

## **Pakistan**

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### **Economic Transformation Initiative - Gilgit Baltistan**

### **Supervision Report**

Mission Dates: 30 August - 29 September 2021

Document Date: 27/10/2021

Project No. 2000000836

Report No. 5882-PK

Asia and the Pacific Division  
Programme Management Department



## Abbreviations and Acronyms

<b>4Ps</b>	Producer, public, private partnerships
<b>AKRSP</b>	Agha Khan Rural Support Programme
<b>AWPB</b>	Annual Workplan and Budget
<b>BISP</b>	Benazir Income Support Programme
<b>CPM</b>	Country Portfolio Manager
<b>EAD</b>	Economic Affairs Division
<b>EOI</b>	Expression of Interest
<b>ETI</b>	Economic Transformation Initiative
<b>FMR</b>	Farm to Market Roads
<b>FOs</b>	Farmer Organizations
<b>G-B</b>	Gilgit-Baltistan Province
<b>hhs</b>	Households
<b>IFAD</b>	International Fund for Agriculture Development
<b>JICA</b>	Japan International Cooperation Agency
<b>Km</b>	Kilometer
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MOU</b>	Memorandum of Understanding
<b>NADEP</b>	National Agribusiness Development Programme, Sri Lanka
<b>NOC</b>	No Objection Certificate
<b>O&amp;M</b>	Operation and management
<b>P&amp;D</b>	Planning & Development Department
<b>PC-I</b>	Planning Commission Proforma-I for project approval
<b>PCU</b>	Programme Coordination Unit
<b>PDR</b>	Programme Design Report
<b>PIM</b>	Programme Implementation Manual
<b>PP</b>	Procurement Plan
<b>PSC</b>	Programme Steering Committee
<b>PWD</b>	Public Works Department
<b>RCU</b>	Regional Coordination Unit
<b>RFP</b>	Request for proposal
<b>RIMS</b>	Results and Impact Management System
<b>SMP</b>	Social Mobilization Partner
<b>SMT</b>	Scheme Management Team
<b>TOR</b>	Terms of Reference
<b>VAC</b>	Village Agriculture Cooperatives
<b>USAID</b>	United States Agency for International Development
<b>VCF</b>	Value Chain Fund
<b>VCTAT</b>	Value Chain Technical Assistance Team
<b>VPG</b>	Village Producer Group
<b>WMD</b>	Water Management Directorate

## A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Pakistan	Environmental and Social Category:	Substantial
Project Name:	Economic Transformation Initiative - Gilgit Baltistan	Climate Risk Classification:	Low
Project ID:	2000000836	Executing Institution:	Planning and Development Department
Project Type:	Irrigation	Implementing Institutions:	not available yet
CPM:	Hubert Boirard		
Project Director:	Ahsan Mir		
Project Area:	Gilgit Baltistan		

Approval Date:	22/04/2015	Last audit receipt:	04/01/2021
Signing Date:	26/10/2015	Date of Last SIS Mission:	29/09/2021
Entry into Force Date:	16/09/2015	Number of SIS Missions:	14
Available for Disbursement Date:	06/04/2016	Number of extensions:	0
First Disbursement Date:	11/04/2016	Effectiveness lag:	5 months
MTR Date:	14/10/2019		
Original Completion Date:	30/09/2022		
Current Completion Date:	30/09/2022		
Financial Closure:	not available yet		

### Project total financing

<b>IFAD Financing breakdown</b>	IFAD	\$67,000,000
<b>Domestic Financing breakdown</b>	Beneficiaries	\$6,540,000
	National Government	\$23,630,000
<b>Co-financing breakdown,</b>	To be determined	\$22,980,000
<b>Project total financing:</b>		\$120,150,000

### Current Mission

Mission Dates:	30 August - 29 September 2021
Days in the field:	15
Mission composition:	Hubert Boirard, Country Director/Mission Leader; Fida Muhammad, Country Programme Officer/Co-Mission Lead-Economist; Abdul Hakeem Khan, Rural Infrastructure/SECAP; Inshan Ali Kanji, Value Chain/Rural Finance; Waseem Shahzad, Procurement; Arsalan Hanif, Financial Management; and Sumaira, KM/transversals
Field sites visited:	various locations in Ghanche, Skardu, Karmang, Shigar, Diamer, Astore, Ghizer, Nagar, Hunza and Gilgit

## B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		4.11	Assessment of the Overall Implementation Performance		4.0

Effectiveness and Developmental Focus		4	Project Management		5
Effectiveness		4	Quality of Project Management		5
Targeting and Outreach		4	Knowledge Management		5
Gender equality & women's participation		4	Value for Money		5
Agricultural Productivity		3	Coherence between AWPB and Implementation		4
Nutrition		4	Performance of M&E System		4
Adaptation to Climate Change		5	Social, Environment, and Climate Standards requirements		5

Sustainability and Scaling-up		4	Financial Management and Execution		3
Institutions and Policy Engagement		3	Acceptable Disbursement Rate		3
Partnership-building		4	Quality of Financial Management		4
Human and Social Capital and Empowerment		5	Quality and Timeliness of Audit		3
Quality of Project Target Group Engagement and Feedback		5	Counterparts Funds		3
Responsiveness of Service Providers		5	Compliance with Loan Covenants		3
Environment and Natural Resource Management		5	Procurement		4
Exit Strategy		4			
Potential for Scaling-up		4			

<b>Relevance</b>		<b>5</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

1. The Economic Transformation Initiative in Gilgit-Baltistan (ETI-GB) is an USD 120 million programme, approved by IFAD's Executive Board in April 2015 with a SDR 48.55 million highly concessional loan. It entered into force on 16th September 2015 and will be completed by 30th September 2022. The project has a financing gap of USD 23 million for which an Italian co-financing was discussed during the design and is yet to become effective. A Project Coordination Unit under the Planning and Development Department of the Provincial Government of Gilgit-Baltistan is responsible for project implementation through three regional coordination units and two implementing partners.
2. ETI-GB's development objective is to increase agricultural incomes and employment for at least 100,000 rural households in the Gilgit-Baltistan region, where over 90 per cent of the population is engaged in agriculture.
3. The project focuses on: (i) increasing agricultural production by organizing farmers, developing value chains for high-value cash crops and linking farmers to local markets and private sector; (ii) developing support infrastructure including new irrigated land and rural roads; and (iii) developing support systems for small-holder farmers including land titling systems and improving access to financing. The project components are: (i) Economic infrastructure (comprising of two sub-components; irrigation and land development and farm-to-market roads); (ii) Support Services/PPPP for Value Chain Development; and (iii) project management and policy support.
4. The ETI-GB Supervision Mission took place from 30 August 2021 to 15 September 2021 in the field, with the objectives to: (i) assess the progress made, (ii) identify the bottlenecks and current issues, (iii) review the fiduciary aspects and (iv) propose potential corrective measures implementable during the remaining timeframe.
5. The Mission held meetings in Islamabad and Gilgit with various stakeholders including EAD, Chief Secretary, Additional Chief Secretary, as well as with the Provincial key departments (Planning and Development Department, Cooperative Department, Board of Revenue, Works Department, Agriculture, Livestock and Fisheries and Irrigation Department). The mission also conducted different working sessions with the ETI-GB Project Management Unit, the key service providers (AKRSP – VCTA), visited over 20 Village Agriculture Cooperatives, 25 infrastructure schemes (ILD, FMR and bridges) as well as a representative sample of 4 Ps, nurseries and orchards. The supervision mission which benefitted from the active participation of the Planning and Development Department representatives during all the field visits, had also prospective discussions with the new regional farmers' association representatives of Gilgit, Diamer and Baltistan. All districts of Gilgit-Baltistan were visited.
6. Debriefing meetings were held with the PCU on the 10th and 11th September 2021. The Provincial wrap up meeting was held with Chief Secretary - GB on 13th September 2020 and the final wrap meeting with EAD was organized on 15th September 2021 in Islamabad.

### Key Mission Agreements and Conclusions

7. The overall implementation progress made by the ETI-GB programme since the last supervision mission is commendable. Despite the challenging context due to the COVID 19 situation, the partial / temporarily provincial lockdown and the recurrent understaffing on the key programme positions (PC / FM/ RC), the remarkable dedication and competences of the interim team, both at regional and provincial levels, has led to significant quantitative and qualitative progresses in all areas of the ETI-GB programme and a real turn-around in some crucial and strategic domains of this provincial intervention.
8. As of today, around 85 % the quantitative objectives have been achieved for both component 1 and 2. Now with 11 months before the completion date, all efforts need to focus on the sustainability and exit strategy aspects of the investments already done. Despite all the efforts and supports provided by the programme, none of the policies (land titling, O&M Roads, Water Management) have been notified. The absence of a policy framework remains a hurdle to the progress under land titling and subsequent land development and cultivation across the project area. This, in turn, is making it difficult for the newly created channels to generate the intended income effect for farmers.
9. The mission reiterates that the future ETI-GB intervention and potential extension would depend on tangible progress on :
  10. - (i) Notification by the GoGB of the policies as per PDR and PC1 (land titling, water management policy; and Road O&M strategy).
  11. - (ii) Official take over by the GB Civil Works Department of the 285 km of FMR already completed as planned per financing agreement and PC1.
  12. - (iii) Full operationalization and financing of the 162 Cooperatives by December 2021 as per Business plan approved.
  13. - (iv) Registration and Operationalization of the Regional and Provincial Small Farmer representative Organizations.

## D. Overview and Project Progress

### 14. Component 1: Economic Infrastructure

15. The component is rated as moderately satisfactory (4).
16. **Sub-Component 1.1 Irrigation and Land Development:** This component has made considerable progress on irrigation channels construction, land development and distribution, cultivation and payback over the last year and will bring 42,429 acres (target is 50,000 ac) of land under cultivation after the completion of 78 irrigation schemes. Currently,
  17. (i) 52 irrigation channels (40 at last SM) have been completed with a total command area of 22,053 acres benefiting 17,466 HHs,

18. (ii) 26 irrigation channels are ongoing with a command area of 20,378 ac benefiting 11,838 households to be completed by March 2022
19. (iii) As agreed last year, the majority of schemes were supposed to be completed but there are serious delays in Buner Daas,(Diامر) and Shamsabad (14%), Hundrap (18%), Bajungle (14%) and Hamuchal (28%) schemes in Ghizr. Little progress has been made on these schemes during the last year.
20. (iv) Financial progress was 52 % in 2020 while it is 41.8% during this year. New schemes were not initiated after the last year's supervision mission for focusing on the completion of ongoing schemes leading to slow investment in ILDs.
21. (v) additional 21 schemes have been designed and are ready for implementation potentially covering 7,831 acres and benefitting 9,376 HHs. Total estimated cost of the irrigation schemes is about PKR 1,985.85 m out of which 1,279.53 m have been paid to the communities.
22. Land development and distribution are going on in parallel at clan/muhalla level in 9 schemes covering 4,845 acres for 4,682 HHs, in 51 schemes at household level on 24,133 ac for 17,650 HHs while 27 schemes have not been started yet. Formation and capacity building of VACs needs to be expedited to ensure speedy payback for land development and cultivation as most of the farmers request for financial assistance for developing lands as the agreed Rs. 10,000 per acre seems not sufficient for development. Cultivation of fodder, fruits, vegetables, wheat, maize and forest trees has started in 18 schemes on 217 acres. Field observations suggest that the cultivated area is under-estimated. Payback process is slow, however, farmers of 13 schemes from Astore and Diامر districts have paid back PKR 6.68 million so far. Four out of five-pilot solar powered lift schemes in Astore, Skardu, Ghanche, Gilgit and Ghizer districts continue to perform satisfactorily. One scheme suffered pump failure. As of now, 54 Scheme Management Teams (SMT), have been converted into formally registered cooperatives (VACs). New requests have been received from communities for 142 ILDs in the existing four districts, and for 93 ILDs from the five districts where ETI is not involved in infrastructure activities. Also, farmers' delegations from different districts have been visiting ETI-GB project main and regional offices requesting for more ILD and FMR schemes.
23. The mission observed that many of the completed schemes are operating and people have started developing and cultivating their land though, they are very slow. Buner Daas is a big scheme in Diامر and its completion must be a priority during the remaining period of the project. Four schemes in Ghizr namely Shamsabad, Hundrap, Barjungl and Hamuchal are recommended for suspension as it is very difficult to complete them in time. It has been agreed that the remaining 22 irrigation channels will be completed by March 2022 or latest by June 2022 for the difficult schemes by mobilizing additional resources. The pace of land distribution and development needs to be accelerated for bringing more area under cultivation. It was also observed that the reported area under cultivation was underestimated and needed to be verified and corrected. The titling issue still persists and it has been agreed with the government that new activities and expansion and extension of the project is conditional to legislation and its implementation by March 2022. The payback process is slow and needs special and immediate attention of project management. In case of extension and expansion of project, the social and technical feasibility and selection criteria for all new schemes including those already designed, should be updated and revised based on experience and lessons learned during the last five years. The water policy remains a challenge that needs to be addressed at the earliest.
24. **Sub-Component 1.2 Farm to Market Roads.** The overall progress on FMRs and bridges has been satisfactory (5). The project has undertaken 71 FMRs of 381 km length for benefiting 27,158 HHs against a target of 400 km in four districts. So far, a total of 56 roads have been completed having a cumulative length of 285 km (71 percent of the total target) benefiting 20,271 HHs. The remaining 15 FMRs with a length of 96 km (60 km completed) are mostly more than 50 percent complete and will benefit 6,887 HHs. All of the seven RCC bridges have been completed. Of the 10 wooden bridges, 7 have been completed and one is 90 percent complete. The quality of most of FMRs and bridges is good and way above the comparable model in the province. Progress under value chain development component remains on track in terms of formation of cooperative, registration and business planning. ETI-GB has received new requests from communities for 101 FMRs from existing four districts and 27 FMRs and a mix of 15 ILD/FMRs from the five new districts.
25. The team has agreed to complete the ongoing roads by end of March 2022 while the transfer of O&M responsibility for the roads and bridges to PWD has not been initiated and should be done before end of November 2021 for all FMR already completed. The development of provincial roads master plan and operation and maintenance manual (O&M) have been lingering on. The GoGB should start the process of hiring consultant and complete the exercise by June 2022.
26. **Component 2: Support Services / PPPP for Value Chain Development, Rating:moderately satisfactory (4)**
27. During the year under review the Project achieved significant progress in social mobilization and establishment of farmer cooperatives that is the foundation for value chain support. In the process of institutional development, the next steps should include institution-building for the cooperatives, access to finance coupled with business advisory for value chain expansion and leveraging the Project's seed investment in innovative technologies and business approach and enhanced engagement and capacity building of the Project's counterpart GoGB departments.
28. **Sub- Component 2.1: Value Chain Support Fund and Technical Assistance:** moderately satisfactory (4)
29. Progress under the value chain development component remains on track in terms of formation of cooperative, business planning and initiating of implementation of approved business plans. Against an objective of 160 cooperatives, a total of 223 cooperatives (162 VC by VCTA, 38 VAC by AKRSP and 25 VAC Diامر / Astore by PMU) have been identified, sensitized, formally registered with the efficient collaboration of the GB Cooperative Department. These cooperatives have also successfully managed the online FATF requirements and have been able to open bank accounts. All these cooperatives have also closely collaborated with VCTA, AKRSP or the PMU team in order to finalize their business plans which include a market and business analysis, break-even point and clear exit strategy as well as investment assessment based on investment IRR and NPV.
30. These ETI-GB promoted cooperatives differ strongly from the usual cooperative approach as developed in the past in Gilgit Balistan with (i) full time paid professionals managing these cooperatives (Manager and financial controller), (ii) Cooperative members through their Board members leading the development and management of these cooperatives and (iii) Co-financing and signed contract of the

