation or a component—worth US\$1.3 billion. The corresponding ASA portfolio was US\$4.8 million. In addition, IFC investments in tourism (hotels and related infrastructure) totaled US\$1.2 billion and 17 advisory projects with a value of US\$16 million.

generally led to positive economic outcomes both at the local and national levels. Tourism projects can promote gender responsive economic growth opportunities for local communities that can improve women’s labour force participation. Promotion of women owned enterprises in the tourist industry ensures women’s representation at all tiers than just at the clerical level or in the services industry.

- d. ***Invest in shared service delivery to increase the attractiveness of a location for investors and render private investment accepted by local communities.*** The benefits of investing in “livability”, especially in historic areas, can generate high returns, as concluded in the recent ‘Economics of Uniqueness’ published by the WBG. A city’s conserved core can differentiate it from competing locations—nationally and internationally—and thus render it more successful in attracting investment. Locations that successfully attract investment and businesses to meet citizens’ aspirations, while promoting social inclusion, are those that harness all their resources, including their heritage.
- e. ***Local investors are experts at identifying and securing land title for hotel developments but local governments can help by concessioning public land.*** Many projects that seek to promote the tourism sector invite bids from the private sector to develop public land. Private investors often identify and secure land for tourism developments without local government involvement but this is not necessarily the case in fragile situations or for foreign investors.
- f. ***Integrate financially sustainable solutions to tourism development.*** Introducing entrance fees and the like for tourists is acceptable and useful if the revenue is managed locally and reinvested in enhanced services. Spending on tourism marketing and promotion needs to be strategic. The public and private sectors should collaborate in the management and branding of sites. Private hotels, tour operators, transport companies, and industry associations are often effective tourism promoters and the government can contribute by supporting outreach by inclusive private partners.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

31. A PMT will be anchored in the Punjab Resource Management Program (PRMP) under the P&DD, which coordinates all development policy programs in the Province of Punjab. This arrangement is due to the complex coordination role, the policy articulation role, and the strategic communication associated with the project. The GoPb has appointed the Head of PRMP as chief counterpart for the Project and she/he will initially be supported by a Deputy Director and two consultants in the sub-unit to coordinate implementation with the relevant line departments. The PMT is also hiring a full-time Team Leader and specialists in financial management, procurement, environmental and social safeguards, M&E and project planning and development. PRMP will also hire a civil engineering specialist within six months of effectiveness of the project with qualifications and experience, and on terms of references satisfactory to the Bank. Deputy Commissioners at the district level will be responsible for execution of site specific activities.

32. The Chairman of the P&DD Board will chair a Project Steering Committee (PSC), to act as advisory council for policy guidance and executive direction, and have the responsibility for coordination with the federal government. The PSC will comprise members from the GoPb, the private tourism sector and civil society (with representation from Women Development Department (WDD) or Punjab Commission on the Status of Women (PCSW) to ensure women’s concerns are taken into account). At the operational level, the Secretary of P&DD will provide guidance and support to the PMT and empower PRMP for effective coordination among provincial departments.

B. Results Monitoring and Evaluation

33. The PMT will hire an M&E Specialist who will ensure that all necessary data are collected and presented on a regular basis to facilitate monitoring and evaluation. The M&E Specialist will also ensure that data collected is gender disaggregated. The task team will evaluate implementation progress during semi-annual implementation support missions. The PMT will circulate periodic reports, including financial management reports on a quarterly basis, and procurement plans on a semi-annual basis for approval. The PMT will collect the data from (i) regular statistical reports from government agencies on investment and enterprise registration, and (ii) enterprise and site surveys, as needed, where official statistics sources are lacking. There is currently modest capacity for capture of tourism-related data and one of the main priorities during the first year of project implementation is to develop and execute a long-term plan aimed at strengthening the capacity within existing institutions to produce quality data (which is also a results indicator in itself). The cost of this activity will be covered by Component 4.

C. Sustainability

34. The GoPb is articulating a Tourism Policy as part of project preparation and it is expected that it will be submitted by March 30, 2017, to the Cabinet for approval. The GoPb has been engaged throughout the implementation of the analytical agenda that underpins the project. To ensure the integrity and sustainability of the project investments, and given the lessons learned from similar projects elsewhere, the project has a strong focus on: (i) supporting the implementation of the new Tourism Policy centered on private sector-led tourism development; (ii) institutional capacity building; and (iii) coordination between public authorities, industry associations and private firms, and civil society. In addition, the project will focus on strengthening women's participation to the extent possible. This will strengthen the vision, administrative capacity, and private leadership to ensure that interventions are coherent and transparent, and targeting investment decisions that will have a positive contribution to the project's development objectives. Investments in skills formation and training, gender sensitive support activities, and shared facilities will ensure that local communities benefit from the tourism-related investments. The support activities around the heritage sites will seek to integrate financially sustainable solutions to tourism development and site maintenance.

D. The Role of Partners

35. The Government of Punjab has requested UNESCO to support the project through improved documentation of cultural heritage sites, training for responsible and professional tourism management and improved governance of heritage sites. UNESCO is also considering new World Heritage Sites in Punjab. The UNESCO Partnership component will be designed to complement and strengthen the project deliverables. The international guidelines set by UNESCO's 1972 'Convention on the Protection and Promotion of Cultural and Natural Properties' and the '2003 Convention for the Safeguarding of the Intangible Cultural Heritage' provide useful frameworks for cultural heritage development within Pakistan. The Government of Punjab intends to contract UNESCO directly under the project.

V. KEY RISKS

36. The overall risk for this program is rated **Substantial** due to 'Political and Governance', 'Technical Design of Program', 'Institutional Capacity for Implementation and Sustainability', and 'Stakeholders' risks (see Table 2). The specific focus on provincial matters helps to greatly reduce project complexity and associated risks of over-reach. The relatively modest loan amount reduces the project's overall exposure to country risk for sector development.

37. 'Political and Governance' risk is rated Substantial largely due to the large number of government departments and agencies that cover the tourism sector, including public control of historical, cultural and

heritage assets and the public provision of services directly to tourists, which will give rise to institutional resistance to change. This complexity is amplified because of federal mandates affecting the tourism sector and that the project cannot directly cover. Strong focus on coordination and continuous engagement at all levels, including through the PSC, will help mitigate this risk.

38. ‘Technical Design of Program’ risk is rated Substantial because GoPb has limited experience of promoting private investment in the tourism sector in a facilitating and proactive manner. The design assumes that the project will oversee successful implementation of a number of institutional and regulatory reforms outlined in the new Tourism Policy. With regards to foreign visitors, some project outcomes rely on (at a minimum) a status quo in terms of the security environment and a continuation in the current tourism visa policy. An uncertain security environment coupled with geo-political tensions and stringent visa rules and procedures do deter tourist arrivals. While security and visa policy and administration (federal subjects) go beyond the scope of the Project, it will support efforts by the GoPb to raise awareness through research and advocacy. Strong ownership at the top in PRMP and the adoption of a new private sector friendly Tourism Policy will help reduce this risk.

39. ‘Stakeholders’ risk is rated Substantial because the PMT will be required to coordinate and cooperate with several federal, provincial and district authorities in addition to site and community level stakeholders. Coordination will be a challenge: for instance, the ETPB is a federal entity that is responsible for the management and disposal of evacuee trust properties and management of pilgrim visits—from visa clearance to transport, boarding and lodging, as well as maintenance of donations received from devotees jointly with religious minorities’ committees. Most of the Gurdwaras and temples fall in the jurisdiction of ETPB and most of the historical sites are maintained by the Archaeology Department, whereas roads, tourist facilities, transport and law and order are provincial subjects. Besides institutional fragmentation and coordination risks, there will be a resistance from vested interests within the administration to a transition from a state-led to a private sector-led delivery of tourism services. TDCP and ETPB in particular will react to such a policy shift. To mitigate these risks, the project will rely on high-level political ownership and strong private sector constituency. A collaboration with UNESCO will help navigate civil society concerns and a strong communication strategy will ensure transparency.

40. Finally, ‘Institutional Capacity for Implementation and Sustainability’ is rated Substantial because there is limited experience and capacity within the GoPb for private sector led tourism development. The new Tourism Policy is providing vision and direction for the project and project activities are largely designed to deliver on this new government agenda.

Table 2: Overall Risk Rating and Explanation of Key Risks

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

VI. APPRAISAL SUMMARY

A. Economic Analysis

41. An economic analysis was prepared to estimate expected economic returns given the scope and ambition of the project. Ultimately, the objectives of the interventions are not only to generate economic benefits of the measurable kind but also to protect selected sites, promote people-to-people contact, promote a softer image of Pakistan abroad, and prepare the ground for the large inflow of tourists that could be expected if the security situation continues to improve and visa requirements are relaxed in the future. Many of the cultural and heritage sites in Punjab are religious. Survey results indicate that cultural and heritage tourism would take off if foreign visitors have easier access to the sites.