Business Plans with ETI-GB. Initially, a first batch of 30 VC cooperatives should have been contracted in 2021 for the implementation of their business plan. As of today, total 51 cooperatives have already signed and received at least a first financial instalment for the implementing of their business plan. All steps for the election of the regional and provincial farmer association have been done and the registration of these two entities (first time in Gilgit-Balistan and Pakistan) should be finalized in the coming weeks. On average, 2/3 of the households of the village are members of the cooperative. Farmers are extremely enthusiastic and field visits confirm a significant offtake of new technology resulting in increase of the average income of farmers registered with cooperatives. VACs—being nascent institutions, need guidance and handholding. The strengthening of the Registrar of Cooperatives, GB and networking of the cooperatives at regional and provincial levels are important for the sustainability of cooperatives. Some payments to VCTA and cooperatives have been observed. All Business plans should be financed before the end of November 2021 in order to prepare the 2022 campaign in good condition. All due to the vendors by the cooperatives and under the agreed business plan should be paid by ETI-Gb / GoGB as planned. Details of the cooperatives' activities are described below :

31. **Vegetables:** The Project introduced efficient technology for production of vegetables during and off-season and packaging material. **Vertical Structure:** The Project supported 10 cooperatives to procure and distribute 1,131 vertical farming structures and associated agricultural inputs and packaging of vegetables. **Open-Field Farming:** The Project provided support for 5,678 sets of agricultural inputs for open field production in 29 cooperatives. **High Value Fruits:** The Project supported the cooperatives for procurement and distribution of 9,913 sets of value addition tools and equipment to 41 cooperatives. **Disbursement to Cooperatives:** As of 31 August 2021, the Project disbursed PKR 106.05 Million to 51 cooperatives for their operating expenses and business investment. Operating expense support has been provided to 51 cooperatives while business investment has been disbursed to 46 cooperatives with 5 cooperatives having received only support for operating expenses. As of 31 August 2020-21, the Project disbursed PKR 74.52 Million as the first instalment to 51 or 31% of the registered cooperatives. The Project disbursed PKR 31.5 Million as second instalment to 4% or 7 of the registered 162 cooperatives.
32. **4P / VPG Model:** Since inception, the Project supported 13 agribusinesses promoters / coordinators under the Producer-Private-Public Partnership (4P) model and 24 village producer groups (VPG). The 37 schemes engaged a total of 11,118 farmer households across the Project area in potato and high value crops. In one case (MonAFFA), the mission noted that the 4P model resulted in increase of sale price between 13% and 38% for the smallholder farmers associated with MonAFFA. **4P / VPG Financial Performance:** Since inception, the total cost of the 4P and VPG interventions has been PKR 754.01 Million with 59.7%, 33.7% and 6.5% contributed by the Project, Community and Promoter respectively. During FY 2020-21 there were no financial investments by the Project under the 4P and VPG models.
33. **Capacity Building – Cooperatives and Farmers:** As part of institution building of the cooperatives, the Project had to provide effective trainings to the Board of Directors and Management of the cooperatives. During the year under review, the Project developed training manual on the cooperative bye-laws and disseminated training to the Board of Directors of 148 cooperatives. The Project plans to deliver training to the management on financial book-keeping and accounting, procurement and HR before 31 December 2021.
34. **Sub-Component 2.2: Social Mobilization: Satisfactory (5) Revised Approach:** In FY 2020-21 (agreed between the Project and partner organizations under a revised agreement in January 2020), the Project adopted an integrated approach to the establishment of farmer economic institutions – business cooperatives across the Project area. This approach tasked VCTAT with economic mobilization of farmers into cooperatives, facilitating registration and establishment of the cooperatives, cooperative's business plan development, facilitating execution of the support agreement between the Project and the cooperatives, extending capacity building trainings to the cooperatives for implementation of the Project activities and on-going support. **Establishment of Co-operatives:** The Project registered 162 cooperatives with membership of 40,956 smallholder farmers. It is important to note that registration of the Project-developed-cooperatives has resulted in a cumulative growth of 180% in the total number of cooperatives registered in Gilgit-Balistan. This included social mobilization of a minimum of 250 farmers in each cooperative, completion of the legal documentation for registration of the cooperatives with the Registrar of Cooperatives, village-level verification of each member's unique identification (computerized national identity card) and issuance of registration certificates for the cooperatives. **Women, Youth and Marginalized Farmers Participation:** Across all regions, the cooperatives include 30% and 27% membership of women and youth respectively. Most cooperatives have not yet developed a plan to include the most marginalized farmers in their area of operation. However, some cooperatives are in the process of softening the terms of membership to their cooperatives to enable the marginalized and the poorest to benefit from the Project's value chain investments. **Regional Distribution:** Diamer region lagged with 23% of all cooperatives as compared to the other regions (Gilgit: 38% and Baltistan: 39%), the Project managed to achieve significant in-roads despite the historically lower level of investment in development of socio-economic institutions in the region. **Business Approach of Co-operatives:** The Project not only mobilized farmers to register cooperatives but also engaged the cooperative members to develop a need-based business plan for each cooperative. In all, the Project achieved to develop and seek approval of business plans for 138 or 85% of the 162 registered cooperatives. The business plans for cooperatives includes both qualitative and quantitative aspects of a business approach. Based on the approval of the business plan for each of the 162 cooperatives, the Project executed agreements with 95 or 59% of the registered cooperatives as of 31 August 2021. **Operationalization of Cooperatives:** In a limited time period (FY 2020-21) and following the registration of cooperatives, 64 or 40% of the 162 cooperatives recruited reasonably suitable personnel for the two mandatory positions of manager and accountant provided in the business plans. The cooperatives also opened their respective joint bank accounts, set-up their physical offices and as noted by the mission that most cooperatives had constituted their procurement committees, some had constituted their marketing committees also but none had constituted their audit committee. **Federated Regional and Provincial Cooperatives:** The Project has mobilized the cooperative office bearers in each region. The regional cooperatives are yet to be registered with the Cooperative Department. The Project plans to establish a provincial cooperative including all the three Project regions and register the Provincial Cooperative with the Securities and Exchange Commission of Pakistan.
35. **Sub-Component 2.3: Agriculture Extension.** This sub-component is rated as moderately satisfactory (4). Agriculture Extension continues to provide extension support services including land use and land development planning for the newly irrigated lands, soil testing services for existing and new lands, farmer training and field days and management of potato seed multiplication activity including revolving fund. Dedicated staff has been notified in all districts resulting in improved staff engagement and availability.
36. **Sub-Component 2.4: Agriculture Research.** No further work is being carried out *under* this sub-component *after* MTR decision to drop the implementing agency for unsatisfactory performance.
37. **Sub-Component 2.5: Land Titling and Record System (US\$ 2.13 million/2% of base cost).** This sub-component is rated as



moderately unsatisfactory (3). There is no progress on approval of the Draft Land Law from the GB Legislative Assembly.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>Finalize Concept for Access to Finance and Develop EoI/RFP for Engaging with Financing Institutions (2 at minimum)</b></p> <p>Provide a concept note, scope of work and EoI/RFP for credit guarantee and credit line for IFAD No Objection.</p>	PCU, VCTAT, SMP	12/2020
<p><b>Provide Assistance to SMBR for Provincial Land Cadastral</b></p> <p>Use available resources to develop a provincial land cadastral data base through engagement of a competent service provider in association with SMBR – Develop scope of work/EoI and RFP for getting NO from IFAD.</p>	PCU, PSU	12/2020
<p><b>Delink the Titling of Land Developed under ETIGB</b></p> <p>Develop together with GoGB an approach to formalise secure land titling for land developed under ETIGB.</p>	PCU	12/2020
<p><b>Secure Land Titling for Completed Schemes by June 2021</b></p> <p>Detach ETI land titling from wider provincial land reforms and develop a project specific land titling regime</p>	PCU,PSC	06/2021
<p><b>Carry out Land Development Potential Assessment</b></p> <p>Develop ToRs and engage a consulting firm to assess development potential of remaining lands in GB for prioritization of project investment.</p>	PCU	06/2021
<p><b>Notify the land policy and expedite the land titling process</b></p>	GoGB	11/2021
<p><b>Expedite the formal Hand Over of FMR completed by ETIGB to Works Department</b></p>	GoGB	11/2021
<p><b>Finalize and approve the policies as planned in the PC1 (O&amp;M roads, Road Master plan, Water Management policy)</b></p>	GoGB	11/2021
<p><b>Support the registration and submit for IFAD NOC BP for the regional and provincial Farmer Associations by 30 November 2021</b></p>	PMU / GoGB	11/2021
<p><b>Ensure that all the remaining 111 VC cooperatives are contracted by December 2021 and that the first milestone payment have been transferred.</b></p>	PMU/GoGB	12/2021
<p><b>MOU with Cooperative department</b></p> <p>Revise / update and submit for IFAD NOC MOU with Cooperative department, Works Department, Agriculture Department and BOR (subject to approved policy for land titling)</p>	PMU/GoGB	12/2021
<p><b>Monitor the 2021 first impact / results as well as update the BP of the 51 cooperatives based on the ground realities.</b></p>	PMU	02/2022
<p><b>Expedite the achievement / completion of all economic infrastructures (ILS, FMR and Bridges) and Hand over these infrastructures as per PDR/PC1.</b></p>	PMU	03/2022
<p><b>revision of approach</b></p> <p>Assess / capitalize the entire approach (social, technical, financial, institutional from identification, selection, and implementation to evaluation steps) of both, component 1 and 2 and submit for NOC (i) lessons learnt and (ii) improved approach to implement in case of ETI-GB extension or phase 2.</p>	PMU	03/2022
<p><b>Establish Irrigation Scheme Appraisal Committee</b></p> <p>Establish a competent scheme appraisal committee in PCU for quality assurance of designs, viability assessment and costs analysis as key step for prioritization of project investments</p>	PCU	

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

**Effectiveness** **Rating: 4** **Previous rating: 3**

##### Justification of rating

38. Moderately satisfactory. Development effectiveness of the project is rated as moderately satisfactory (4) . Output delivery is noted with significant results in terms of completion of ILD/FMR schemes and registration of cooperatives have surpassed the end targets. Greater community role, ownership and pro-activeness features the implementation approach. A shift has been noted to some extent in component 1 from output to outcome while result from the first investment in cooperatives has to be speeded up and consolidated. Land titling, roads O&M policy and provincial Water policy remains to be fast tracked

##### Log-Frame Analysis & Main Issues of Effectiveness

39. The project log frame remains valid in terms of the relevance of indicators, data sources as well all key assumption withstand.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Integrated Poor Households as Members in VACs</b> Ensure all poor households living in the catchment area of a VAC are made members of the VAC and their membership fee may be either paid from community payback fund	PCU, Gender Manager	
<b>Introduce Innovative Animal Feed Production Techniques</b>	PCU, VCTAT, Momo Dairy	

#### Development Focus

**Targeting and Outreach** **Rating: 4** **Previous rating: 4**

##### Justification of rating

40. Moderately satisfactory. A well-structured Youth and Gender Engagement Strategy exist which has been developed and implemented, with clear targets of 30% youth participation (currently participation rate is 28%). As of today, 29,300 hhs have been reached, through the new land irrigated, with an additional 45,218 hhs have been reached through the activities delivered under component 2 (PFO and 4Ps).

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Increase outreach component 2</b> Develop with the cooperative a strategy allowing the inclusivity of the ultra- vulnerable of the community	PMU	12/2021

**Gender equality & women's participation** **Rating: 4** **Previous rating: 5**

##### Justification of rating

41. Moderately satisfactory. The project is making concentrated efforts to meet the gender targeting, participation and empowerment with the exception of certain geographical pockets. Women are represented in the governing bodies of the valley agriculture cooperatives. Project has compiled already generic guiding documents including: Gender Equality Policy; Gender and Poverty Checklist; Youth Strategy; Gender and Poverty Action Plan. Tracking and monitoring against the targets as well as reporting of progress and achievements on these cross-cutting themes under all components need to be systematically integrated in the overall project M&E/MIS. Post-MTR, VCTAT and SMP responsibilities included gender, poverty target/graduation and youth focus. Reports from both VCTAT and SMP does capture gender segregated data.

##### Main issues

42. Post-MTR both VCTAT and SMP interventions have seen a shift towards mobilization of communities in the form of legally-registered farmer cooperatives with a business plan and professional staffing. Women representation in key roles of project supported cooperatives remains encouraging but below the market at 4% of total presidents; 8% of vice presidents, finance secretaries and general secretaries each and nearly 15% representation in the BODs. The total membership of women stands at nearly 23% (12,413 out of 55,218). It is important for the project to explore ways of better inclusion of the women in the ILD VACS, for example, through (i) co- ownership between heads of households (husband and wife); (ii) ensure gender balance in the cooperative staffing when possible; (iii) develop a strategy to include ultrapoor women unable to pay farmers' share, in the cooperatives; and, (iv) increase involvement of women in leadership role – Board of Directors of cooperatives.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Integrate Gender and Age Disaggregated Data in the MIS</b> The cooperative and beneficiary level data shall be integrated into MIS – in house update of MIS is recommended	PMU	12/2021
<b>Increase women roles at all levels</b> Increase women participation in BODs, leadership position and achieve better gender balance in cooperative staffing and 30% representation in project staff	PMU	12/2021
<b>Identification and inclusion of ultrapoor women in VACs</b> To increase women membership and participation in VACs under both ILD/FMR and Value Chain, implementing partners shall identify households/women who cannot afford farmers' share and develop a plan for share management	VCTAT/SMP	12/2021

#### **Agricultural Productivity**

**Rating: 3**

**Previous rating: 4**

#### **Justification of rating**

43. Moderately unsatisfactory. The potential of improvement of the agriculture productivity of ETI-GB through both components is high but has not been able to be fully expressed by the farmers as of now. Different factors needs to be addressed like the land tilling, the levelling and destonage organization, sometime the support for the secondary or tertiary canals and then the itinerary for making these land fertile and fully productive.

#### **Main issues**

44. the issue relating to land tilling has limited the speed of the cultivation of the area irrigated.

#### **Nutrition**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

45. Moderately satisfactory. ETI-GB is not a nutrition sensitive project as per IFAD's criteria. Nevertheless continuous efforts are being made to improve nutrition-specific awareness and knowledge. Since the start of the project 226 nutrition sessions were organized benefiting 6,111 participants (4,960 women & 1151 men). The project indirectly contributes to the improved nutrition through increased production from newly developed land and vertical farming and increased per capita availability as well as improved quality of processed fruit at the household level. These have reportedly improved nutrition and more importantly dietary diversity.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Develop a nutrition campaign</b> Seek support from SUN in designing nutrition campaign and using media and channels for achieving higher outreach.	PMU	03/2022
<b>Collaboration with Nutrition Programme Health Department Gilgit-Baltistan</b> With the assistance from PCU and implementing partners VACs shall collaborate and develop linkages with Nutrition programme of health department of GB and organise trainings for VAC members.	PCU/SMP/VCTAT/SMD	03/2022

#### **Adaptation to Climate Change**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

46. Satisfactory. The main climate change related threats in the project area include extreme weather events resulting in flash-floods, unseasonal snowfall and temperature spikes resulting in flash-floods, fluctuating water flows, soil erosion and loss due to heavy rains and winds etc. ETI has developed a check-list for its infrastructure schemes to ensure that the construction designs incorporate climate resilience features, including the protection against flash floods, soil erosion, slide protection etc. Project has introduced greenhouses in project area to enable the farmers to control production cycles and use the same for weather-safe processing and drying of products. Intakes of bigger irrigation channels are being provided with gates as well as escape gates at regular intervals to control inundation and excessive flows during high flows and flash floods.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Land cultivation:</b> Ensure 70% of total land cultivation by next agricultural campaign	Communities / AKRSP	04/2022

## b. Sustainability and Scaling up

<b>Institutions and Policy Engagement</b>	<b>Rating: 3</b>	<b>Previous rating: 4</b>
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### Justification of rating

47. Moderately unsatisfactory. The potential and interest is high for the ongoing and potential beneficiaries to scale up this programme, for both component. Draft Policies have been developed but need now to be notified by the GoGB.

### Main issues

48. The Government of Gilgit Balistan has not yet taken actions in the notification process of the 3 policies as planned in the PDR and PC1 and this despite multiple support provided and discussions. With the end of the GoGB transition period, quick actions on GoGB's side are expected to make these policies effective and to envisage scaling up of this intervention.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Policies</b> Notify the policies as prepared and planned in the PC1 (Land titling, Water Management	GoGB	12/2021

<b>Partnership-building</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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### Justification of rating

49. Moderately satisfactory. Partnership with Private sector (through the 4Ps) and with public / public institutions / private sector and Farmer Organizations have been developed as per plan. Since ETI-GB start up, the Italian Co-financing is still not operational despite some progress (signature in June 2020, dedicated account opened in December 2020).

### Main issues

50. The GoP needs to accept the Italian Co-financing disbursement conditions.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Make Operational the Italian Co-Financing</b> Review an integrate in the 2021 – 2022 AWPB the co-financing of the Gol and submit it to the ETI-GB steering committee for approval	GoGB	12/2021

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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### Justification of rating

51. Satisfactory. ETI's implementation approach is community-centric and empowering whereby beneficiary communities and households are put in the driving seat in all aspects of project implementation. Community elected Scheme Management Teams lead scheme design and take part in cost estimation, manage funds and procurement, engage and supervise all labour and are accountable to the community. Women headed households, landless and ultra-poor are provided equal share in the newly developed land. Youth are specifically targeted and provided with skills trainings. Through full payment of the scheme costs, an amount of over PKR 600 million has so far been disbursed as wages. Establishment of legally recognized Village Agriculture Cooperatives is another step towards empowerment and social capital building.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Ensure adherence to MOUs with Communities and VC Cooperatives</b>	PMU / GoGB	12/2021

<b>Quality of Project Target Group Engagement and Feedback</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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### Justification of rating

52. Satisfactory. The mission observed a good direct involvement in terms of community engagement, responsiveness and awareness under both components. A number of completed irrigation schemes have now moved to the stage of land development and started to have a significant cultivation area on some schemes. Beneficiary awareness in the newly established Cooperatives regarding cooperatives purpose and objectives, cooperative business plan and next steps was found mostly adequate.

<b>Responsiveness of Service Providers</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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### Justification of rating

53. Satisfactory. ETI is being implemented through a range of implementing partners and service providers. These include community organizations, public services, private sector, equipment suppliers, government agencies, vocational training institutions, social mobilization partner, VCTAT and suppliers of agriculture inputs. The component 1 (Economic infrastructure – 50 000 acres of new irrigation scheme and 400 km of roads rehabilitation) has been mainly implemented by the organized communities with the support of

the project and under partial supervision of GoGB services. This implementing arrangement was initiated for the first time and at this scale in the GB province and has demonstrated its relevance and its high efficiency. Despite an initial slow start, SMT and VCTA services providers in charge of component 2 (Value chain development) have well understood their role and are becoming very proactive and efficient in the daily ETI-GB deliveries. Today, all ETI-GB partners or services providers are contracted on a result basis and are very responsive.

**Environment and Natural Resource Management**

**Rating: 5**

**Previous rating: 5**

**Justification of rating**

54. Satisfactory. The project is being implemented in hard mountainous areas where adequate measures have been taken to guard against landslides, erosion and floods. Rather, the proposed infrastructure helps control landslides and erosion. In many cases noise and air pollution is not an issue as there is almost no use of heavy machinery. In some cases, work is done at night to avoid disturbance to traffic and people. Proper structural measures have been adopted in the design and implementation at vulnerable points. Most of the schemes are using predetermined or existing alignment that does not cause any harm to nature, wildlife or fauna etc. Irrigation schemes will actually result in improved water management and water use efficiency. Channels have been covered with reinforced concrete cement slabs to avoid debris and sediment flow from landslides. All FMRs and bridges do not involve land acquisition and do not interfere in any way with nature, waterways or settlements

**Exit Strategy**

**Rating: 4**

**Previous rating: 4**

**Justification of rating**

55. Moderately satisfactory. The Project design and approach contain all the elements which, if coherently and systematically deployed and implemented, provide a sound exit strategy framework. The Project's infrastructure component follows a community driven approach with high degree of community ownership. The value chain activities involve legally established cooperatives with a business plan and institutional oversight and audit or a 4-P approach involving producers and registered private sector. Policy formulation and reform is envisaged to provide proper institutional and resource cover to project interventions in irrigation and land development, land titling, as well as FMR maintenance etc.

**Main issues**

56. For the future sustainability of project-supported institutions and investments, the promulgation of supportive policies and regulations for land titling, irrigation O&M and water policy and roads O&M need now to become effective under the lead of the GoGB and GB-PDD.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Promulgation of supportive policies and regulations for land titling, irrigation O&M and water policy and roads O&M	PDD/GoGB	11/2021

**Potential for Scaling-up**

**Rating: 4**

**Previous rating: 5**

**Justification of rating**

57. Moderately satisfactory. The project has a recognition with respect to nature and scale of interventions, implementation approach and collaboration mechanisms. The distinct feature include: (i) community led implementation of irrigation and development and farm to market roads; (ii) payback of 50% of the scheme cost into a community managed fund with poor households exempted from payback; (iii) equitable land distribution; and, (iv) formation, legal registration and positioning farmers' cooperatives for commercial agribusiness activities. The widespread recognition has resulted in increased demand for extension of all project activities to the entire Gilgit-Baltistan.

**Main issues**

58. The project is expected to be completed by Sep. 2022 and hence no new activity can be initiated especially under component 1 and 2. Despite the important demand (more than 240 official requests from the different communities) the scaling up of ETI-GB will be possible only if the policy aspects are notified and implemented in the field.

**c. Project Management**

**Quality of Project Management**

**Rating: 5**

**Previous rating: 3**

**Justification of rating**

59. Satisfactory. Despite HR constraints and the Covid-19 pandemic, the project management has improved since the last supervision mission. The completed and ongoing work on channels covers now 85% of the target. Similarly, 285 KMs of FMRs, which constitute 71% of the target (400 KMs) have been completed. As many as 223 cooperatives (139% more than the target) are operational with their bank accounts opened, business plans finalized, FATF requirements met, and full time professional staff managing affairs. The PSC is active but delays occur in the implementation of some of its directives, which are not in the hand of the PMU. The provincial government has yet to notify agreed policies critical to increasing farmers' incomes and sustainability of project outcomes.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Undertake the first annual outcome survey</b> Develop the scope of work, hire a consultant and complete the annual outcome survey.	PCU/M&E Wing	09/2021
<b>Notify Acting PC and contract extension of staff</b> The Acting PC should be notified as agreed by the PSC and contracts of existing staff extended	PDD/GoGB	10/2021
<b>Extend staff contracts for 1 year</b> Staff contracts renewal shall be made from Sep 21 to Sep 22	PCU/PDD	10/2021
<b>Complete recruitment of project staff</b> Following the agreed methodology, recruitment shall be completed according to the timeline.	PDD/GoGB	12/2021

#### Knowledge Management

Rating: 5

Previous rating: 4

#### Justification of rating

60. Satisfactory. The project's M&E system has significant data that can be used to produce good quality knowledge products and adopt dissemination. The project has successfully compiled case studies including one case for the IFAD's global learning from 4Ps and extension services as well as a video documentary on the project mid-line is under final production stage. The project has several innovative features that can be shared with other IFAD funded projects and widely among the development partners.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Produce an impact study report on the ETIGB Logframe and SDG indicators</b>	PMU	04/2022
<b>Produce Thematic and didactic videos for national communications and policy makers</b>	PCU	04/2022

#### Value for Money

Rating: 5

Previous rating: 4

#### Justification of rating

61. Satisfactory. The project interventions exhibits cost-efficiencies in both components primarily due to community led implementation, competitive procurement and tax holiday in Gilgit-Baltistan. Considerable savings have been made in terms of cost of irrigation, farm to market roads and value chain investments maintaining consistently high quality of outputs. The outcome survey will be completed which shall provide the basis for input to outcome efficiency.