42. The rationale for public sector financing is linked to: (i) the focus on addressing market failures identified under each component; (ii) the focus on crowding in, rather than crowding out, private investment; (iii) the public interest of protecting Punjab's cultural and historical heritage; and (iv) the economic benefits that would accrue to the public, in particular local communities, who would benefit from new employment opportunities thanks to private investment crowded in through public investments, facilitation, and promotion. Based on consultations with private investors there is no indication that the private sector would invest without a more investment friendly public administration, stronger sector coordination and outreach, and investments in public goods like access roads and tourism amenities with stronger management of the cultural and heritage sites. The GoPb has stated that besides financing, the provincial administration is in particular looking to the WBG's value addition in terms of its ability to: (i) support a holistic approach to cultural and heritage tourism development; and (ii) bring international best practice perspectives and expertise to tourism development with focus on inclusive development.

43. The analysis predominantly looks at benefits from facilitating access to sites that attract regional, international, and domestic tourists. It does not assume a significant relaxation of bilateral visa protocols signed with various countries during the course of the Project. Pakistan's visa policy is beyond the scope of this Project and it is hence a conservative analysis that assumes a slow and gradual facilitation of visa administration. The main project benefits are in the form of additional visa fees, hotel taxes, fiscal revenues, donations to cultural sites, and most importantly wages from additional employment. The table below summarizes findings in two different cases (a base case and a more conservative moderate case) for three scenarios which build on each other. Two conclusions are worth highlighting: first, even a modest improvement in the access to the sites could generate a positive return on the proposed public investment using a discount rate of 10 percent; and second, facilitating access for regional tourists would improve the return on investment significantly.

**Table-3: Economic impact of the project under various scenarios
(Net Present Value (NPV) and Economic Rate of Return (ERR))**

BASE CASE	NPV	ERR
Scenario 1: International visitors	\$ 13,335,404	15%
Scenario 2: International and local visitors	\$ 34,499,013	22%
Scenario 3: International, local, and regional visitors	\$ 64,542,958	30%

MODERATE CASE	NPV	ERR
Scenario 1: International visitors	\$ 715,525	10%
Scenario 2: International and local visitors	\$ 18,020,393	17%
Scenario 3: International, local, and regional visitors	\$ 41,832,210	24%

Source: Task team calculations.

B. Technical

44. The project has been designed based on extensive consultations with private sector representatives from the transport and tourism sector and central and provincial government officials. The task team commissioned surveys of target groups among potential foreign communities in ten countries to identify both strengths and weakness of the Punjab tourism market as well as to measure the prospective economic impact that a boost in tourism arrivals could generate. Extensive analytical work was also prepared in this process.

45. First, the task team consulted local authorities and private sector representatives in Lahore and a large number of rural areas with heritage sites. Roundtable discussions were held with civil society representatives and different sub-sectors in the private sector in addition to government authorities at the federal, provincial and local levels. Second, the task team organized workshops and conferences in Lahore, including with foreign tour operators, and a study tour to Sri Lanka to study the experience and organization of their successful tourism sector. Lessons learned, issues and priorities were identified and documented. Third, the WBG task team included specialists from the Agriculture GP, the Trade & Competitiveness GP, the Transport and ICT GP, Governance GP and the Urban GP to ensure that the holistic approach is backed up by a cross-sectoral team.

46. The rationale for the agreed interventions and structure of the IPF is that Punjab's tourism sector can only develop if GoPb facilitates and promotes greater private participation and competition in the provision of hospitality-related services. The public sector has a critical role to play in facilitating this process. Only private capital, networks and expertise will be able to turn Punjab's cultural heritage into an engine for trade and investment, and by extension job creation.

C. Financial Management

47. The Project will be executed by a dedicated PMT in PRMP that acts as implementing and coordinating agency. PRMP has prior experience of implementing WBG funded projects like the Punjab Public Reform Management Project and the Punjab Jobs & Competitiveness Project. It is thus familiar with fiduciary and reporting requirements. However, PRMP has no prior experience in maintaining and operating a designated account and reporting under an IPF. Further, strengthening governance is essential given the multi-sectoral dimensions of the Project and fragmented sector coordination within the government. FM staff capacity at PRMP needs to be strengthened by engaging a financial management specialist and the establishment of an internal auditing function in the PMT. Outsourcing internal audit function in a timely manner to mitigate risks pertaining to accounting and internal controls is an option. See further FM arrangements for the Project in Annex 3.

48. A separate designated account will be opened for the Project in accordance with agreed procedures for operation and maintenance of the designated account issued by the Finance Division of the Ministry of Finance (GoP). It will receive funds for the WBG's eligible share of financing. Funds will be front loaded to the respective designated account based on the cash forecasts for the following six months provided in Interim Unaudited Financial Reports (IUFRs). The PMT will submit semester IFRs within forty-five days of the close of the semester. The Project will also be subject to an annual audit by the Auditor General of Pakistan. Audited project financial statements shall be submitted to the Bank within six months of the end of each financial year. There is no ineligible expenditure with the implementing entity. All audit reports due for ongoing WBG projects managed by PRMP have been received up until FY15-16.

D. Procurement

49. Overall procurement risk is rated Substantial. All procurement will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers January 2011 revised July 2014"; and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers January 2011 revised July 2014". The World Bank's standard bidding documents for procurement under International Competitive Bidding (ICB), and sample bidding documents for procurement under National Competitive Bidding (NCB) which are already being used on other projects financed by the WBG in Pakistan, will also be used for procurement of Goods and Works under the Project. The WBG's Standard Request for Proposal (RFP) document will be used in the selection of consulting firms.

50. The project's components will be implemented by the PRMP, which is conversant with the WBG's fiduciary requirements for a Program for Results (PforR) Project. The fiduciary performance of the ongoing PforR is rated Moderately Satisfactory. Several risk mitigation and capacity enhancement measures were agreed in previous projects. PRMP did not have enough in-house procurement support so it was agreed that existing teams will work alongside a specialist initially for two years. Two procurement specialists in addition to a contract administration specialist with IT background were also hired. The appraisal mission confirmed institution of realistic procurement planning and implementation cycle keeping in view the external constraints; trusted complaint management process; dependable dispute resolution mechanisms and firm debarment procedures. There is also a need for building robust contract management and monitoring capacity.

E. Social

51. The project is assigned as **Category B** since the planned civil works could lead to some social impacts, including resettlement, but the impacts are mainly on livelihoods and growth in tourism. A Resettlement Policy Framework (RPF) has been prepared and Resettlement Action Plans (RAPs) will be prepared for relevant sub-projects where screening indicates social impact (Involuntary Resettlement OP/BP 4.12 is triggered). Social risks can emerge from a lack of public participation and involvement in sensitive issues around religious sites. The Environmental and Social Management Framework (ESMF) assesses the Physical Cultural Resources (PCR) requirements in a comprehensive manner and guides the preparation of Cultural Resources Management Plans where required.

52. The Project undertook consultations with both women and men during ESMF and RPF preparation. A Consultation Framework was elaborated to ensure inclusion of women in sub-project design as well as general public participation/consultation in planning activities. Several project interventions will specifically benefit women and families such as targeted skills development and training programs, separate restrooms, waiting lounges, etc. Monitoring arrangements will use gender disaggregated data for tracking women's participation and satisfaction with project activities. The Project's Citizen Engagement (CE) strategy includes establishing a Grievance Redress Mechanism (GRM) in the PMT and the project districts. The Project will continue to ensure the disclosure of information A project-specific Grievance Redress Mechanism (GRM) will also be housed in the PMT and all the project districts. The Project's results framework includes an indicator on CE.

F. Environment

53. The Project will finance some physical low-scale interventions to provide improved access, better road conditions and public convenience facilities. The project assessed potential impacts on the environment through the upgrading of secondary and tertiary road access for five heritage sites: Taxila and Toap Mankiala, Rawalpindi; Rori sahib, Gujranwala; Sucha Sauda, Sheikhpura; and Uch Sharif which may have localized and reversible environmental impacts. This also holds for the proposed interventions for public

convenience facilities like the upgrading and building of new parking areas, and installation of tourist and family friendly facilities along the main transport network and near the sites. The development of master plans in Sub-component 1.2 will address similar type of physical interventions. OP 4.01, *Environmental Assessment* is triggered because of the potential negative impacts from the upgrading and rehabilitation of existing roads and public facilities. The project is assigned as **Category B**, due to the limited environmental impacts that could be linked to soil erosion, dust and noise, and social disturbance during civil works. The PRMP agreed to prepare an ESMF for the project including environmental and social impact studies for the select sites to mitigate any negative impact.

54. The ESMF will guide the process and the type of management plans, such as Environmental and Social Management Plan (ESMP), to be prepared after the scope of civil works in initially selected sites has been identified (e.g. access roads and public convenience facilities). The ESMF will outline the site specific ESMP and consider institutional arrangements required to implement the environmental actions and: (i) present monitoring requirements for effective implementation of mitigation measures; (ii) describe training needs and specific reporting and documentation requirements; and (iii) propose a third-party validation mechanism. The site specific ESMP will provide the basis for identifying and costing mitigation measures against adverse impacts of sub-projects, such as proper construction of roads and other public facilities. The GoPb will share the site specific ESMPs with the WBG for review and get final approval before commencement of civil works. The ESMF will be disclosed locally subject to consultations with GoPb on provincial websites, a project website and in the World Bank Infoshop before appraisal.