#### Main issues

62. Following is a brief overview of the major investments and its efficiency;

- Irrigation and land development schemes. While currently there is no systematic approach to capturing the data pertaining to outcome/impact indicators, the mission has assessed the value for money from the completed and ongoing schemes visited. The per acre cost is on average Rs. 70,000 (USD438) of which 50% will be repaid thus an investment of Rs. 35,000 (USD219). The business plan for the valley agricultural cooperative suggest revolving the funds generated through payback and meeting the operation and maintenance cost thus having a multiplier impact in the medium to long run. The estimated annual return from the newly developed land range from Rs. 10,000 (alfalfa, wheat and maize corn) to Rs. 50,000 per acre (alfalfa seed, potato, peas and watermelons). The MIS currently do not yet capture the data.
- Farm to market roads: The average per km cost is noted to be Rs. 3.7 million which is about 30-50 percent lower than the average cost of similar roads. The per km cost is also lower by around 15 per cent compared to design estimates. The mission estimated a reduction in transportation cost of Rs. 0.5 – 0.75 per kg per km. The MIS has to yet be updated for inclusion of outcome/impact indicators.
- Value chain development: The project investment as per the business plans of cooperatives have resulted in the increased in farmers' income. The return on investment is the highest, more than 100%, in the case of vertical farming while in all other cases the return on investment is 25% – 50%. Prices of cherry and apricot (dried) has increased by 20-30%. The data needs to be further corroborated through third party outcome studies.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Compilation of case studies</b> Compile case studies on 30% of the ILD/FMR schemes and village/valley agriculture cooperatives covering the logframe indicators and assessment against baseline.	PCU	03/2022
<b>Undertake value for money analysis based on the annual outcome survey and prepare a policy paper</b> Develop scope of work, hire consultant, complete annual value for money analysis and develop policy paper.	PCU	04/2022

**Coherence between AWPB and Implementation**

**Rating: 4**

**Previous rating: 4**

**Justification of rating**

63. The 2020 – 2021 AWPB planned targets was of PKR 2,5 billion whereas the project has effectively been executed for PKR1,2 billion (48.8%) or around the equivalent of USD 7.5 million. The AWPB implementation has been largely impacted due to the Covid-19 pandemic situation in this province (several lock down periods) and to some extent by the non-availability of top tiers management and other technical staffing

**AWPB Inputs and Outputs Review and Implementation Progress**

64. The project implementation has improved since the last supervision mission. Irrigation & land development covering the area of 42,430 acres approx. 85% of the target (50,000 acres). While 285 KMs of FMRs approx. 71% of the target (400 KMs) have been completed and need to be handed over to the government. There were some delays in a few schemes due to severe weather and social issues. The project through VCTAT (service provider) has established 162 VACs as legal entities which is commendable effort by the SP. VCTAT also prepared the Procurement Procedures for VACs and obtained IFAD's No Objection in March 2020. ETI-GB approves the business plans (BPs) for the cooperatives and subsequently monitors the implementation progress. During the mission the performance of BPs were observed and found satisfactory. The PSC is active but delays occur in the implementation of its directives. The provincial government has yet to notify agreed policies critical to increasing farmers' incomes and sustainability of project outcomes. The 2021-22 AWPB has been discussed but not yet been approved by the PSC. Italian financing agreement was signed in June 2020 but the Italian initial advance is not yet available in the project account.

**65. AWPB Inputs and Outputs Review and Implementation Progress**

66. Component-wise budget and utilization is reflected in the following table:

<b>Sr.No</b>	<b>Description</b>	<b>Financial Year 2020-21</b>						
		<b>Budget 2020-21</b>			<b>Actual Expense As of June, 30 2021</b>			
		<b>IFAD</b>	<b>Gov</b>	<b>Total</b>	<b>IFAD</b>	<b>Gov</b>	<b>Total</b>	<b>%age total</b>
1.1	Irrigation Development	922	105	1,026.72	392.4	37.6	429.9	42%
1.2	Farm to Market Roads	510.17	61.7	571.87	340.1	52.3	392.4	69%
2.1	Value Chain Support Fund and Technical Assistance	473.78	37.33	511.10	94.4	30.8	125.2	25%
2.2	Social Mobilization	55.47	32.58	88.05	43.4	26.7	70.2	80%
2.3	Agriculture Extension	45.18	15.08	60.26	27.1	16.1	43.2	72%
2.4	Agriculture Research	0	0	-	3.5	0.3	3.8	
2.5	Land Titling System, Provincial Land Commissioner	10.16	1.84	12.00	0.18	0.1	0.3	3%
3	Programme Coordination Unit	157.16	75.06	232.23	101.0	56.5	157.5	68%
	<b>Total</b>	<b>2,174.04</b>	<b>328.2</b>	<b>2,502.23</b>	<b>1,002.1</b>	<b>220.4</b>	<b>1,222.6</b>	<b>48.86%</b>

67. Component-wise cumulative progress and budget utilization:



Sr.No	Description	Financial Year 2021-22							Cumulative Progress				
		Budget 2021-22			Actual Expense as of August, 31 2021				Actual Expense as of August, 31 2021				
		IFAD	Gov	Total	IFAD	Gov	Total	%age total	IFAD	Gov	Total	Benf.	Grand Total
1.1	Irrigation Development	793	87	880.48	56.1	0.2	56.3	6%	1,897.2	236.3	2,133.5	-	2,133.51
1.2	Farm to Market Roads	254.58	25.18	279.76	20.5	0.2	20.7	7%	1,224.7	139.4	1,364.2	-	1,364.15
2.1	Value Chain Support Fund and Technical Assistance	1,617.49	26.42	1,643.91	71.6	9.9	81.5	5%	755.4	112.9	868.3	36.4	904.73
2.2	Social Mobilization	31.37	18.42	49.79	0.2	(0.0)	0.2	0%	167.3	98.4	265.6		265.64
2.3	Agriculture Extension	21.29	10.46	31.75	0.8	0.0	0.8	3%	119.1	55.9	174.9		174.92
2.4	Agriculture Research	0	0	-	-	-	-		93.3	19.0	112.3		112.34
2.5	Land Titling System Provincial Land Commissioner	35.92	13.02	48.94	-	-	-	0%	2.0	1.0	3.0		2.97
3	Programme Coordination Unit	116.01	56.47	172.48	9.9	0.19	10.1	6%	553.8	277.3	831.1		831.11
	<b>Total</b>	<b>2,869.77</b>	<b>237.34</b>	<b>3,107.11</b>	<b>159.2</b>	<b>10.4</b>	<b>169.6</b>	<b>5.46%</b>	<b>4,812</b>	<b>940.15</b>	<b>5,752.93</b>	<b>36.4</b>	<b>5,789.4</b>

Performance of M&E System

Rating: 4

Previous rating: 5

#### Justification of rating

68. All project interventions under the two components are covered in the M&E system and regularly updated on the basis of progress reported from the field. Infrastructure schemes are color-coded in red amber and green, with red denoting issues and delays requiring remedial action, amber denoting small problems and green denoting smooth implementation. It is an effective tool, provided the project management monitors it on a regular basis for appropriate action. Each beneficiary is registered in the system on the basis of his/her national ID card number and for each beneficiary it is possible to track which activities he/she is benefitting from. The data uploading for the single beneficiary is slightly behind, due to the cross checking that is being carried out before uploading the data.

#### M&E System Review

69. M&E linked to a digitized MIS system exists. The M&E uses a customised dashboard, geotagging and disaggregated data handling capabilities. The M&E office is yet to be recruited. The MIS needs to be upgraded to include outcome indicators. There is also need to make the data collection more practical with potential role for the project supported cooperatives.

Agreed Action	Responsibility	Agreed Date
Recruit M&E staff	PDD/GoGB	12/2021
Impact Survey Report	PCU	03/2022
Increasingly Use Data from M&E as KM and Decision-making practice Develop formats and processes to translate M&E Data into knowledge management products and management decision-making tool	PCU/M&E Wing	

Social, Environment, and Climate Standards requirements

Rating: 5

Previous rating: 5

#### Justification of rating

70. This project was designed prior to the current mandatory SECAP guidelines. However, the PDR did contain an ESRN note. A number of SECAP features and safeguards have been built in the criteria and selection process for the economic infrastructure schemes. Guidelines adequately address potential issues of conflict with regards to land distribution, access to water, use of local labour and materials and dispute resolution. Adequate measures have been taken to guard against landslides, erosion and floods and necessary protection measures have been incorporated in the irrigation and road designs. HDPE pipes have been laid and properly buried for protection against slides. Both in channels as well as FMR, proper facilities like culverts, wooden bridges and pipes have been provided for drainage and crossing.

#### SECAP Review

##### 71. SECAP Review

72. The economic infrastructure sub-component is a community led and executed activity starting from identification to planning to implementation to management and operation and maintenance of the scheme. ETI's approach in this project is to provide, on average, one acre of new land with entitlement to each household of the community for equitable distribution of benefits. Schemes are selected based on no-conflicts, no land acquisition, no resettlements, no deforestation, no protected areas and no threat to wildlife. According to this participatory approach, the concerned communities would choose a representative body called Scheme Management Team (SMT) to be responsible for all activities under the irrigation, small bridges or FMR schemes. All teams being local minimizes conflicts and increases efficiency. Major activities include the construction of irrigation channels for bringing water to lands with potential for agriculture development. The source of water is usually a stream or river that would supply water to the concerned



scheme without disrupting supplies or disturbing water rights of other schemes or communities. All the schemes are drawing run of the river or stream water with no interventions in the watersheds. The channels are completed first and linked to the source at the end to minimize water pollution.

73. Mostly, the channels are small in size which does not involve huge excavations of soils. Design considerations also involve minimum cuts and fills to avoid expensive borrow material. Being mountainous terrain, all the channels are constructed with locally available stone without involving borrow areas. Drainage facilities have been provided where required to control erosion and soil degradation. Most of the areas under this project are cultivated in spring and summer when enough water is available in the sources and when they are not affected by the current hydrological variabilities and climate changes unless in case of an unusual change in rain pattern and intensity. Traditionally, operation and maintenance of the schemes is the responsibility of the community without the involvement of the government at any level. The construction of properly designed channels with proper controls would improve water management and efficiency of water for increased productivity and income of the users.
74. Similar is the case with FMRs, which are selected in consultation with the concerned communities, taking into account potential social and environmental impacts. SMTs are responsible for monitoring the construction and implementation of the schemes, therefore ensuring that issues raised by the communities during implementation are taken into account. Being bridges big projects, seismicity and hydrology of the area have been taken into consideration during the design. It has been observed that some labor and staff working at site have not been using personnel protection equipment (PPEs) during work. It is strongly recommended that to use PPEs to protect against incidents

#### d. Financial Management & Execution

<b>Acceptable Disbursement Rate</b>	<b>Rating: 3.0</b>	<b>Previous rating: 3</b>
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##### Justification of rating

75. Automated rating based on IFAD disbursement data. The program has disbursed SDR 27.54 million (56.74%)—inclusive of initial advance against the total allocation of SDR 48.55 million 31 August 2021. In terms of USD, the project has actually spent USD 35.30 million (52.7%) of the IFAD Loan till 31 August 2021—including the expenditure of USD 1, 828,364/- for which a Withdrawal Application has yet to be submitted. The initial advance is not included in this expenditure figure. An amount of USD 9.8 million is committed in contractual liabilities. The potential disbursement—considering the project’s expenditure and commitments as on the reporting date, works out to be 68% of the IFAD Loan.

##### Main issues

76. The mission notes that following factors contributed to low disbursement rate:
  1. The Covid-19 pandemic continues negatively affecting implementation especially value chain component. The project could execute only 48.8% of the original AWPB 2020-21;
  2. All three positions of Regional Coordinators are vacant since February 2020 and there is no full time Project Coordinator for more than six months. The government initiated recruitment in February 2020 but not complete it and fresh recruitment started in August 2021;
  3. Land development—and land titling issues are hurdles to the productive use of newly developed land, hampering progress toward project outcomes;
  4. Appreciation of USD against PKR by more than 60% till end of August 2021 has also contributed to expenditure in USD being lower than what it would have been if the exchange rate had not changed so drastically.
77. The project has yet to use USD 31.69 million—or about 47% of IFAD financing and the whole amount of Italian co-financing of € 20.5 million till the project completion date of 30 September 22 which is highly unlikely. A no-cost extension may be considered to allow the project to complete planned activities and achieve intended outcomes.

#### Fiduciary aspects

<b>Quality of Financial Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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##### Justification of rating

78. Overall, the project has maintained its quality of financial management despite massive increase in workload. Of the 12 actions recommended by the mission, (6) have been fully or partly implemented. All positions of FM staff are filled in the PUC and RCUs except for Finance Manager (Baltistan). The amount of advances is down 48% from PKR 94 million in August 2020 to PKR 49 million on 31 August 2021 . The quality of documentation in PCU has improved. Internal controls—however, need strengthening especially at VACs that are getting grants and the project needs to closely monitor contracts and audit recommendations.

##### Main issues

79. **Staffing:** All FM positions at PCU/RCUs are filled except for the position of Manager Finance (Baltistan). The FM team is not proficient in revolving fund account procedures;
80. **Accounting and Financial Reporting:** PIM does not sufficient guidance for accounting and financial reporting at VACs’ level. The service provider has given an option to upgrade accounting software to resolve a long standing issue of segregating the inputting and verification functions in the accounting system in December 2020 which has not been availed;
81. **Internal controls:** Review of 147 transactions amounting to PKR 138 million (24% of the amount claimed through SOEs) since last mission indicates (i) VAC buying 14,400 trays against the approved quantity of 7,200 trays; (ii) use of plain paper as requisitioning slips for photocopies; (iii) Payment of PKR 5.92 million to SMT as an advance in excess of the 20% ceiling provided in the MOU; (iv) significant gaps in contracting and contract management under VCTAT’s contract such as non-recovery of advance of PKR 30.319

million against its first six (6) months' services, increasing the amount of this advance to 25% ( to PKR 37 million), non-inclusion of any reporting requirement, non-compliance with reporting requirements, insufficient documentation with claims for payment. Mission noted during field visits that the community guidelines for procurement were not followed properly—largely because of lack of training of the staff and some gaps in the guidelines. VCTAT did not support VACs in procurement/FM processes per its TORs. Mission notes that VACs were doing procurement/accounting for the first time and the procurements were done in haste to avoid missing the cropping season;