G. Other Safeguards Policies Triggered

55. OP 4.11 on PCR is triggered because project interventions may potentially impact on the public use and physical integrity of historical buildings of religious significance (see ISDS/PID for more information).

H. World Bank Grievance Redress

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

VII. RESULTS FRAMEWORK AND MONITORING

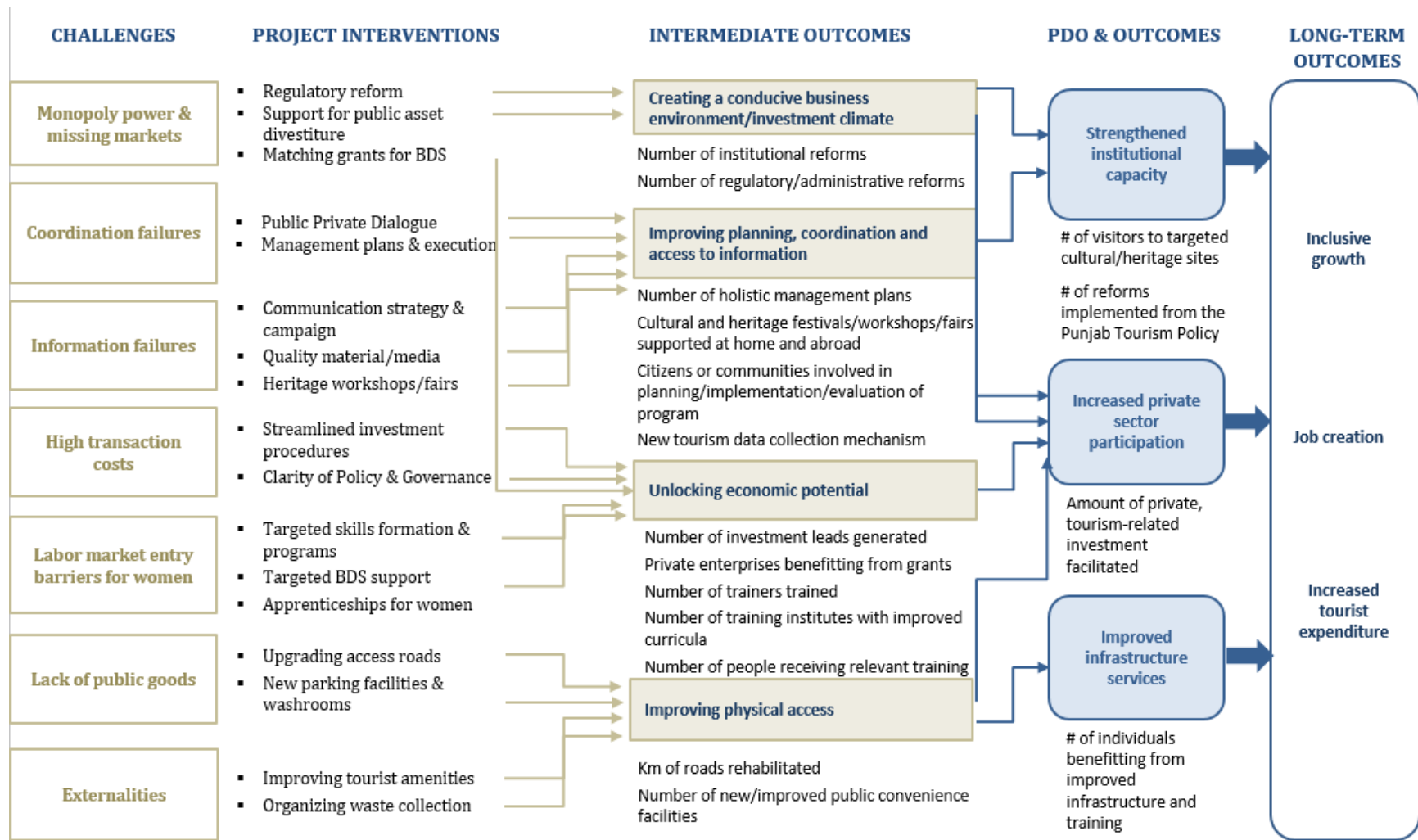
The PDO is to strengthen institutional capacity, increase private sector participation and improve infrastructure services in support of the tourism sector in the Province of Punjab													
PDO Level Results Indicators	Core	Unit	Baseline (2016)	Cumulative Target Values (calendar year)						Freq.	Source	Resp.	Description
				2017	2018	2019	2020	2021	2022				
1. Increase in the number of visitors to the targeted sites ¹³	<input type="checkbox"/>	%	82,000	0	0	10	35	70	100	Annual	Survey	PMT	Recorded number of visitors
2. Number of reforms implemented and associated with the Punjab Tourism Policy	<input type="checkbox"/>	#	0	0	4	5	6	7	7	Annual	DoT	PMT	A reform is defined as a change to administrative procedures or institutions
3. Amount of private, tourism-related investment facilitated	<input type="checkbox"/>	PKR (mn)	0	0	0	200	700	2,000	4,000	Annual	PBIT, PPP unit	PMT	By relevant GoPb tourism or investment promotion authority
4. Number of direct Project Beneficiaries	<input checked="" type="checkbox"/>	# ('000)	0	0	0	50	100	250	275	Annual	Survey	PMT	Covering beneficiaries of training, improved curricula, and improved infrastructure and facilities.
4.a of which are female (percentage)	<input checked="" type="checkbox"/>	%	0	0	0	50	50	50	50	Annual	Survey	PMT	

Intermediate Results Indicators	Core	Unit	Baseline (2016)	Cumulative Target Values						Freq.	Source	Resp.	Description
				2017	2018	2019	2020	2021	2022				
Component 1: Policy, Institutions and Governance for Tourism Development													
1.1 Number of institutional reforms implemented	<input type="checkbox"/>	#	0	0	2	3	4	4	4	Cont.	DoT	PMT	Responding to priorities outlined in the Tourism Policy and/or GoPb policy agenda and supported by Project
1.2 Number of holistic site management plans adopted	<input type="checkbox"/>	#	0	0	0	3	7	7	7	Cont.	PRMP	PMT	For targeted sites
1.3 Regular data collection mechanism for tourism in operation	<input type="checkbox"/>	Yes/No	No	No	Yes	Yes	Yes	Yes	Yes	Cont.	PRMP	PMT	New data collection mechanism designed, adopted, and running

¹³ 2016 Data: Katas Raj: 25,700; Rori Shaib: 19,000; Darbar Sahib: 21,000; Taxila: 16,000; and Toap Mankiala: 1,200

1.4 Festivals/fairs/workshops supported at home or abroad	<input type="checkbox"/>	#	0	0	6	12	18	26	32	Cont.	Line depts	PMT	
Component 2: Private Investment and Entrepreneurship Promotion													
2.1 Private enterprises benefitting from grant funded activities	<input type="checkbox"/>	#	0	0	0	25	50	80	80	Cont.	PRMP	PMT	As supported under Project
2.2 Number of tourism-related investment leads recorded and responded to by relevant authority	<input type="checkbox"/>	#	0	0	10	30	60	100	150	Annual	PBIT/PPP unit	PMT	Hotels, tour operators, transport companies, retailers, catering, etc.
2.3 Number of trainers trained	<input type="checkbox"/>	#	0	0	50	100	300	500	500	Annual	Line depts	PMT	In tourism-related activities
2.4 Number of higher institutes of learning with improved curricula	<input type="checkbox"/>	#	0	0	0	2	3	5	5	Annual	Line depts	PMT	Number of institutions supported
2.5 Number of people receiving training	<input type="checkbox"/>	#	0	0	250	1,000	4,000	10,000	14,000	Annual	Line depts	PMT	In tourism-related activities. Excluding trainers.
2.5.a ...of which women	<input type="checkbox"/>	%	7	0	10	10	10	10	10	Annual	Line depts	PMT	
2.6 Number of apprenticeships/ internships for women supported	<input type="checkbox"/>	#	0	0	0	60	200	300	400	Annual	PSDP	PMT	As supported under Project by Punjab Skills Development Fund
2.6.a ...of which women	<input type="checkbox"/>	%	0	0	0	50	50	50	50	Annual	PSDP	PMT	Ditto
Component 3: Public Investment Facility													
3.1 Roads rehabilitated	<input type="checkbox"/>	km	0	0	0	10	33	50	50	Cont.	PRMP	PMT	Financed by Project
3.2 Number of new or upgraded public convenience facilities	<input type="checkbox"/>	#	0	0	0	8	16	24	24	Cont.	PRMP	PMT	Financed by Project
Component 4: Project Management, Monitoring and Evaluation													
4.1 Citizens or communities involved in planning/implementation/evaluation of program	<input checked="" type="checkbox"/>	#	0	10	25	50	60	70	80	Cont.	PRMP	PMT	
4.2 Percentage of complaints and grievances received by the project that are recorded, addressed satisfactorily and the actions documented through the established grievance redressal mechanism	<input checked="" type="checkbox"/>	%	0	0	20	30	40	55	75	Cont.	PRMP	PMT	

Figure 2: Results Chain



Annex 1: Detailed Project Description

ISLAMIC REPUBLIC OF PAKISTAN: Punjab Tourism for Economic Growth Project

Component 1: Policy, Institutions and Governance for Tourism Development (US\$11mn)

Sub-component 1.1: Institutions and Governance (US\$4.0mn)

57. The new Tourism Policy for the Province of Punjab will focus in particular on the development of cultural and heritage tourism and it is expected that it will be adopted by March 13, 2017. This sub-component will finance: (i) technical assistance (TA) to develop a Tourism Development Strategy and associated Action Plan aimed at, first, strengthening the institutional framework that underpins the development of a private tourism sector; second, developing a more diversified tourism product to entice tourists to stay longer, spend more money, and visit beyond the traditional tourism high season; and third, the development of stronger enterprise standards linked to quality certification of hotels and tour operators; (ii) TA, training and equipment for implementation of the regulatory reform agenda outlined in the new Tourism Policy; (iii) TA to develop and maintain coordination mechanisms to ensure policy coherence between: federal and Punjab provincial authorities; Punjab provincial authorities and the private sector (through a structured form of public private dialogue); and provincial authorities; (iv) TA, training and equipment for the design and implementation of a new tourism data collection mechanism; and (v) TA for the reform of the TDCP—as outlined in the new Tourism Policy—and its mandate to promote and support private participation in the tourism sector.

Sub-component 1.2: Management Plans for Tourism Site Development (US\$2.0mn)

58. This sub-component will finance holistic Management Plans for up to ten historical, cultural and heritage sites, as identified and agreed by the Project Steering Committee, to identify holistic needs and priorities within proximity of the heritage sites. Each Management Plan will be structured around three pillars:

- **Development** – covering stocktaking of: (i) land ownership within proximity of the sites; (ii) local supply of accommodation facilities; (iii) infrastructure and basic services (access roads, water, sanitation, solid waste disposal); (iv) the availability of signage, (v) beautification and environmental status; and (vi) tourism amenities and facilities (from availability of public washrooms to restaurants, cafes, souvenir shops) surrounding the sites/compounds. (vi) development of tourism information sources and materials
- **Organization** – covering: (i) identification of the relevant stakeholders; (ii) arrangements for data collection of visitors, etc.; (iii) local institutional setup to manage the heritage sites; (iv) arrangements for tourist services (guides, media, commercial facilities); (v) collaborations and linkages with other sites/provinces/institutions/etc.; and (vi) local revenue collection, resource management and transparency. (vii) availability of relevant information resources and materials
- **Sustainability** – covering: (i) an assessment of demand and supply of local skills relevant to the tourism sector; (ii) identification and integration of revenue sources, with particular focus on sustainable solutions for continuous maintenance of the sites and new infrastructure; and (iii) surveying of occupancy rates of accommodation facilities, labor income for different tasks, etc.

59. Priority works identified and approved in the Management Plans will be financed under Component 3 (Public Investment Facility). This work will be executed in consultation with UNESCO to ensure that heritage sites are protected according to international best practice.

Sub-component 1.3: Knowledge, Partnerships and Tourism Promotion (US\$5.0mn)

60. This sub-component will finance: (i) TA and small equipment for the production of high-quality outreach material, including marketing material for social media/radio/television, maps and tourist information, (ii) TA for the design of a communication strategy and the launch of a marketing and public relations campaign aimed at positioning of Punjab as a hub of various sub-sectors of tourism; (iii) TA to develop ownership and management models for tourist information centers, including SMEs and franchise structures, for selected sites; (iv) TA to develop a plan and content and expenses for co-sponsoring with private partners, Pakistani Embassies, and foreign institutions a series of conferences and workshops on a quarterly basis that celebrate aspects of experience associated with Punjab's cultural heritage; (v) participation in key international tourism fairs once promotional material and the institutional setup are ready; and (vi) analytical work of the role of women in the tourism industry, focusing on factors that promote female participation in the labor force, earning potential, flexible working hours and the role of public-private partnerships in promoting greater female participation. This sub-component will be implemented in direct partnership with private partners in the travel and tourism industry.

Component 2: Private Investment and Entrepreneurship Promotion (US\$10.0mn)

Sub-component 2.1: Investment Facilitation and Promotion in Tourism (US\$5.0mn)

61. This sub-component will finance: (i) TA, training and equipment to strengthen and streamline investment promotion, facilitation and aftercare for investment in tourism-related activities. This support will be provided to the Punjab Board of Trade and Investment that will review private investment proposals and support investors in the process of obtaining approvals, permits and licenses; (ii) TA and training to the Public Private Partnerships (PPP) unit of the P&DD to promote private participation in the tourism sector as well as a possible divestiture process of state-owned assets; (iii) TA from private transaction advisors to help identify and invite bids for private concessions for hotel development on private or public land (without resettlement concerns); and (iv) targeted grants on a matching basis to encourage market entry, especially of women entrepreneurs, through market research and pre-feasibility studies commissioned by prospective investors. This sub-component will complement activities under Sub-component 1.1 and aim to increase the supply of privately financed accommodation and leisure facilities.

Sub-component 2.2: Improving Skills Formation and Training (US\$5.0mn)

62. This sub-component will finance TA, training, equipment and minor works to strengthen: (i) institutes of learning, training programs and sector curricula; (ii) training-of-trainers programs; (iii) quality licensing initiatives to support the emergence of professional tour guides, the development of restaurants catering to international tourists, and the emergence of outlets for the sale of food and drinks, souvenir and garment shops, and local handicrafts; and (iv) female labor force participation through identification of impediments to female labor force participation in the sector and skills development programs targeting women, including training on crafts as well as entrepreneurial topics such as financial management, market access and business development; and implementation of a training and communications program to increase awareness of the impact of growing tourism on gender roles and possible implications for women. Partners include the TDCP Institute of Tourism, the Pakistan Institute of Tourism and Hotel Management, the College of Tourism and Hotel Management, the Federal Institute of Tourism and Hotel Management, etc., in addition to smaller establishments in Punjab. Support to existing tourism schools will aim to improve the quality of graduates and training rather than rapidly increase the supply. The demand for skilled manpower will increase over time and rely on the success of other parallel initiatives, such as investment promotion.

Component 3: Public Investment Facility (US\$30mn)

Sub-component 3.1: Secondary and Tertiary Road Access (US\$15mn)

63. This sub-component will finance works and associated technical assistance to upgrade several secondary and tertiary roads, including 1 km of the Eminabad-Rori Sahib road, 2 km of the GT road-Toap Mankial road, 8 km of the Taxila Museum Mohra Muradu road, and 2 km of the Taxila Museum-Jaulian remains road. Other roads will be identified with development of master plans.

Sub-component 3.2: Public Convenience Facilities and Basic Services (US\$15mn)

64. This sub-component will finance works, equipment and TA for basic infrastructure such as: (i) parking facilities, washroom facilities and rest areas, with special attention to accessibility for women and persons with different abilities, that are missing around the main sites and along key access roads; (ii) arrival lounges and terminals at Badami Bagh Lahore railway station, Gurdwara Sacha Sauda Sahib and Gurdwara Rori Sahib, including expansions and upgrading of seating, ceiling fans, hand railings and safety barriers; (iii) development of facilities at Toap Mankiala, Rawalpindi; (iv) conversion of the Punjab Archaeology Office at Katas Raj into a tourist center; and (v) priority investments in the master plans under Component 1.2 with the aim of reducing any negative impact of an increase in tourist arrivals on the consumption of surrounding communities. Alternate power supply arrangements will be supported given the shortage of electricity in targeted areas. These interventions will be limited in scope and particular attention will be paid to improve facilities for women, children, elderly and people with disabilities.

Component 4: Project Management, Monitoring and Evaluation (US\$4mn)

65. The fourth component will finance a Project Management Team (PMT) in charge of project management and daily implementation of project activities, including procurement, financial management, safeguards management, monitoring and evaluation (M&E), communications, community outreach and stakeholder consultations. It will also finance TA to embed international expertise to prepare and monitor implementation of activities on a needs basis. A support program will be tailored to improve implementation capacity and a specific training program will be developed to build the capacity of staff to understand how growing tourism affects women, specifically focusing on factors that facilitate female entry into the labor force and promote female enterprise development. Training will involve local communities and the private sector to facilitate grassroots-level initiatives and encourage partnerships. It will also cover sustainable development issues in order to promote a shared understanding of the social and economic dimensions of the project.