82. **Treasury and funds flow.** Significant amounts are being transferred to VACs which need to be tracked down to end beneficiaries. Most infrastructure schemes (ILDs, FMRs) but progress toward recovery of payback amount (50% of the total cost of each scheme) is very slow. Under the value chain component, recovery of loans has not started as agreed in the contract agreements. Project frequently uses IFAD's loan to bridge-finance expenditure under government counterpart funds;
83. **Co-Financing:** The agreement for co-financing of € 20.5 million by the Italian government has been signed on 1 June 2020 and a dedicated account set up for this purpose on 14 June 2020. The government needs to obtain the initial advance of € 5 million from the Italian Government, and modify its AWPB 2021-22—ensuring that consistency with the approved PC-1 and the Financing Agreement between IFAD and the federal government.
84. **Beneficiaries' contributions:** The program is measuring beneficiaries' contribution-both in cash and in kind. Overall, the cash contribution amounts to USD 2.67 million whereas in-kind contribution (value of land provided for ILDs, and FMRs at rate notified by provincial government) is estimated at USD 13.52 million. Recovery of beneficiaries' 50% share against the cost of ILDs through pay back mechanism as envisaged under the PDR remains negligible.
85. **Internal Audit:** Internal Auditor completed internal audit for FY 2019-20 and obtained management inputs on its findings. The Audit Report could be finalized only after the Audit Committee has reviewed and cleared the report. The Internal Audit has not formally written a request to the Audit Committee for this purpose. Internal Audit for FY 2020-21 is complete in two regions.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>Revision of PIM and training of finance officials in community organizations</b></p> <p>Include in PIM tools and guidance for community organizations and train officials in financial management</p> <p>-----</p> <p>Update 01.08.2021</p> <p>Partially completed (see item #4); SOPs completed, and NO was received from IFAD. The changes will be included in the revised PIM</p> <p>Community SOPs have been approved and communities shall be trained accordingly</p> <p>-----</p> <p>Update from September 2021</p> <p>Include in PIM tools and guidance for community organizations and train officials in financial management. SOPs for community procurement have been cleared by IFAD but they need to improve. Specific areas that need improving have been explained to the project. VCTAT should improve the SOPs, include the updated SOPs in PIM and also train full time staff in the processes.</p>	Finance Department	10/2021
<p><b>Revised AWPB</b></p> <p>AWPB to include all financiers (Co-financing and beneficiaries). The Italian co-financing of € 20.5 became available on 1 June 2020 but the AWPB 2021-22 did not include this co-financing. The government has been advised to revise the work plan to include activities to be funded through the Italian co-financing subject to the provisions of the Financing Agreement between IFAD and the Federal Government and the approved PC-1. The finance team has also been advised to include the beneficiaries' contribution in the AWPB 2021-22.</p>	PCU	10/2021
<p><b>Comprehensive internal audit report to be submitted to IFAD</b></p> <p>Internal audit report that cover all regions, SMPs, IPs, private sector and SMTs that includes all findings, recommendations and management replies to be submitted to IFAD after it is approved by audit committee. Audit Report for FY 2019-20 was shared with management for their comments and discussed by the Internal Auditor. However, the report has not been formally submitted to the Audit Committee. The Internal Auditor has tried to obtain time "informally" which does not work in Pakistan. The Internal Auditor has been advised to send a formal letter cc'ing all concerned the convening of Audit Committee for review and finalization of the Report. Internal Audit for 2020-21 is ongoing.</p>	Internal Auditor - ETIGB	10/2021
<p><b>FM trainings for Finance staff at PCU and VACs</b></p> <p>FM team need to have training in revolving accounts procedures</p> <p>Train FM staff in VACs in proper accounting, financial reporting, procurement etc.</p> <p>Train Board members/VACs in managing work transparently and accountably</p>	PCU/VCTA	10/2021

<p><b>Strengthening of internal controls over VCTAT/VACs</b></p> <p>Strengthening of internal controls over VCTAT/VACs</p> <p>i. Improve procurement guidelines—incorporating basic principles of fairness and transparency;</p> <p>ii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs;</p> <p>iii. Develop simple tools/guidance for accounting and financial reporting by VACs;</p> <p>iv. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information;</p> <p>v. No claim of VCTAT or other service providers should be entertained unless it comes with supporting documentation indicating list of beneficiaries who have been given tools/equipment etc.</p> <p>vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports.</p>	PCU/VCTAT	10/2021
<p><b>Accounting system upgrade</b></p> <p>Upgrade the accounting system as per the proposal made by the service provider</p>	PCU	12/2021
<p><b>Include the requirement of CNIC nos. and Cell nos. on the payment sheets used to record payment to labors</b></p> <p>Labor costs are the major cost under infrastructure component (FMRs and Irrigation and Land Development). During the supervision missions, it was noted that requisite information on recipient of labor charges was not being properly maintained. The mission recommended that the payment sheets must include the requirement of CNIC nos. and Cell nos. on the payment sheets used to record payment to labors. The project has started doing it but consistent compliance with this requirement is a must.</p>	Finance Section/PCU	12/2021
<p><b>Recover funds given as loan to beneficiaries</b></p> <p>Recover the funds given to beneficiaries as loan (AKMD and others) and—in case of failure of VCTAT, adjust the expenditure against the government counterpart fund</p>	VCTAT/PCU	12/2021
<p><b>Expedite recovery of payback amounts from communities</b></p> <p>A workable mechanism may be devised to recover the share of communities as provided through pay-back system in the PDR/PC-1. The possibility of micro-financing window making available to the community to payback may also be considered.</p>	VCTAT/PCU	12/2021
<p><b>For all trainings under the VSTAT, a project official must sign off the attendance sheets</b></p> <p>The supervision mission of 2020 noted that trainings being organized were not being signed off by the project staff to ensure that training were actually being organized, participants were real, and other facts mentioned in the document were credible.</p>	Finance Section/PCU	12/2021
<p><b>Segregate date entry and data verification function—obtain updated version of TOMPRO for this purpose.</b></p> <p>Since the installation of TOMPRO, the issue of “inputting of transactions” and “verification of the same transactions” not being segregated by the software has been highlighted in the mission. The project has engaged with the service provider and obtained quotation for updating the software along with training of staff. This would address this problem.</p>	Finance Section/PCU	12/2021
<p><b>No payment should be made to any IPs/SMP/VSTAT unless the request for payment is backed with original supporting documentation</b></p> <p>The mission noted highlighted the need for the project to require full documentation from implementing partners while processing claims for payments. The quality of documentation has improved but more needs to be done.</p>	Finance Section/PCU	12/2021

<p><b>Arrange for SDAC meeting with General Auditor before end of 2021</b></p> <p>Project to arrange for DAC meeting in order to discuss and settle the audit findings identified in the Management Letter with the Auditor General. Project to affirm to auditors where the finding is in accordance with IFAD agreement, clearances, GA agreements, provide evidence when correction action is taken and to comply and take correction action where applicable. Final minutes of the DAC meeting to be shared with IFAD FO. 1-Non appointment against senior positions 2-Non protection of lapsed balances against budgetary allocation (Rs. 681 million) 3-Non receiving of 50% of pay back amount from the communities (Rs. 7.6 million) 4-Non recovery of loan from Amin K.I.D company &amp; Mamo Dairy Products Rs. 9.4 million 5-Undue favor by enhancing the Technical Sanction (Rs. 10.211 million) 6-Irregular Construction of Road without Technical Sanction (Rs. 25.23 million), 7-Non-development of land at Kinodas, Sutdas, Luruk, 8-undue favor to a contractor by allowing specification (Rs.2.30 million)</p>	<p>PMU and Auditor General</p>	<p>12/2021</p>
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**Quality and Timeliness of Audit** **Rating: 3** **Previous rating: 4**

**Justification of rating**

86. Audit report was received with delay (4 days). The report is informative but needs some improvements. Financial statements are comprehensive but are missing two statements to be as per IFAD and IPSAS cash basis requirements.

**Main issues**

87. One of the points that reduced the rating is the delay in submission of the audit report. Project should include the DA reconciliation and Cash Receipt and Payments statement (as per IPSAS requirement for the latest) in the main financial statements. In addition to that Notes to be enriched to further explain some of the amounts reported in the financial statements. Project has successfully reported the Government contribution, beneficiary cash contribution and beneficiary in-kind contribution.

88. Financial statements were informative in general and the auditors have expressed unqualified opinion on them.

89. The Management letter included 6 audit findings that will be discussed in order to settle them during the next formal Special Departmental Accounts Committee (SDAC)meeting. Project must follow up with the Auditor General until all audit findings are settled.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<p><b>Settle the audit findings with the Auditor General of Pakistan</b></p> <p>Project to arrange for DAC meeting in order to discuss and settle the audit findings identified in the Management Letter with the Auditor General. Project to affirm to auditors where the finding is in accordance with IFAD agreement, clearances, GA agreements, provide evidence when correction action is taken and to comply and take correction action where applicable. Final minutes of the DAC meeting to be shared with IFAD FO.</p> <p>1-Non appointment against senior positions  2-Non protection of lapsed balances against budgetary allocation Rs. 681 million  3-Non receiving of 50% of pay back amount from the communities Rs. 7.6 million  4-Non recovery of loan from Amin K.I.D company &amp; Mamo Dairy Products Rs. 9.4 million  5-Undue favor by enhancing the Technical Sanction Rs. 10.211 million  6-Irregular Construction of Road without Technical Sanction Rs. 25.23 million</p>	PMU and Auditor General	10/2021
<p><b>Enhance internal control in relations to findings in the ML</b></p> <p>PMU to work on enhancing the internal control measures in relation to audit findings;</p> <p>1- to utilize savings as per rules  2- a mechanism to be in place for recovering amounts from communities/POs/IPs  3- employing technical sanctions when required and with reasonable estimates</p>	PMU	10/2021
<p><b>Enrich the Notes of the financial statements</b></p> <p>1-Notes to be linked with the financial statements by reference numbers.  2-Notes to be enhanced to include narrative descriptions and breakdowns of amounts shown in the financial statements such as explanations of negative amounts and the breakdown of the beneficiary cash contribution, under which category does not fall and nature of the contribution.</p>	PMU and Auditors	12/2021
<p><b>Include missing Financial statements</b></p> <p>1-Include the DA reconciliation within the main financial statements .  2-Include Cash Receipt and payment statement as per IPSAS cash flow requirements in the main financial statements.  2-Statements of Receipts and &amp; expenditures by categories and by components to be renamed as "Sources and Uses of Funds statements" as they are as per IFAD required Sources and Uses of Funds statement.</p>	PMU and Auditors	12/2021

#### Counterparts Funds

Rating: 3

Previous rating: 4

#### Justification of rating

90. The availability of counterpart funding is rated moderately unsatisfactory as the project is experiencing delays in receiving the funds from the government which is affecting project implementation and leading to unacceptable cross financing and due to the low percentage of realized funds when compared to appraisal figures.

#### Main issues

91. As per the Financing Agreement, the government has to provide the counterpart funds amounting to USD 23.63 million. The government has provided USD 6.89 million (29.2%) by the end of August 2021. In each of the preceding three (3) financial years, the funds allocated for AWPB were less than amounts required under the AWPB. The amount released each year was not enough to meet 100% of expenditure incurred against the counterpart fund. As a result, the project used bridge financing to meet the shortfalls in the provisioning of counterpart funds amounting to PKR 182.15 million. Despite that, an amount of PKR 13.4 million (USD 86,302) is still payable against government counterpart funds to staff, service providers, etc. till the end of the mission.
92. For FY 2021-22, an amount of PKR 50 million was reported released toward the end of the mission (end of August)—in keeping with the earlier trend showing (a) small allocation vis-à-vis AWPB at the start; (b) delayed releases subsequently to match the progress of expenditure; and (c) forcing the project to bridge-finance.
93. The government needs to allocate sufficient funds in the ADP for the project and release required funds on time.

#### Compliance with Loan Covenants

Rating: 3

Previous rating: 4

#### Justification of rating

94. Compliance with the Loan Covenant is rated moderately unsatisfactory. The project is not in compliance with many provisions of the Loan Covenant which negatively affect the achievement of project objectives. These include absence of full time PC and Director Finance, non-availability of sufficient and appropriate guidance and enabling tools for VACs in PIM, no health insurance cover for the project staff and no insurance for the project vehicles. These issues have been flagged elsewhere in this report as well. The government has to fully comply with the provisions.

## Procurement

Procurement

Rating: 4

Previous rating: 4

### Justification of rating

95. Moderately Satisfactory: There were positive improvements than the last SM, most of the Irrigation and Land Development Schemes and Farm to Market Road have been completed and some schemes are under completion stages and will be completed by the end of June 2022. The procurement plan for the fiscal year 2021-22 has not yet been approved by the PSC. The procurement committees were not notified by the P&DD. During the mission the matter was discussed with P&DD, GoGB and it was agreed that i) P&DD will notify the procurement committees for an interim period with inclusion of P&DD and other line agencies and ii) the PP 2021-22 will be also approved in forthcoming PSC. The application of procurement procedures is generally found consistent and transparent