Annex 2: Implementation Arrangements

ISLAMIC REPUBLIC OF PAKISTAN: Punjab Tourism for Economic Growth Project

Financial Management, Disbursements and Procurement

66. **Implementing Entity.** The Project's components will be implemented by the PMT in the PRMP under P&DD and with the support from other implementing entities, including TDCP under the Tourism Department, the Archaeology Department, the Information and Cultural Department, and the Communication & Works Department; and the ETPB at the federal level. The head of PRMP is the chief counterpart for the Project who will be supported by a sub-unit headed by a Team Leader who in turn coordinates with other entities and line departments. The PMT in charge of project management will be responsible for: (i) implementation of project activities including procurement, financial management, safeguards management, M&E and community/stakeholder consultation campaigns; (ii) coordination with the Finance Department, the Accountant General's office; and (iii) ensuring that WBG fiduciary regulations and requirements are followed.

67. PRMP has no prior experience in maintaining and operating a designated account and reporting under IPF. Strengthening governance is essential given the multi-sectoral dimensions of the Project and the fragmented sector coordination within the government. FM staff capacity at PRMP needs to be further strengthened by engaging a financial management specialist and establishing internal auditing function in the PMT, or outsourcing it in a timely manner to mitigate risks pertaining to accounting and internal controls. Financing for Components will follow 'Report-Based' (Interim Financial Reports – IFRs) which allow for adequate project funds based on cash forecasts for bi-annual advances.

68. **Staffing:** A Deputy Program Director (A) is currently assisted by an Assistant Director of Accounts and Administration (A&A), one Assistant Accounts Officer and one Assistant Accountant for coordination with the Finance Department, P&DD of GoPb, AG and AGP. The Assistant Director A&A under the overall supervision of the Deputy Program Director (A) oversees financial reporting of the Project and is tasked with reconciling the monthly budget execution reports (BER) produced by the Accountant General, Punjab using the national financial accounting and budgeting system (FABS). PRMP agreed that the FABS terminal will be made available for expenditure monitoring and for disbursements under the Project, as well as timely preparation of the annual financial statements of the Project and the budget execution reports (BERs). It is envisaged that one qualified and experienced FM specialist and one internal auditor will be hired at competitive remuneration by PRMP. The FM specialist will report to the Program Director through the Team Leader of the project whereas the internal auditor will report directly to the Program Director.

69. **Planning and Budgeting:** GoPb has a well-defined budgeting process and reforms are underway to introduce modern practices in financial planning and budgeting. GoPb currently implements a Medium Term Fiscal Framework (MTFF) and a Medium Term Budgetary Framework (MTBF). The budgeting of all project expenditures will constitute part of the government budgeting process. The function and object codes to capture expenditures under the components will be linked to the codes in the New Accounting Model (NAM) Chart of Accounts, used for government budgeting and accounting system. Budgetary control is exercised through FABS connectivity. In the absence of FABS connectivity the budgetary controls are exercised by AG's office that passes payments and issues checks. The Project annual budget will be prepared by the PMT and be part of Annual Development Plan of the P&DD.

70. **Accounting Policies and Procedures:** The Project accounting records will be maintained using the Financial Accounting and Budgeting System (FABS) in accordance with the country accounting procedures

and policies defined in NAM. The adherence to NAM policies and procedures conforms to international standards and is thus acceptable to the Bank. The PRMP management will make arrangements for installing a FABS terminal to be used for accounting and reporting. The NAM Chart of Accounts is flexible enough to report project expenditures. The PMT will maintain: (i) a bank book; (ii) a budget control and expenditure register; and (iii) a fixed assets register with values for assets procured out of the project funds. The Accountant General for Punjab will be requested to provide the FABS terminal for the Project accounts. This arrangement will provide reasonable assurance on the adequate accounting of the Project finances and timely generation of monthly budget expenditure reports (BER).

71. Internal controls: The Government's internal control system for expenditures is based on a series of regulations including the NAM, Punjab Financial Rules, Treasury Rules, Delegation of Financial Powers and Rules of Business. The Punjab 2012 PEFA finds that these regulations need to be reviewed and aligned to ensure consistency in their application across the system. The report also highlights the lack of internal audit functions for systems monitoring and generating related reports as a major weaknesses in the PFM system of GoPb. In order to mitigate risks due to control weaknesses, the PMT will require additional human resources and will engage an internal auditor and M&E specialist, including civil works supervisor. These professionals will oversee the appropriate use of project funds for intended purposes with due regard to economy and efficiency and provide analysis of budgetary control of expenditure at least on a bi-annual basis. The internal auditor will report directly to the Project Steering Committee.

72. Financial Reporting: Bi-annual IFRs in the format agreed during negotiations must be submitted to the Bank along with DA bank statements for the semester within forty-five days of the close of the semester. The Sources and Application of Funds Statement must reflect as a separate note amount of payables for which services or goods have been acquired but payments not yet made. Accounting standards issued by the AGP will be used for accounting and financial reporting.

73. Auditing: Project financial statements with a comprehensive disclosure of the operations, resources and expenditures for the Project will be prepared, audited and submitted to the Bank within six months of the close of each financial year. The AGP will audit the project financial statements. The audited financial statements along with auditors' management letter must be submitted to the Bank within six months of the close of each financial year (July 1 - June 30). The PMT will provide an assertion that the funds have been used for their intended purposes. There is no ineligible expenditure with the implementing entity. All audit reports due for ongoing WBG projects managed by PRMP have been received up until FY15-16.

74. Supervision plan: The Project will require frequent implementation support, particularly on financial reporting aspects. During Project implementation, the WBG will review: (i) the IUFs and Project audited financial statements; (ii) the Project's financial management and disbursement arrangements to ensure compliance with the agreed requirements; and provide guidance in report based disbursements including operation of 'Client Connection'.

75. Funds flow and disbursement arrangements: The PMT shall establish a DA in accordance with agreed procedures for operation and maintenance of the DA, issued by the Finance Division, Ministry of Finance, GoP, to receive funds for the eligible expenditures. The DA will be jointly operated by the Team Leader and Program Director of PRMP or other designated officials acceptable to the WBG. The WBG would deposit the first advance into the DA on the basis of a six-month forecast of expenditures between the project signing and December 31, 2017, received from PMT. Subsequently, the forecast will be for expenditure planned for each semester. The report-based principle will be used for withdrawal of loan proceeds. The withdrawals from the DA shall be for eligible expenditures only. Interim Unaudited Financial Reports shall be tailored for the project at the negotiation stage and included in the disbursement letter, which will provide, at a minimum, the summary/total of category and component wise expenditures from

records of the PMT. The IUFs will be due for submission within 45 days of the end of the semester. Actual expenditures against the advance so made will be documented in the Interim Unaudited Financial Report to be submitted by the PMT, supported by a reconciliation statement of DA in standard format showing inter alia deposits received from the WBG and payments made during the reporting period along with bank statements for the whole semester. IUFs prepared by the PMT will be subject to review by the official designated by the Chairman P&DD, and Team Leader, before submission to the WBG for disbursement of funds for meeting expenditures under Components 1-4. On the basis of IUFs, the WBG will document expenditures incurred against advances disbursed into the Designated Account.

76. The PMT will submit regular replenishment requests to the WBG using a Withdrawal Application along with appropriate supporting documentation to evidence receipt and utilization of all funds. The Withdrawal Application will be signed by the designated official of the P&DD and the Team Leader. The application will include IFRs for the project eligible expenditures under Components 1-4 for the documentation of expenditure. The PMT will be responsible for the implementation of all components of the Project and acts as a coordinator between the attached departments/autonomous bodies and the Finance Department, Government of Punjab. The Team Leader is a Drawing and Disbursement Officer also responsible for making timely disbursement of WBG's funds from the Segregated Designated Accounts for the eligible expenditure. In view of the diversity of the Project activities, sub-DA, if required, may be opened for other implementing entity(s).

Table-4: Allocation of Loan Proceeds

Category	Amount of IDA SUF (in US\$)	Expenditures to be Financed (%)
Goods, Consultants' Services, Works, Training and Workshops and Incremental Operating Costs	48.675	100
Matching Grants	1.2	100
Front-end fee	0.125	100
TOTAL AMOUNT	50.0	100

77. The loan is inclusive of import duties and taxes. Retroactive financing¹⁴ of up to an aggregate amount of US\$4 million has been allowed to meet the eligible expenditures incurred since December 1, 2016, up to the loan effectiveness.

Table-5: Fiduciary Risk Table

FM Element	Risk Rating	Residual Risk Rating	Mitigating Measure
FM Capacity			
Is there adequate fiduciary staff based on the profile of the project, in terms of numbers and experience, to implement the project, with clear definition and segregation of function between FM and PR?	Substantial	Moderate	Financial Management Specialist (FMS) with appropriate qualifications and experience must be engaged specifically for Project.
Planning and Budgeting			

¹⁴ As per disbursement guidelines, the maximum period for retroactive financing is up to one year.