### Procurement Review

96. PP 2020-21 for a total cost of PKR 16,342,500.00 approved by the PSC was in line with AWPB and updated with actual dates. The actual procurement cost is PKR 3,127,977.00 consistent with the Public Procurement Authority (PPRA). PCU has initiated the procurement activities with support of P&DD including i) Road Master plan and O&M Policy, 6 EOIs have been received and opened by the evaluation committee; the evaluation process have not yet been completed due to the absent of the procurement committee ii) Water Policy & O&M, the evaluation process has been completed only one firm has been shortlisted as per the PPRA Regulation 2010 Clause 6," at least three shortlisted firms required for RFP, based on the PPRA restrictions the committee recommends to readvertise procurement process; iii) Staff health and life insurance have been processed twice, however, not materialized, the project is advised with support of P&DD to complete the procurement process on urgent basis. The PP was not updated during the reporting year and neither obtained IFAD NO for the revision and upgrade. The PP is however not easily accessible publicly, it was advised to PCU to publish the approved PP on PPRA and ETI-GB websites for transparency purposes.
97. Currently there is no formal mechanism to handle complaints in PCU. The project has requested the P&DD to constitute a grievance redress committee with odd number officials (including representatives from ETI-GB, and representatives from P&DD and other line agencies officials) to enquire about the complaints and take remedial actions accordingly.
98. During the field visit it was observed that the construction of irrigation channels & land development covering the area of 42,430 acres approx. 85% of the target (50,000 acres). While 285 KMs of FMRs approx. 71% of the target (400 KMs) have been completed and need to be handed over to the government. There were some delays in a few schemes due to severe weather and social issues; it was sorted out and all schemes will be completed by the end of June 2021.
99. The project through VCTAT (service provider) has established 162 VACs as legal entities which is commendable effort by the SP. VCTAT also prepared the Procurement Procedures for VACs and obtained IFAD's No Objection in March 2020. ETI-GB approves the business plans (BPs) for the cooperatives and subsequently monitors the implementation progress. During the mission the performance of BPs were observed and found satisfactory. The mission examined the samples of procurement documents during the field and found some minor discrepancies in procurement process e.g. open quotations, overwriting/cutting/tempering, copies of cheques missing. The staff appointed in the VACs have not been trained in procurement procedures by the SP. In general procurement activities were carried out by the cooperatives that met the basic principles value for money and quality etc. The mission recommends the service provider to arrange a training package on procurement procedures already developed for all VACs staff, especially procurement committees and Board of Directors on an urgent basis.
100. The project has uploaded all on-going contracts in the ICP-CMT. The contract management has been improved than the last SM and now functional, currently PO is managing goods and services contracts with support technical staff, while works contracts assigned to the IS with support of REs in regions. It was advised that the staff should update the contracts on a regular basis on ICP-CMT. In addition, there is a need to hire a full time contract management officer for the effective and efficient contract monitoring and management. The procurement filing system has been improved. The agreed actions of the last supervision mission have been partially implemented.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>procurement plan</b> Fast-track the planned activities under PP 2020-21 1. Provincial Road Master Plan And O&M Policy 2. Provincial Water Policy & O&M Regulation 3. Staff Health And Life Insurance Policies	P&DD/GoGB	12/2021
<b>Hiring of staff: Procurement Assistant and Contract Monitoring Officer</b> Fast track the recruitment; support to PU and regional offices for community led procurement.	P&DD, GoGB	12/2021
<b>Compliant Management System</b> P&DD may constitute a grievance redress committee (including Representatives from ETI-GB, and Representatives from P&DD and other line agencies officials) to enquire about the complaints and take remedial actions. PIM needs to be revised accordingly.	P&DD/GoGB	12/2021
<b>Invoke relevant convenient of contracts regarding completion of RCC bridges</b> Follow up for the completion of RCC bridges; apply liquidated damages; as per the contract clause 47.1 Rs.0.1% each day up to 10% of the total contract cost.	PC/DPC/PO/IS	
<b>Procurement Plan</b> Submit the Procurement Plan of 2021-22 to IFAD for NOC and Notification of procurement committees for an interim period	P&DD/GoGB	
<b>Contract Management and Monitoring</b> PCU ensures that relevant staff should update the contracts on a regularly basis in ICP-CM.	PO/DF/Finance	

#### e. Key SIS Indicators

<b>Likelihood of Achieving the Development Objective</b>	<b>Rating: 4.11</b>	<b>Previous rating: 4.19</b>
<b>Assessment of the Overall Implementation Performance</b>	<b>Rating: 4.0</b>	<b>Previous rating: 4.0</b>

#### F. Relevance

<b>Relevance</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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##### Justification of rating

101. The Project's design, approach and interventions remain highly relevant. Productive irrigated land is a major constraint in this highly mountainous region of extremes. The Project is adding 50,000 acres new land to the existing 179,000 acres of irrigated land in the province and thereby adding, on average 1.6 acres of additional land to each family's existing 0.8 acres. The newly developed land and highly productive upper valleys are being connected through 400 km of farm to market roads and concrete and wooden bridges. The major challenge of distance, product volumes and quality and market linkages is being addressed through 4-P interventions and establishment of formal cooperatives with production and marketing business plans. This is being further backed up by the establishment of proper orchards and private nurseries for supply of quality root stock.

#### G. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		

<p><b>Finalize Concept for Access to Finance and Develop EoI/RFP for Engaging with Financing Institutions (2 at minimum)</b></p> <p>Provide a concept note, scope of work and EoI/RFP for credit guarantee and credit line for IFAD No Objection.</p>	PCU, VCTAT, SMP	12/2020
<p><b>Provide Assistance to SMBR for Provincial Land Cadastral</b></p> <p>Use available resources to develop a provincial land cadastral data base through engagement of a competent service provider in association with SMBR – Develop scope of work/EoI and RFP for getting NO from IFAD.</p>	PCU, PSU	12/2020
<p><b>Delink the Titling of Land Developed under ETIGB</b></p> <p>Develop together with GoGB an approach to formalise secure land titling for land developed under ETIGB.</p>	PCU	12/2020
<p><b>Secure Land Titling for Completed Schemes by June 2021</b></p> <p>Detach ETI land titling from wider provincial land reforms and develop a project specific land titling regime</p>	PCU,PSC	06/2021
<p><b>Carry out Land Development Potential Assessment</b></p> <p>Develop ToRs and engage a consulting firm to assess development potential of remaining lands in GB for prioritization of project investment.</p>	PCU	06/2021
<p><b>Notify the land policy and expedite the land titling process</b></p>	GoGB	11/2021
<p><b>Expedite the formal Hand Over of FMR completed by ETIGB to Works Department</b></p>	GoGB	11/2021
<p><b>Finalize and approve the policies as planned in the PC1 (O&amp;M roads, Road Master plan, Water Management policy)</b></p>	GoGB	11/2021
<p><b>Support the registration and submit for IFAD NOC BP for the regional and provincial Farmer Associations by 30 November 2021</b></p>	PMU / GoGB	11/2021
<p><b>Ensure that all the remaining 111 VC cooperatives are contracted by December 2021 and that the first milestone payment have been transferred.</b></p>	PMU/GoGB	12/2021
<p><b>MOU with Cooperative department</b></p> <p>Revise / update and submit for IFAD NOC MOU with Cooperative department, Works Department, Agriculture Department and BOR (subject to approved policy for land titling)</p>	PMU/GoGB	12/2021
<p><b>Monitor the 2021 first impact / results as well as update the BP of the 51 cooperatives based on the ground realities.</b></p>	PMU	02/2022
<p><b>Expedite the achievement / completion of all economic infrastructures (ILS, FMR and Bridges) and Hand over these infrastructures as per PDR/PC1.</b></p>	PMU	03/2022
<p><b>revision of approach</b></p> <p>Assess / capitalize the entire approach (social, technical, financial, institutional from identification, selection, and implementation to evaluation steps) of both, component 1 and 2 and submit for NOC (i) lessons learnt and (ii) improved approach to implement in case of ETI-GB extension or phase 2.</p>	PMU	03/2022
<p><b>Establish Irrigation Scheme Appraisal Committee</b></p> <p>Establish a competent scheme appraisal committee in PCU for quality assurance of designs, viability assessment and costs analysis as key step for prioritization of project investments</p>	PCU	



<b>Development Effectiveness</b>		
<b>Increase outreach component 2</b> Develop with the cooperative a strategy allowing the inclusivity of the ultra-vulnerable of the community	PMU	12/2021
<b>Integrate Gender and Age Disaggregated Data in the MIS</b> The cooperative and beneficiary level data shall be integrated into MIS – in house updation of MIS is recommended	PMU	12/2021
<b>Increase women roles at all levels</b> Increase women participation in BODs, leadership position and achieve better gender balance in cooperative staffing and 30% representation in project staff	PMU	12/2021
<b>Identification and inclusion of ultrapoor women in VACs</b> To increase women membership and participation in VACs under both ILD/FMR and Value Chain, implementing partners shall identify households/women who cannot afford farmers' share and develop a plan for share management	VCTAT/SMP	12/2021
<b>Develop a nutrition campaign</b> Seek support from SUN in designing nutrition campaign and using media and channels for achieving higher outreach.	PMU	03/2022
<b>Collaboration with Nutrition Programme Health Department Gilgit-Baltistan</b> With the assistance from PCU and implementing partners VACs shall collaborate and develop linkages with Nutrition programme of health department of GB and organise trainings for VAC members.	PCU/SMP/VCTAT/SMD	03/2022
<b>Land cultivation:</b> Ensure 70% of total land cultivation by next agricultural campaign	Communities / AKRSP	04/2022
<b>Integrated Poor Households as Members in VACs</b> Ensure all poor households living in the catchment area of a VAC are made members of the VAC and their membership fee may be either paid from community payback fund	PCU, Gender Manager	
<b>Introduce Innovative Animal Feed Production Techniques</b>	PCU, VCTAT, Momo Dairy	
<b>Sustainability and Scaling up</b>		
<b>Promulgation of supportive policies and regulations for land titling, irrigation O&amp;M and water policy and roads O&amp;M</b>	PDD/GoGB	11/2021
<b>Policies</b> Notify the policies as prepared and planned in the PC1 (Land titling, Water Management)	GoGB	12/2021
<b>Make Operational the Italian Co-Financing</b> Review an integrate in the 2021 – 2022 AWPB the co-financing of the Gol and submit it to the ETI-GB steering committee for approval	GoGB	12/2021
<b>Ensure adherence to MOUs with Communities and VC Cooperatives</b>	PMU / GoGB	12/2021
<b>Project Management</b>		

<b>Undertake the first annual outcome survey</b> Develop the scope of work, hire a consultant and complete the annual outcome survey.	PCU/M&E Wing	09/2021
<b>Notify Acting PC and contract extension of staff</b> The Acting PC should be notified as agreed by the PSC and contracts of existing staff extended	PDD/GoGB	10/2021
<b>Extend staff contracts for 1 year</b> Staff contracts renewal shall be made from Sep 21 to Sep 22	PCU/PDD	10/2021
<b>Complete recruitment of project staff</b> Following the agreed methodology, recruitment shall be completed according to the timeline.	PDD/GoGB	12/2021
<b>Recruit M&amp;E staff</b>	PDD/GoGB	12/2021
<b>Compilation of case studies</b> Compile case studies on 30% of the ILD/FMR schemes and village/valley agriculture cooperatives covering the logframe indicators and assessment against baseline.	PCU	03/2022
<b>Impact Survey Report</b>	PCU	03/2022
<b>Produce an impact study report on the ETIGB Logframe and SDG indicators</b>	PMU	04/2022
<b>Produce Thematic and didactic videos for national communications and policy makers</b>	PCU	04/2022
<b>Undertake value for money analysis based on the annual outcome survey and prepare a policy paper</b> Develop scope of work, hire consultant, complete annual value for money analysis and develop policy paper.	PCU	04/2022
<b>Increasingly Use Data from M&amp;E as KM and Decision-making practice</b> Develop formats and processes to translate M&E Data into knowledge management products and management decision-making tool	PCU/M&E Wing	
<b>Financial Management &amp; Execution</b>		
<b>Revision of PIM and training of finance officials in community organizations</b> Include in PIM tools and guidance for community organizations and train officials in financial management ----- Update 01.08.2021 Partially completed (see item #4); SOPs completed, and NO was received from IFAD. The changes will be included in the revised PIM Community SOPs have been approved and communities shall be trained accordingly ----- Update from September 2021 Include in PIM tools and guidance for community organizations and train officials in financial management. SOPs for community procurement have been cleared by IFAD but they need to improve. Specific areas that need improving have been explained to the project. VCTAT should improve the SOPs, include the updated SOPs in PIM and also train full time staff in the processes.	Finance Department	10/2021

<p><b>Settle the audit findings with the Auditor General of Pakistan</b></p> <p>Project to arrange for DAC meeting in order to discuss and settle the audit findings identified in the Management Letter with the Auditor General. Project to affirm to auditors where the finding is in accordance with IFAD agreement, clearances, GA agreements, provide evidence when correction action is taken and to comply and take correction action where applicable. Final minutes of the DAC meeting to be shared with IFAD FO.</p> <p>1-Non appointment against senior positions  2-Non protection of lapsed balances against budgetary allocation Rs. 681 million  3-Non receiving of 50% of pay back amount from the communities Rs. 7.6 million  4-Non recovery of loan from Amin K.I.D company &amp; Mamo Dairy Products Rs. 9.4 million  5-Undue favor by enhancing the Technical Sanction Rs. 10.211 million  6-Irregular Construction of Road without Technical Sanction Rs. 25.23 million</p>	<p>PMU and Auditor General</p>	<p>10/2021</p>
<p><b>Enhance internal control in relations to findings in the ML</b></p> <p>PMU to work on enhancing the internal control measures in relation to audit findings;</p> <p>1- to utilize savings as per rules  2- a mechanism to be in place for recovering amounts from communities/POs/IPs  3- employing technical sanctions when required and with reasonable estimates</p>	<p>PMU</p>	<p>10/2021</p>
<p><b>Revised AWPB</b></p> <p>AWPB to include all financiers (Co-financing and beneficiaries). The Italian co-financing of € 20.5 became available on 1 June 2020 but the AWPB 2021-22 did not include this co-financing. The government has been advised to revise the work plan to include activities to be funded through the Italian co-financing subject to the provisions of the Financing Agreement between IFAD and the Federal Government and the approved PC-1. The finance team has also been advised to include the beneficiaries' contribution in the AWPB 2021-22.</p>	<p>PCU</p>	<p>10/2021</p>
<p><b>Comprehensive internal audit report to be submitted to IFAD</b></p> <p>Internal audit report that cover all regions, SMPs, IPs, private sector and SMTs that includes all findings, recommendations and management replies to be submitted to IFAD after it is approved by audit committee. Audit Report for FY 2019-20 was shared with management for their comments and discussed by the Internal Auditor. However, the report has not been formally submitted to the Audit Committee. The Internal Auditor has tried to obtain time "informally" which does not work in Pakistan. The Internal Auditor has been advised to send a formal letter cc'ing all concerned the convening of Audit Committee for review and finalization of the Report. Internal Audit for 2020-21 is ongoing.</p>	<p>Internal Auditor - ETIGB</p>	<p>10/2021</p>
<p><b>FM trainings for Finance staff at PCU and VACs</b></p> <p>FM team need to have training in revolving accounts procedures  Train FM staff in VACs in proper accounting, financial reporting, procurement etc.  Train Board members/VACs in managing work transparently and accountably</p>	<p>PCU/VCTA</p>	<p>10/2021</p>
<p><b>Strengthening of internal controls over VCTAT/VACs</b></p> <p>Strengthening of internal controls over VCTAT/VACs</p> <p>i. Improve procurement guidelines—incorporating basic principles of fairness and transparency;  ii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs;  iii. Develop simple tools/guidance for accounting and financial reporting by VACs;  iv. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information;  v. No claim of VCTAT or other service providers should be entertained unless it comes with supporting documentation indicating list of beneficiaries who have been given tools/equipment etc.  vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports.</p>	<p>PCU/VCTAT</p>	<p>10/2021</p>

<p><b>procurement plan</b></p> <p>Fast-track the planned activities under PP 2020-21</p> <ol style="list-style-type: none"> <li>1. Provincial Road Master Plan And O&amp;M Policy</li> <li>2. Provincial Water Policy &amp; O&amp;M Regulation</li> <li>3. Staff Health And Life Insurance Policies</li> </ol>	P&DD/GoGB	12/2021
<p><b>Hiring of staff: Procurement Assistant and Contract Monitoring Officer</b></p> <p>Fast track the recruitment; support to PU and regional offices for community led procurement.</p>	P&DD, GoGB	12/2021
<p><b>Compliant Management System</b></p> <p>P&amp;DD may constitute a grievance redress committee (including Representatives from ETI-GB, and Representatives from P&amp;DD and other line agencies officials) to enquire about the complaints and take remedial actions. PIM needs to be revised accordingly.</p>	P&DD/GoGB	12/2021
<p><b>Enrich the Notes of the financial statements</b></p> <ol style="list-style-type: none"> <li>1-Notes to be linked with the financial statements by reference numbers.</li> <li>2-Notes to be enhanced to include narrative descriptions and breakdowns of amounts shown in the financial statements such as explanations of negative amounts and the breakdown of the beneficiary cash contribution, under which category does not fall and nature of the contribution.</li> </ol>	PMU and Auditors	12/2021
<p><b>Include missing Financial statements</b></p> <ol style="list-style-type: none"> <li>1-Include the DA reconciliation within the main financial statements .</li> <li>2-Include Cash Receipt and payment statement as per IPSAS cash flow requirements in the main financial statements.</li> <li>2-Statements of Receipts and &amp; expenditures by categories and by components to be renamed as "Sources and Uses of Funds statements" as they are as per IFAD required Sources and Uses of Funds statement.</li> </ol>	PMU and Auditors	12/2021
<p><b>Accounting system upgrade</b></p> <p>Upgrade the accounting system as per the proposal made by the service provider</p>	PCU	12/2021
<p><b>Include the requirement of CNIC nos. and Cell nos. on the payment sheets used to record payment to labors</b></p> <p>Labor costs are the major cost under infrastructure component (FMRs and Irrigation and Land Development). During the supervision missions, it was noted that requisite information on recipient of labor charges was not being properly maintained. The mission recommended that the payment sheets must include the requirement of CNIC nos. and Cell nos. on the payment sheets used to record payment to labors. The project has started doing it but consistent compliance with this requirement is a must.</p>	Finance Section/PCU	12/2021
<p><b>Recover funds given as loan to beneficiaries</b></p> <p>Recover the funds given to beneficiaries as loan (AKMD and others) and—in case of failure of VCTAT, adjust the expenditure against the government counterpart fund</p>	VCTAT/PCU	12/2021
<p><b>Expedite recovery of payback amounts from communities</b></p> <p>A workable mechanism may be devised to recover the share of communities as provided through pay-back system in the PDR/PC-1. The possibility of micro-financing window making available to the community to payback may also be considered.</p>	VCTAT/PCU	12/2021

<p><b>For all trainings under the VSTAT, a project official must sign off the attendance sheets</b></p> <p>The supervision mission of 2020 noted that trainings being organized were not being signed off by the project staff to ensure that training were actually being organized, participants were real, and other facts mentioned in the document were credible.</p>	Finance Section/PCU	12/2021
<p><b>Segregate date entry and data verification function—obtain updated version of TOMPRO for this purpose.</b></p> <p>Since the installation of TOMPRO, the issue of “inputting of transactions” and “verification of the same transactions” not being segregated by the software has been highlighted in the mission. The project has engaged with the service provider and obtained quotation for updating the software along with training of staff. This would address this problem.</p>	Finance Section/PCU	12/2021
<p><b>No payment should be made to any IPs/SMP/VSTAT unless the request for payment is backed with original supporting documentation</b></p> <p>The mission noted highlighted the need for the project to require full documentation from implementing partners while processing claims for payments. The quality of documentation has improved but more needs to be done.</p>	Finance Section/PCU	12/2021
<p><b>Arrange for SDAC meeting with General Auditor before end of 2021</b></p> <p>Project to arrange for DAC meeting in order to discuss and settle the audit findings identified in the Management Letter with the Auditor General. Project to affirm to auditors where the finding is in accordance with IFAD agreement, clearances, GA agreements, provide evidence when correction action is taken and to comply and take correction action where applicable. Final minutes of the DAC meeting to be shared with IFAD FO. 1-Non appointment against senior positions 2-Non protection of lapsed balances against budgetary allocation (Rs. 681 million) 3-Non receiving of 50% of pay back amount from the communities (Rs. 7.6 million) 4-Non recovery of loan from Amin K.I.D company &amp; Mamo Dairy Products Rs. 9.4 million 5-Undue favor by enhancing the Technical Sanction (Rs. 10.211 million) 6-Irregular Construction of Road without Technical Sanction (Rs. 25.23 million), 7-Non-development of land at Kinodas, Sutdas, Luruk, 8-undue favor to a contractor by allowing specification (Rs.2.30 million)</p>	PMU and Auditor General	12/2021
<p><b>Invoke relevant convenient of contracts regarding completion of RCC bridges</b></p> <p>Follow up for the completion of RCC bridges; apply liquidated damages; as per the contract clause 47.1 Rs.0.1% each day up to 10% of the total contract cost.</p>	PC/DPC/PO/IS	
<p><b>Procurement Plan</b></p> <p>Submit the Procurement Plan of 2021-22 to IFAD for NOC and Notification of procurement committees for an interim period</p>	P&DD/GoGB	
<p><b>Contract Management and Monitoring</b></p> <p>PCU ensures that relevant staff should update the contracts on a regularly basis in ICP-CM.</p>	PO/DF/Finance	

## **Pakistan**

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### **Economic Transformation Initiative - Gilgit Baltistan**

### **Supervision Report**

### **Logical Framework**

Mission Dates: 30 August - 29 September 2021

Document Date: 27/10/2021

Project No. 2000000836

Report No. 5882-PK

Asia and the Pacific Division  
Programme Management Department



Economic Transformation Initiative - Gilgit Baltistan

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<b>Outreach</b>	1 Persons receiving services promoted or supported by the project										
	Males			250 000	27 774	285 032	114.013				
	Females			250 000	26 684	273 853	109.541				
	Total number of persons receiving services			500 000	54 458	558 885	111.777				
	1.a Corresponding number of households reached										
	Women-headed households			10 000	800	9 648	96.5				
	Non-women-headed households			90 000	6 461	78 058	86.7				
	Households			100 000	7 261	87 706	87.7				
	1.b Estimated corresponding total number of households members										
	Household members			750 000	54 458	657 795	87.7				
<b>Project Goal</b> Improved incomes and reduced poverty and malnutrition in rural areas of Gilgit- Baltistan region	Reduction of poorest households (approx. 5,000)							Pakistan Social and Living Standards Measurement (PSLM) surveys. ETI assessments against BISP scorecard.			Political and social stability in the region. New developed land equitably distributed including to women and landless poor. Climatic abnormalities and natural calamities remain within acceptable tolerance levels. Higher production, combined with nutritional education and improved road access, will make substantive dent in malnutrition rate.
	Households			50							
	Decrease in child malnutrition (under 5 yrs old, chronic, acute-underweight and stunted)							RIMS survey			
	Height for age (boys) % decreased : Chronic-Stunting			10							



Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
	Height for age (girls) % decreased: Chronic-Stunting			10							
	Weight for height (boys) % decreased: Acute-Wasting			10							
	Weight for height (girls) % decreased: Acute-Wasting			10							
	Weight for age (boys) % decreased: Underweight			10							
	Weight for age (girls) % decreased: Underweight			10							
<b>Development Objective</b> Increased agricultural incomes and food security for at least 100,000 rural households in 7 districts of Gilgit Baltistan on a sustainable basis	target hhs and value chain operators have increased their agriculture income by at least 25%							WFP mapping of settlements and programme activity reports.			Programme activities implemented as per phasing. Govt and partners are able to timely predict and respond to natural disasters and localised hazards.
	Households			60	6.85	6.85	11.417				
	1.2.4 Households reporting an increase in production										
	Total number of household members				72 900	72 900					
	Households			90	10	10	11.1				
<b>Outcome</b> Outcome 1: 100,000 farm households increase production , productivity and sales in prioritized agricultural commodities	1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes							Farmers' organizations' records.			Improved quality, quantity and reliability in supply to contracted private partners will improve farm returns. Investments in local value addition and reductions in transaction costs for traders/processors/wholesalers.
	Women-headed households				237	1 220					
	Total no. of households reporting improved access to land			50 000	1 095	17 466	34.932				
	Households increase sales										
	Households			60							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency	Responsibility	
<b>Output</b> Outputs 1	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated							Progress Reports	annual		
	Hectares of land			20 000	238.4	17 170.4	85.852				
	water channels/ irrigation schemes constructed, rehabilitated'							Progress Reports	annual		
	kilometres			400	36	347	86.8				
	2.1.5 Roads constructed, rehabilitated or upgraded							Progress Reports			
	Length of roads			400	42	345	86.3				
	Other productive infrastructure constructed/rehabilitated							Progress Reports	annual		
	Plastic tunnels			100	0	100	100				
	Groups managing productive infrastructure formed/strengthened							Progress Reports	annual		
Groups SMT			107	6	142	132.7					
<b>Outcome</b> Outcome 2: Sustained and community driven development approach established that is pro- poor and youth/gender- and nutrition-sensitive	Funds recovered against estimated cost recovery for irrigation development										Youth have preference for working in village if economic opportunities are same or better than in towns and cities offering low-skill employment.
	Percentage of funds recovered			50							
	Vulnerable and women-headed target households provided with land titles										
	vulnerable and women-headed hh			100							
<b>Output</b> Outputs 2	2.1.2 Persons trained in income-generating activities or business management										
	Males			900	3 141	7 251	805.667				
	Females			650	2 032	6 901	1 061.692				
	Young				65	800					
	Persons trained in IGAs or BM (total)			1 550	5 173	14 152	913.032				
	1.1.8 Households provided with targeted support to improve their nutrition										
	Total persons participating			50 000	6 111	6 111	12.2				
	Males				1 151	1 151					

Results Hierarchy	Indicators						Means of Verification			Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency		Responsibility
	Females				4 960	4 960					
	Households			50 000	0	0	0				
	Household members benefitted			250 000	0	0	0				
	Village/community plans formulated										
	Plan			50	14	38	76				
<b>Outcome</b> Outcome 3: Agri-business actors invest in local processing and value addition to improve marketing of local food products	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities									Sufficient quantity, quality and seedling reliability of agricultural products available to sustain PPPP.	
Number of POs				24	88						
<b>Output</b> Outputs 3	2.1.1 Rural enterprises accessing business development services										
Size of enterprises			60 000	12 743	60 218	100.363					
Rural enterprises			220	46	257	116.818					
Women in leadership position			30	96	261	870					
2.1.6 Market, processing or storage facilities constructed or rehabilitated											
Total number of facilities				100	110						
Processing facilities constructed/rehabilitated			100	8	8	8					
Storage facilities constructed/rehabilitated			7	92	102	1 457.1					
<b>Outcome</b> Outcome 4: Government and private agricultural services are sustainably improved	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices						Client satisfaction survey and DOA service delivery records.			All GB agricultural households will be able to access improved agricultural service provision, including women.	
Households			50 000	13 064	23 516	47.032					
<b>Output</b> Outputs 4	Staff of service providers trained						RIMS				
Males			213	0	247	115.962					

Results Hierarchy	Indicators						Means of Verification			Assumptions		
	Name	Baseline	Mid-Term	End Target	Annual Result (2021)	Cumulative Result (2021)	Cumulative Result % (2021)	Source	Frequency		Responsibility	
	Females			212	0	24	11.321					
	Government Officials and staff trained							RIMS				
	Males			426	118	277	65					
	Females				0	32						
<b>Outcome</b> Outcome 5: Government formulates and enforces pro-poor agricultural policies covering water, land titling, road O&M and products and certification regime.	Provincial Land Records and Titling Law promulgated							Public land registry records, PO contracts and records with farmers.			Farmers using/producing improved seeds are able to increase productivity and sales.	
	Number of Titling Law promulgated			1								
	Land titles provided for newly irrigated lands							Public land registry records, PO contracts and records with farmers.				
	Number of land titles provided			50 000								
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment											
Number												

## **Pakistan**

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### **Economic Transformation Initiative - Gilgit Baltistan**

### **Supervision Report**

### **Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category**

Mission Dates: 30 August - 29 September 2021

Document Date: 27/10/2021

Project No. 2000000836

Report No. 5882-PK

Asia and the Pacific Division  
Programme Management Department



## ECONOMIC TRANSFORMATION INITIATIVE GB

### Appendix 1: Financial: Actual performance by financier; by component and disbursements by category as at 31st August 2021

Financier	Appraisal	Disbursements	Balance	Per Cent disbursed
	(USD '000)	(USD '000)		
IFAD Loan	67 000 000	35 305 903.24	31 694 096.76	52.70%
Co-Financier	22 980 000		22 980 000.00	0.00%
Government	23 630 000	6 896 826.22	16 733 173.78	29.20%
Beneficiaries	6 540 000	267 357.56	6 272 642.44	4.10%
<b>Total</b>	<b>120 150 000</b>	<b>42 470 087.02</b>	<b>77 679 912.98</b>	<b>35.30%</b>

#### Notes:

- 1- The figures of disbursement include disbursement of June-August 2021 amounting to USD 1,828,364.11 for which WA have not been submitted to IFAD. These amounts represent actual spending/disbursement performance till the end of August 2021.
- 2- The initial advance USD5 million is not included in disbursement.
- 3- USD rate 102.5 is applied for Appraisal and average rate USD 136.316 is applied to convert actual disbursement from PKR to USD
- 4- Payables –the expenses incurred but not yet paid against the government counterpart funds amounting to PKR 13442598 (USD 86302) are not reflected in the table.