FM Element	Risk Rating	Residual Risk Rating	Mitigating Measure
Are realistic budgets and procurement plans prepared and reconciled?	Moderate	Moderate	The GoPb annual budget appropriately incorporate PCHT budget. Monthly BERs are reconciled on timely basis.
Internal Control (including Internal Audit)			
Are effective internal controls in place, as jointly assessed by financial management and procurement staff?	Substantial	Moderate	GoPb General Financial Rules and Procedures clearly define accountability, internal control processes and availability of complete auditable records of accounts and procurement processes. To mitigate the risk establish internal audit function for the project.
Internal Audit	Substantial	Moderate	Engage a qualified internal auditor or will outsource it to a firm of Chartered Accountants by October 30, 2017.
Audit Arrangements			
External Audit of Project Annual Financial Statements will be conducted by the Office of Auditor General of Pakistan	Moderate	Moderate	Annual audit of project's financial statements ensure effective internal controls are in place.
Funds Flow	Moderate	Moderate	
Accounting and Financial Reporting	Moderate	Moderate	
FM Risk rating	Moderate	Moderate	

Procurement

78. Procurement will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers January 2011 (revised July 2014)"; "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers January 2011 revised (July 2014)", as well as the provisions stipulated in the Financing Agreement. The Procurement Plan shall form the basis of defining applicable procurement methods, estimated costs, prior review requirements, and time frame. These have been agreed between the Borrower and the WBG. A Procurement Plan including all contracts for which procurement action is to take place in the first 18 (eighteen) months of project implementation has been prepared. A General Procurement Notice shall be published shortly. The number of risk mitigation measures shall be instituted and shall be described in the Operations Manual.

79. *Procurement of Works:* in addition to other relevant staff, the PRMP will also be supported by the Project Implementation Support Consultants (PISC) who would help in procurement, construction supervision, and technical aspects of the civil works contracts. The Team Leader will serve as the Employer and the PISC shall perform the role of 'Engineer'. In accordance with stipulated thresholds the civil works

contracts shall be procured through International Competitive Bidding (ICB), National Competitive Bidding (NCB) methods. Minor works may be procured through shopping procedures. Designated staff at the implementing agencies would ensure credible documentary trail and authenticity of the quotations provided by suppliers under this procedure. Direct contracting may be used for conditions stated at paragraph 3.7 of the Procurement Guidelines after prior concurrence of the Association. However, works up to US\$25,000 can be procured under Direct Contracting after meeting the conditions to be prescribed in Operations Manual.

80. *Procurement of Goods:* major goods contracts are expected to cover furniture and office equipment and would be procured applicable ICB, NCB and Shopping procedures; as per the stipulated threshold. If cost of a project or a contract procured under PPP arrangements is being financed, such as a BOO/BOT/BOOT, concessions or similar type of private sector arrangement, relevant procurement procedures stated at paragraph 3.14 of Procurement Guidelines shall apply. Computer software, books, journals, training material and other goods with individual contract costing less than US\$5,000 equivalent may be procured following simplified but transparent and trackable procurement procedures and may be charged to incremental operating expenses

81. *Additional Provisions for National Competitive Bidding:* The following additional procedures will apply to all procurement of goods and works under NCB, to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I paragraph 3.3 and other applicable provisions of the Procurement Guidelines. In the event of a conflict between the Recipient's procedures and the additional provisions set out above, the latter shall govern:

- (a) Invitation to bid shall be advertised in at least one national newspaper with wide circulation, at least thirty (30) days prior to the deadline for the submission of bids;
- (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (c) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (d) Bidding shall not be restricted to pre-registered firms;
- (e) Qualification criteria shall be stated in the bidding documents;
- (f) Bids shall be opened in public, immediately after the deadline for submission of bids;
- (g) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (h) Before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;
- (i) Bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;
- (j) Contracts shall not be awarded on the basis of nationally negotiated rates;
- (k) A single bid shall also be considered for award;
- (l) Contracts shall be awarded to the lowest evaluated and qualified bidder;
- (m) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (n) Draft contract shall be reviewed by the Association in accordance with the prior review procedures;

(o) Any firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, or a contract financed by another institution with which the Association has entered into a cross-debarment agreement, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association;

(p) Each contract financed from the proceeds of the Financing shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(q) Recipient-owned enterprises shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient

(r) The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for or executing a contract financed by the Association.

82. *Selection of Consultants:* PISC will be the largest consultancy while others will be for the development of management information and decision support systems, M&E and various audit consultancies. Contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection (QCBS) procedures or other methods given in Section III of the Consultants' Guidelines. Other methods as mentioned in Section III of Consultants' Guidelines listed below shall be used as required.

83. *Other Methods of Procurement of Consultants' Services:* the following methods, other than QCBS, may be used for procurement of consultants' services for the Project as specified for each individual contract in the Procurement Plan: (a) quality-based selection; (b) selection under a fixed budget; (c) least cost selection; (d) selection based on consultants' qualifications; (e) single-source selection of consulting firms; (f) selection of consultants in loans to financial intermediary institutions and entities; (g) procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the selection of individual consultants; and (h) single-source procedures for the selection of individual consultants. Bank would agree on certain protocols in POM for single source selection of firm contracts up to US\$25,000 and individual contracts up to US\$ 10,000 provided they are of 3-6 months duration and not extended or repeated.

84. *Selection of Individual Consultants:* in order to provide technical or specialized managerial assistance to the Project individual consultants would also be selected and employed. These services will only be procured for tasks that conforms to the requirements set forth in paragraph 5.1 of the Consultant Guidelines. Procurement would be done in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines, which stipulate that the selection should be made through comparison of at least 3 CVs of comparably qualified candidates that meet the requirements of the Terms of Reference, including those for qualifications and experience. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis. Advertisement for seeking expressions of interest (EOI) would be required and even for small value contract the REOI shall at least be uploaded on websites. EOIs should specify selection criteria that are solely based on experience and qualifications.

85. *Assessment of the Agency's Capacity to Implement Procurement:* the assessment reviewed the organizational structure, staffing and capacity for implementing the project. PRMP reports to the Chairman of P&DD. The major procurements undertaken by PRMP are nested in the legal structure of

Punjab Procurement Rules 2004 which were initially enunciated in 2009 and were later amended in 2014. These rules are generally found by this review and other WBG reviews to be aligned to good procurement practices. These rules provide broad based policy guidelines for procuring goods, works and services. PRMP has reasonable exposure to procurement of high value items and also has experience in procurement of goods and services according to the World Bank guidelines. This is essential because PRMP will be managing the procurement on behalf of the implementing entities. PRMP has used bidding documents of ADB and the World Bank. The additional procurement and contract administration specialist(s) and independent contract administration arrangements by outsourcing the role of engineer are likely to provide a reasonably robust implementation support.

86. *Transparency:* The World Bank’s guidelines on publication of award paragraph 2.28 of consultant guidelines and 2.60 of the procurement guidelines shall be followed for disclosure. Each IA’s website would be used for providing procurement plan, procurement notices, invitation to bid, bid documents and RFPs as issued, latest information on procurement contracts, status of evaluation, complaints and actions taken, contract award and performance under the contracts and other relevant information related to procurement. The website will be accessible to all bidders and interested person equally and free of charge. The website should be operational as soon as competitive procurements for the project commence. The Government shall also ensure that the Project is carried out in accordance with the provisions of the WBG’s Anti-Corruption Guidelines.

87. *Complaints:* Designated staff of PRMP will manage the complaint handling system. This system will include documentation and shall address complaints within seven days. The implementing agencies shall keep the Association informed by forwarding any complaints within three days of receipt of the complaint. This system will include maintenance of a database, a standard protocol with appropriate triggers for carrying out investigations, and taking action against involved parties. Each implementing agency will develop the system as soon as possible and it will be reviewed by the WBG.

88. For ICB/international selection of consultants the WBG-prescribed complaint redressal mechanism will apply. The implementing agencies will develop and maintain a Procurement Documentation System, filling system and the procurement database. An electronic backup system for all procurement record will be maintained periodically. An Operations Manual shall be prepared to document the procurement processes and approval procedures for each agency responsible for procurement under the project. It will also describe roles and responsibilities, and service delivery standards. By no later than one (1) month after the Effective Date, [or commencement of any activities under Parts 1 and 3 of the Project, whichever occurs earlier], the Project Implementing Entity shall adopt the Project Operations Manual.

Table-6: Risk Mitigation Actions (Summary of issues identified and agreed actions)

Issues		Action	Timeline	Responsibility
(a)	Improving Procurement Planning & Monitoring	The Association will provide hands on support for adequate planning and monitoring of Procurement Plan including use of simple IT tools	Prior to negotiations	The Association and implementing agencies
(b)	Procedural clarity	Procurement SOPs as a part of Project Operations Manual	By April 30	Implementing agencies and the Association
(c)	Transparency	(i) Functional web site (ii) Disclosure of procurement information on website (iii) Procurement Clinics with focus on detecting red flags (iv) Video recording of key procurement stages (v) Uploading of the minutes of bid opening on same day	(i) Within 6 months after effectiveness Rest (ii) to (v) As required	Implementing agencies

89. *Procurement Plan*: the Recipient will develop a Procurement Plan for project implementation which provides the basis for the procurement methods and review by the Association. This plan will be made available in the Project’s database, implementing entities websites, and the WBG’s external website. The Procurement Plan will be updated in agreement with the Association annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity. Frequency of Procurement Supervision: the initial Procurement Plan shall normally cover at least the first 18 months of project implementation. Systematic Tracking of Exchanges in Procurement (STEP) shall be implemented for which Bank will provide due hand-holding. In addition to the prior review supervision to be carried out from the WBG’s offices, the capacity assessment of the implementing agency has recommended frequent supervision missions to visit the field to carry out post review of procurement actions.