**ECONOMIC TRANSFORMATION INITIATIVE GB**

**Table 1 B: Financial performance by financier by component (in 000's USD) as at 31st August 2021**

Component	IFAD Loan			Government			Co-Financier			Beneficiaries			Total		
	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%
<b>Economic Infrastructure for Value Chain Development</b>	36 950	22 902	62.00%	15 542	2 756	17.70%	14 004	-	0%	6 540	-	0.00%	73 036	25 658	35.10%
<b>Support Services/PPPP for Value Chain Development</b>	24 870	8 341	33.50%	4 979	2 107	42.30%	7 040	-	0%	-	267	0.00%	36 889	10 715	29.00%
<b>Programme Management and Policy Support</b>	5 180	4 063	78.40%	3 108	2 034	65.40%	1 937	-	0%	-	-	0.00%	10 225	6 097	59.60%
<b>Total</b>	<b>67 000</b>	<b>35 306</b>	<b>52.70%</b>	<b>23 629</b>	<b>6 897</b>	<b>29.20%</b>	<b>22 981</b>	<b>-</b>	<b>0%</b>	<b>6 540</b>	<b>267</b>	<b>4.10%</b>	<b>120 151</b>	<b>42 470</b>	<b>35.30%</b>

**Table 1 C: Financial performance by financier by category (in 000s USD) as at 31st August 2021**

Category	IFAD Loan			Government			Co-Financier			Beneficiaries			Total		
	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%
Civil Works	31 533	21 886	69.40%	14 261	2 156	15.10%	13 289	-	0%	6 540	-	0.00%	65 623	24 042.0	36.60%
Equipment & Material	1 252	710	56.70%	527	457	86.80%	239	-	0%	-	-	-	2 018	1 167.0	57.80%
Grants & subsidies	14 656	4 282	29.20%	-	-	0%	3 821	-	0%	-	267.4	-	18 476	4 549.0	24.60%
Training & Consultancies	4 333	3 050	70.40%	2 815	1 725	61.30%	1 816	-	0%	-	-	-	8 964	4 775.0	53.30%
Salaries & Allowance	5 865	3 643	62.10%	3 832	2 117	55.20%	2 427	-	0%	-	-	-	12 124	5 760.0	47.50%
Operating Cost	3 353	1 735	51.70%	2 195	440	20.10%	1 390	-	0%	-	-	-	6 938	2 175.0	31.30%
Unallocated	6 007	-	0.00%	-	-	-	-	-	0%	-	-	-	6 007	-	0.00%
<b>Total</b>	<b>67 000</b>	<b>35 306</b>	<b>52.70%</b>	<b>23 629</b>	<b>6 895</b>	<b>29.20%</b>	<b>22 981</b>	<b>-</b>	<b>0%</b>	<b>6 540</b>	<b>267</b>	<b>4.10%</b>	<b>120 151</b>	<b>42 468</b>	<b>35.30%</b>



**ECONOMIC TRANSFORMATION INITIATIVE GB**

**Table 1 D: IFAD loan disbursements (in SDR) as at 31 August 2021**

<b>Category</b>	<b>Category description</b>	<b>Original Allocation</b>	<b>Revised Loan Amount</b>	<b>Disbursement</b>	<b>Balance</b>	<b>Percent disbursement</b>
I	Civil Works	22 850 000	22 850 000	14 871 322.56	7 978 677	65.08%
ii	Equipment & Material	400 000	907 246	511 225.02	396 021	56.35%
ii	Grants & subsidies	10 620 000	10 620 000	2 837 952.56	7 782 047	26.72%
iv	Training & Consultancies	3 140 000	3 140 000	2 061 882.61	1 078 117	65.67%
v	Salaries & Allowance	4 250 000	4 250 000	2 492 913.83	1 757 086	58.66%
vi	Operating Cost	2 430 000	2 430 000	1 189 683.47	1 240 317	48.96%
	Unallocated	4 860 000	4 352 754		4 352 754	0.00%
	Authorised Allocation	-	-	3 582 067.11 -	3 582 067	
	<b>Total</b>	<b>48 550 000</b>	<b>48 550 000</b>	<b>27 547 047</b>	<b>21 002 953</b>	<b>56.74%</b>

**Note;**

1- The above disbursement table in SDR is extracted from ICP, IFAD Client Portal.



## **Pakistan**

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### **Economic Transformation Initiative - Gilgit Baltistan**

### **Supervision Report**

### **Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 30 August - 29 September 2021

Document Date: 27/10/2021

Project No. 2000000836

Report No. 5882-PK

Asia and the Pacific Division  
Programme Management Department



## Physical progress measured against AWP&B 2020-21 & 2021-22 (31 August)

Component/Outcome <i>Sub-component or Output</i>	Indicator	Unit	Period: 01-07-2020 to 31-8-2021			Cumulative Actual	Appraisal Target	%
			AWP&B	Actual	%			
<b>Component 1 – Economic Infrastructure</b>								
	Construction: Channels constructed (km) (Land under irrigation schemes constructed/rehabilitated)	Area (acre)	25,581	25,581	100%	42,429	50,000	85%
	Equipment & Material (Land under irrigation schemes constructed/rehabilitated)	No.	NA	144	93.6%	16,848		
	D. Training (Government officials & staff trained)	Persons	NA					
	Construction: (Road constructed, rehabilitated or upgraded)	Length/Km	129	114	88.37%	267	400	95.25
<b>Component 2 – Value Chain Support Fund and Technical Assistance</b>								
<i>2.1 Value Chain Funds – Grant</i>	On Farm Grants (Households/percentage increase in priority value chain productions)	FO	605	47	147%	NA	NA	NA
<i>and Subsidies</i>	Off-Farm Grants (No. of HH reached)	FO	32	32	100%	NA	NA	NA
	Non-Farm Grants (Facilities constructed/rehabilitated)	FO	73			NA	NA	NA
	Trainings (No. of individuals trained) (M/F)	FO	13244	NA	NA	NA	NA	NA
	Salaries & Allowances							
<i>2.2 Social Mobilization (Farmers Organization &amp; Institution Building)</i>	Village Agriculture Cooperatives (VACs)	No.	60	107	194.54	55	162	101.25%
<i>Social Mobilization Partner</i>	Formation of VPGs (Rural producers' organization supported)	NA	NA	NA	NA	NA	NA	NA
	Community Led Land distribution, development and cultivation	No.	NA	NA	NA	NA	NA	NA
	PayBack Process	NA	NA	NA	NA	NA	NA	NA
	Training	NA	NA	NA	NA	NA	NA	NA
<i>Social Mobilization Diemer</i>	Formation of VPGs (Rural producers' organization supported)	No.	15	15	100%			
	Trainings (No. of individual trained in income generating activities or business management) (M/F)	No.	350	350	100%	NA	NA	NA
	Recurrent Cost	NA						

2.3 Agriculture Extension	Construction: Other productive infrastructure constructed/rehabilitated (Market, processing or storage facilities constructed or rehabilitated)	No.	15	0	0%	25	25	100%
<b>Component 3: Programme Coordination Unit</b>								
Investment Cost	Consultancies	Consultant Months	26.75	0	0%			

## **Pakistan**

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### **Economic Transformation Initiative - Gilgit Baltistan**

### **Supervision Report**

### **Appendix 3: Compliance with legal covenants: status of implementation**

Mission Dates: 30 August - 29 September 2021

Document Date: 27/10/2021

Project No. 2000000836

Report No. 5882-PK

Asia and the Pacific Division  
Programme Management Department





## Appendix 5: Compliance with legal covenants: Status of implementation as of 31 August 2021

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>Section B.6</b> <b>Section B.7</b>	Opening of a designated account, a PCU program account and 3 RCU sub-accounts	At program start	Done	DA at State Bank of Pakistan, Program account and sub-accounts at National Bank of Pakistan
<b>Section B.8</b>	Provision of counterpart financing of approx. USD 24 million from the GoGB	Throughout program implementation	Partially Compliance	In the past three years (2018-19, 2019-20, 2020-21), the funds allocated were less than the value of AWPB in the past three years. The amount released was barely sufficient to meet the actual expenditure requirement. Frequently, the project did bridge financing from IFAD Loan to keep implementation on track. An amount of PKR 13.4 million was outstanding against GOP share by the end of the mission.
<b>Section E.1 (i)</b>	Appointment of Program Coordinator and Finance Manager	Condition precedent to withdrawal	Not done	The positions of Program Coordinator and Director Finance are not filled. The last incumbents are in the court against the government's decision terminating their services following the recommendation of the Supervision Mission 2020.
<b>Section E.1 (ii)</b>	No objection from IFAD on the draft Program Implementation Manual	Condition precedent to withdrawal	Partially done	SOPs of community procurement, and other guidance for VACs need to be included in the PIM.
<b>Section E. 2</b>	Installation and operationalization at the PCU of a computerized accounting system, acceptable to IFAD	3 months after entry into force of FA	Done	Software is installed and operational
<b>Schedule 1 – II.8</b>	Establishment of a Program Steering Committee at GB provincial level, headed by the Chief Secretary	At program start	Done	
<b>Schedule 1 – II.9 and 10</b>	Establishment of a Program Coordination Unit and 3 Regional Coordination Units (for Diamer, Gilgit and Baltistan regions)	At program start	Done	
<b>Schedule 1 – II.12</b>	Conduct of a Mid-Term Review jointly by the Borrower and IFAD.	By end of 2018	Done	
<b>GC-Section 7.01 (b) (ii)</b>	Submission of AWPB to IFAD for its review and comments	30 April each year	Not done	Submitted to IFAD on 19 <sup>th</sup> July 2021 but not approved yet.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>GC-Section 7.05 (a)</b>	Procurement of goods, works and services carried out in accordance with the applicable rules and procedures	Throughout program implementation	Complied	Procurement at community level requires streamlining, tools/guidance need to be provided to SMT/community organizations. Existing procurement procedures create significant fraud risks and these are not consistent with IFAD's guidelines.
<b>GC-Section 7.08 (a)</b>	Insurance of program assets in accordance with sound commercial practice	Throughout program implementation	Not done	There is no procurement committee and therefore the services of insurance agent have not been procured. The case is pending with P&DD.
<b>GC-Section 7.11</b>	Health & accident insurance for project staff	Throughout program implementation	Not	There is no procurement committee and therefore the services of insurance agent have not been procured. The case is pending with P&DD.
<b>GC-Section 8.03 (a)</b>	Submission of progress reports to IFAD	Quarterly	Not Complied	Semi-annual reports are being submitted to IFAD as per change in the requirement.
<b>GC-Section 8.04</b>	Submission of a project completion report	Before loan closing date	Not yet due	
<b>GC-Section 9.02</b>	Submission of program financial statements for each fiscal year	31 October each year	Not yet due	The statements are ready to be submitted.
<b>GC-Section 9.03</b>	Submission to IFAD of audit report and reply to management letter	31 December each year	Done	The project is in touch with the audit office concerned for audit of project for FY 2020-21. The project financial statements have already been submitted to the audit office on 9 <sup>th</sup> September 2021.
<b>GC-Section 11.01 (c)</b>	Taxes not to be paid from IFAD financing	Throughout the program implementation		Gilgit Baltistan is exempt from taxation
<b>LTB - A - 8</b>	Withdrawal application to be submitted at the earliest of elapse of 90 days or disbursement of 30% of the initial advance.	Throughout the program implementation	Complied	
<b>LTB - B - 11</b>	Statement of Expenditure Threshold USD 50,000	Throughout the program implementation	Complied	
<b>LTB - F - 28</b>	Contracts to be listed in Register of Contracts and submitted to IFAD CPM on a monthly basis.	Throughout the program implementation	Complied	All contracts have been incorporated in IFAD ICP CM. It is kept updated.
<b>LTB - G - 30</b>	Summary Interim Financial Reports (IFR) to be submitted to IFAD on Quarterly Basis within 45 days	Within 45 days of each quarter end	Complied	Quarterly IFR have been submitted to IFAD

<b>Section</b>	<b>Covenant</b>	<b>Target/Action Due Date</b>	<b>Compliance Status/Date</b>	<b>Remarks</b>
<b>LTB - G - 31</b>	Appointment of Independent Auditors within 120 days after the beginning of each year	30 Oct 2016 30 Oct 2017	Complied	External Audit is carried out by the Auditor General of Pakistan annually and acceptable to IFAD
<b>LTB - G - 34</b>	Appointment of Internal Audit Firm after No Objection by IFAD.	Immediate	Complied	
<b>LTB - G - 34</b>	Submission of Internal Audit Report to IFAD	Immediate	Partly Complied	Audit completed, report under finalization