90. *Review of Procurement by the Association*: thresholds for prior review of contracts under eligible expenditures are given in the table below. All other contracts will be subject to Post-Review by the Association unless otherwise specified in the Procurement Plan. Implementing entities will send to the WBG a list of all contracts for post-review on a quarterly basis. Post-reviews as well as the implementation reviews will be done bi-annually. Such reviews of contracts below thresholds will constitute a sample of about 15-20 percent of the contracts.

Table-7: Contracts Value Threshold

Expenditure Category	Contract Value (Threshold) US\$	Procurement Method	Contracts Subject to Prior Review US\$’1000
1.Civil Works	>2,000,000	ICB	All
	<2,000,000	NCB	First contract by all entities
	<100,000	Shopping ¹⁵	First contract by all entities
	> 25,0000	Direct Contracting	All
	< 25,000	Direct Contracting	First Contract only. Subsequent contracts shall have a technical sign-off of justification only on condition: (i) if it was provided in approved Procurement Plan and (ii) not representing a slice of an otherwise larger project and; (iii) shall be mandatorily post reviewed regardless of the sample of selected contracts
2. Goods	>600,000	ICB	First and all subsequent valued over 2 m
	<600,000	NCB	First contract
	<100,000	Shopping ¹⁶	First contract. However if its is preceded by a prior reviewed ICB/NCB it shall be post reviewed
	> 10,000	Direct Contracting	All
	< 10,000	Direct Contracting	First Contract only. Subsequent contracts shall have a technical sign-off of justification only on condition: (i) if it was provided in approved Procurement Plan and (ii) not representing a slice of an otherwise larger project and; (iii) shall be

¹⁵ The ‘shopping’ shall be identified as post reviewed for financial reconciliation

¹⁶ The ‘shopping’ shall be identified as post reviewed for financial reconciliation

Expenditure Category	Contract Value (Threshold) US\$	Procurement Method	Contracts Subject to Prior Review US\$'1000
			mandatorily post reviewed regardless of the sample of selected contracts
3. Consulting Services			All TORs and Training Programs to be reviewed by Bank's TTL
(A) Firms	>500,000	QCBS, QBS,FBS,LCS,	First contract by any process and thereafter all QCBS estimated over 1 m
	<500,000	CQS,	First CQS contract
	≥ 25,000	Single Source Selection	All
	≤25,000	Single Source Selection	First Contract only. Subsequent contracts shall have a technical sign-off of justification only on condition: (i) if it was provided in approved Procurement Plan and (ii) not representing a slice of an otherwise larger project and; shall be mandatorily post reviewed regardless of the sample of selected contracts
(B) Individual¹⁷ Consultants	> 300,000	Under Section V	All
	< 300,000	Under Section V	First and Procurement Specialist
	≥ 10,000	Single Source Selection	All
	≤10,000	Single Source Selection	First Contract only. Subsequent contracts shall have a technical sign-off of justification only on condition: (i) if it was provided in approved Procurement Plan and (ii) not representing a slice of an otherwise larger project and; shall be mandatorily post reviewed regardless of the sample of selected contracts

* Prior Reviews Identified in Approved Procurement Plan.

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

Environmental and Social

91. The ESIA–ESMF outlines: (i) institutional arrangements to manage the environmental impacts of the project; (ii) monitoring requirements to ensure effective implementation of mitigation/enhancement measures; (iii) training needs; and (iv) reporting and documentation requirements. It elaborates human resource requirements for project execution covering the PMT, contractors, and supervision consultants, and it requires an annually conducted third-party validation of site specific ESMP implementation. The PMT will hire a dedicated full-time Environmental Specialist to oversee environmental monitoring of the ESMP and site specific ESMPs and provide technical support to works consultants in the development of

¹⁷ All contracts estimated to cost over \$ 50,000 shall be advertised

site specific ESMPs. All the civil works contractors under Component 3 must have environmental specialists in their teams for onsite environmental safeguards implementation. The Environmental Specialist in the PMT will be the focal point for WBG to provide necessary requirements of environmental safeguards within the project.

Monitoring & Evaluation

92. The tourism sector is covered by a multitude of provincial and federal ministries and agencies and a number of these authorities will need to be consulted on a regular basis (see Section IV.A). First, there are a number of provincial departments, attached departments and autonomous bodies that will have to be consulted, including: (i) the P&DD, which is responsible for GoPb's vision, policies and strategies for economic development as well as coordination with the federal government; (ii) the Tourism Department mandated to promote tourism; (iii) the Archaeology Department, which controls most of the historical sites; (iv) the Information and Culture Department, which is responsible for public relations; (v) the Home Department, which is responsible for maintaining security, law and order; (vi) the Construction and Works Department, which is responsible for roads and public buildings; (vii) the Technical Education and Vocational Training Authority (TEVTA) responsible for skills enhancement; and (viii) the Housing, Urban Development and Public Health Engineering Department, which is responsible for town planning and development. The role of local governments are crucial for regulation and facilitation at the site level.

93. Second, among the federal entities, there are a number of ministries and departments that have an interest, including: (i) the Ministry of Foreign Affairs; (ii) the Ministry of Interior; (iii) the Ministry of Finance; (iv) the Ministry of Planning and Development; (v) the Ministry of Defense; (vi) the Aviation Division; (vii) the Ministry of Information, Broadcasting and National Heritage; (viii) the ETPB; and (ix) the PTDC. There are also other allied departments that may play a role from time to time. Keeping in view involvement of multiple stakeholders from federal, provincial and local governments, coordination will be one of the critical elements for project implementation, and this is the mandate of PRMP.

94. The GoPb has used different innovative governance models for service delivery and economic development projects. These range from the establishment of statutory authorities like the Walled City Development Authority to non-profit corporate entities like the Punjab Skills Development Fund. The GoPb has debated a shift of the implementation role to an appropriate autonomous structure as it seeks to play a more regulatory and facilitating role in the future as compared to delivering tourism related services themselves. It would streamline the management of cultural heritage sites between the ETPB and the GoPb to ensure a clear span of control and responsibility. Such institutional reforms would have far reaching implications for the tourism sector as it will both liberalize the delivery of services and change the existing mindset of controlling assets. This shift will be initiated upon the approval of the Punjab Tourism Policy.

Communications, marketing and outreach

95. A **three-pronged** communication approach will aim at i) *strengthening institutional reform and coordination among federal-provincial authorities, cultural and heritage institutions, key stakeholders and private sector* towards developing a shared vision for nurturing high quality tourism services; ii) *harnessing cultural and heritage tourism practices* through mobilization, sensitization and capacity building of local people, advocating support from local administration and small businesses, leveraging private sector investments and participation; iii) *launching a high-profile marketing and awareness campaign encouraging international tourism* in collaboration with the private sector and Pakistan's embassies. The objective is to catalyze awareness and interest amongst niche segments of international tourists through projecting a hospitable, friendlier and secure image of the Province of Punjab - promoting it as a destination for cultural and heritage tourism.

Annex 3: Implementation Support Plan

ISLAMIC REPUBLIC OF PAKISTAN: Punjab Tourism for Economic Growth Project

Strategy and Approach for Implementation Support

96. There will be a minimum of two implementation support missions per year and technical missions in between as needed. The task team will draw upon capacity in the Islamabad office whenever possible.

Table-8: Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate	Partner Role
Year 1	Task management	Project management (ISL & HQ)	20 weeks	
	Technical specialists	Tourism, education, transport	15 weeks	
	Procurement support	Procurement	4 weeks	
	FM support	Financial management	2 weeks	
Year 2-4	Task management	Project management (ISL & HQ)	18 weeks	
	Technical specialists	Tourism, education, transport	15 weeks	
	Procurement support	Procurement	4 weeks	
	FM support	Financial management	2 weeks	
	Communications support	Communications	2 weeks	

Table-9: Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task management	20 weeks	8	2 TTLs abroad Not counting visits by Islamabad staff to the Province of Punjab.
Technical specialists	15 weeks	8	
Procurement support	4 weeks	0	
FM support	2 weeks	0	
Communications support	2 weeks	0	

Partners

Name	Institution/Country	Role
UNESCO	United Nations	Adviser

Annex 4: Economic Analysis

ISLAMIC REPUBLIC OF PAKISTAN: Punjab Tourism for Economic Growth Project

97. This economic analysis is based on the assumption that the main desired measurable outcome of the Project is an increase in the number of jobs in the travel and tourism sector. The desired output is an increase in private investment in the tourism sector (in particular in hotels). The inputs are primarily infrastructure rehabilitation, strengthened site governance, tourism promotion, and skills formation. The following scenario and sensitivity analyses evaluate whether it is worthwhile economically for the GoPb to invest US\$55 million in the tourism sector as a first phase to mainly develop cultural and heritage tourism.

98. The main premise is that the Project will attract private sector investments in the tourism sector (mainly hotels) starting at the end of Year 3. The new hotel capacity determines how many new tourists can be accommodated. The analysis evaluates two cases: a moderate (more conservative) case¹⁸ and a base case. In the moderate case, the following parameters are 10 percent lower than in the base case: the number of guests per hotel room, the hotel occupancy rate, the daily expenditures per tourist, the average length of stay per tourist, the maximum hotel investments, the internal rate of return (IRR) for firms in the tourism sector,¹⁹ the number of tourism jobs per tourist, and the number of visits per tourist to sites (as well as the entrance fees). The analysis then compares both cases to the 'without project' case to estimate additional benefits that the project would generate. The analysis assumes a three percent growth rate in the number of international tourists in the 'without project' case based on historical trends and applies parameters similar to the moderate case to the 'without project' case. The analysis uses a ten percent discount rate.

Scenario 1: Boosting international tourism

99. The first scenario focuses on attracting international visitors from outside the region. According to surveys conducted by Gallup on behalf of the GoPb, there is interest in visiting the various historical and cultural sites (including religious) in Punjab, even among those who have already visited Pakistan. Potential international visitors surveyed expressed a preference for staying in deluxe hotels in metropolitan cities close to the sites which primarily means cities like Islamabad/ Rawalpindi and Lahore. These visitors would typically stay for an average of 10-12 days in Pakistan and spend on average around US\$200/day. It is assumed that the Project would be able to attract private hotel investments proportional to the project disbursements at a US\$200,000 investment per room²⁰ (at two guests per room), a 50 percent occupancy rate, and US\$100/night room price.

100. Given these assumptions, the Project is expected to attract over 20,000 additional international visitors over a 15-year time horizon. The benefits associated with this increased tourist activity would then be as follows:

- a. Visa fees: additional international visitors will generate additional visa fee revenues;
- b. Hotel taxes: taking a 16 percent tax rate²¹, additional visitors will bring in additional hotel tax revenue;
- c. Fiscal revenues: taking a corporate tax rate of 25 percent²², additional visitors with additional expenditures in local businesses and hotels will bring in additional fiscal revenues on their profits;

¹⁸ Concerns around the security situation

¹⁹ A similar analysis in Madagascar estimates IRRs between 15 and 20 percent for new hotels.

²⁰ A similar analysis in Madagascar estimated that middle range hotels require a \$200,000 investment per room.

²¹ This is based on a review of hotels in Lahore on popular travel websites such as Trip Advisor.

²² KPMG Pakistan Tax Profile, August 2014.

- d. Donations: assuming at least a portion of visitors is willing to donate cash to the sites (according to Gallup, US\$200 on average), additional visitors will bring in additional donations²³;
- e. Entrance fees: it is assumed that sites would be able to charge an entrance fee following the upgradation, which would generate additional revenues.
- f. Wages: increased tourist activity leads to job creation²⁴ in new hotels as well as existing hotels and touristic sites, which leads to additional wage benefits²⁵.

101. Given these benefits, and assuming an S-shaped disbursement schedule, the project would have a ten percent return in the moderate case and a return of 15 percent in the base case.

Scenario 2: Boosting domestic tourism

102. The second scenario adds domestic tourism given that Pakistani tourists made close to 47,000 visits to a subset of sites alone in 2013.²⁶ Local visitors tend to stay in free accommodation or tend to do day trips. Assuming that the Project can attract hotel investments servicing local tourists, it could generate benefits from local tourists' willingness to pay for moderately priced accommodation for a few days. These benefits would come from additional hotel and corporate income taxes as well as additional jobs—assuming half the jobs per tourist are in hotels and that local visitors would not pay any entrance fees at the sites.²⁷ It is also expected that upgrading touristic sites could attract an even higher number of visits by locals and could increase the amount they spend daily.²⁸ Adding these benefits to those from the previous Scenario improves the results and yields a 17 percent return in the moderate case and 22 percent in the base case, generating a more significant Net Present Value (NPV).

Scenario 3: Boosting regional tourism

102. The third scenario assumes that the Project could also attract additional regional tourists through additional hotel investments which are more modestly priced than the deluxe hotels in Lahore, as current accommodation capacity around the sites is inadequate. According to a study commissioned by the WBG, regional tourists would stay on average five days and spend on average US\$35 per person per day, excluding accommodation. Based on this, it is expected that the Project would more than triple the number of regional visitors and generate even greater positive returns and NPVs in both the moderate case and the base case, when combined with the benefits from the first two Scenarios. For regional visitors, the analysis assumes that no donations are made to the shrines and lower entrance fees than for international religious visitors.

103. The variable that has the greatest effect on the results is additional wages. The analysis considers all job creation to be additional, *i.e.* new jobs are filled by new earners as opposed to people who have previously been earning a lower wage. However, the analysis is conservative on how many additional visitors can be attracted. The conservative estimates are linked to the fact that concerns around the security situation, especially in the West, are unlikely to go away in the short or medium-term. A sensitivity analysis has, therefore, been conducted to gauge the impact of marketplace events in a given destination,

²³ Almost at all the shrines being managed by Auqaf Department or by descendants of Sufis, visitors donate voluntarily through cash boxes. However, no system of record keeping has been observed.

²⁴ According to an assessment conducted in Punjab, the province receives 3.2 million visitors per year, of which 2.3 million are day trippers. Assuming most jobs are created by non-day trippers, and given that there are 31,704 people directly employed in travel and tourism in Punjab, this yields a ratio of 0.04 jobs per visitor. Given that international tourists spend at least five times as much per day as local tourists, the analysis assumes a ratio of 0.2 jobs per international tourist (0.04*5).

²⁵ Average monthly tourism salary is computed based on the monthly minimum wage (\$99 in 2013) and an assumed pay scale distribution in the sector.

²⁶ SEBCON study, August 2014.

²⁷ As shown in an initial assessment during project preparation, half of those directly employed in tourism in Punjab were employed in hospitality services. It is assumed that 60 percent of jobs earn the minimum wage, 30 percent earn 1.5 times the minimum wage, and the remaining 10 percent earn higher than that.

²⁸ The analysis assumes a modest two percent per year increase in the number of local visitors and a ten percent increase in their daily expenditures.

nation, or region. Visitation of the sites in Pakistan could either increase if there was unrest in other areas of the region or decrease if there were widely publicized periods of insecurity.. A period of insecurity would yield lower ERR, although results showed that returns remain positive in all scenarios, including in the moderate case.

**Table-10: Economic impact of the project under various scenarios
(Net Present Value (NPV) and Economic Rate of Return (ERR))**

BASE CASE	NPV	ERR
Scenario 1: International visitors	\$ 13,335,404	15%
Scenario 2: International and local visitors	\$ 34,499,013	22%
Scenario 3: International, local, and regional visitors	\$ 64,542,958	30%

MODERATE CASE	NPV	ERR
Scenario 1: International visitors	\$ 715,525	10%
Scenario 2: International and local visitors	\$ 18,020,393	17%
Scenario 3: International, local, and regional visitors	\$ 41,832,210	24%

104. Assumptions used in the analysis:

By type of tourist

BASE CASE	Number of additional tourists by project end	Price of hotel room per night (US\$)	Length of stay per tourist (# of days)	Daily expenditure per tourist (US\$)	Number of jobs per tourist	Entrance fees to sites (US\$)	Visa fees (US\$)	Donations (US\$ per tourist)
International visitors	25,550	50-100	3-12	35~200	0.04-0.2	7.5-10	~60	0-200
Local visitors	1,164	50	3	35*	0.04**	0	0	0
Regional visitors	38,933	50	3-5	35	0.04	5-7.5	~55	0

MODERATE CASE	Number of additional tourists by project end	Price of hotel room per night (US\$)	Length of stay per tourist (# of days)	Daily expenditure per tourist (US\$)	Number of jobs per tourist	Entrance fees to sites (US\$)	Visa fees (US\$)	Donations (US\$ per tourist)
International visitors	20,696	45-90	2.7-10.8	31.5-180	0.036-0.18	6.75-9	~60	0-180
Local visitors	1,025	45	2.7	32	0.036	0	0	0
Regional visitors	31,536	45	2.7	32	0.036	0	0	0

*Daily expenditures for local tourists are assumed to increase by 10 percent thanks to the project.

**It is assumed that half the jobs in travel and tourism are in hospitality; in the case of local tourism, job creation occurs mainly in hospitality due to an increase in willingness to pay for accommodation.

For overall tourists

	Number of guests per room	Hotel occupancy rate	Firms' rate of return	Hotel tax	Corporate tax	Wages (\$US/month)	Number of visits to sites per tourist
Base case	2	50%	20%	16%	25%	150	3
Moderate case	1.8	45%	18%	16%	25%	150	2.7

Annex 5: Map

