

## **Pakistan**

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

#### **Mid-term Review**

#### **Main report and appendices**

Mission Dates: 14-29 October 2019  
Document Date 20/12/2019  
Project No. 2000000836  
Report No. 5223-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>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: | B                                   |
| Project Name:     | Economic Transformation Initiative - Gilgit Baltistan | Climate Risk Classification:       | 3                                   |
| 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:       | 21/01/2019 |
| Signing Date:                    | 26/10/2015        | Date of Last SIS Mission: | 18/11/2019 |
| Entry into Force Date:           | 16/09/2015        | Number of SIS Missions:   | 8          |
| 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> | National Government | \$23,630,000  |
|                                     | Beneficiaries       | \$6,540,000   |
| <b>Co-financing breakdown,</b>      | To be determined    | \$22,980,000  |
| <b>Project total financing:</b>     |                     | \$120,150,000 |

### Current Mission

Mission Dates: 14-29 October 2019

Days in the field: 5 days

Mission composition: Hubert Boirard, Country Director/ Mission Leader;  
Rab Nawaz, Institutions Specialist;  
Fida Muhammad, CPO/Economist;  
Alaa Abdul Karim, IFAD Finance Officer;  
Waseem Shehzad, Procurement Specialist;  
Abdul Hakeem, Infrastructure Specialist;  
Martina Huonder, IFAD Liaison Associate; Gender, M&E, Targeting, Nutrition

Field sites visited: Danyore, Oshikandas, Gilgit District, Minapin, Nagar Khas, Hopper, Nagar District, Darmandar, Khalti, Goopis, Hatoon, Hasis Poonial, Singu, Gitch and Gulapur, Ghizer District

## B. Overall Assessment

| Key SIS Indicator #1                              | Ø | Rating | Key SIS Indicator #2                                 | Ø | Rating |
|---------------------------------------------------|---|--------|------------------------------------------------------|---|--------|
| Likelihood of Achieving the Development Objective |   | 4      | Assessment of the Overall Implementation Performance |   | 4      |

|                                              |          |                                                                                 |          |
|----------------------------------------------|----------|---------------------------------------------------------------------------------|----------|
| <b>Effectiveness and Developmental Focus</b> | <b>4</b> | <b>Project Management</b>                                                       | <b>4</b> |
| Effectiveness                                | 4        | Quality of Project Management                                                   | 4        |
| Targeting and Outreach                       | 4        | Knowledge Management                                                            | 4        |
| Gender equality & women's participation      | 5        | Value for Money                                                                 | 4        |
| Agricultural Productivity                    | 3        | Coherence between AWPB and Implementation                                       | 4        |
| Nutrition                                    | 4        | Performance of M&E System                                                       | 5        |
| Adaptation to Climate Change                 | 5        | Requirements of Social, Environmental and Climate Assessment Procedures (SECAP) | 5        |

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

|                  |          |
|------------------|----------|
| <b>Relevance</b> | <b>5</b> |
|------------------|----------|

## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

The Economic Transformation Initiative, Gilgit-Baltistan (ETI-GB) is a USD 120 million programme approved by IFAD's Executive Board in April 2015 with a SDR 48.55 million highly concessional loan that entered into force on 16 September 2015. The programme completion date is 30 September 2022. The programme had a financing gap of USD 23 million. An Italian co-financing was discussed during the design and is expected to be effective from early 2020. ETI-GB's lead programme agency is the Planning and Development Department of the Provincial Government of Gilgit-Baltistan.

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. The programme focuses on: increasing agricultural production by organizing farmers, developing value chains for high-value cash crops and linking farmers to local markets and private sector; developing infrastructure including new irrigated land and rural roads; and developing support systems for small-holder farmers including land records systems and sustainable agriculture support financing. The programme components are: (i) productive infrastructure (comprising two sub-components for irrigation and farm-to-market roads); (ii) value chain development; and (iii) programme management and policy/institutional support.

The Mid Term Review mission took place from 14 to 28 October 2019 (wrap up with EAD on 18 November) and the main objectives were to: (i) review overall progress and impact and progress against the AWPB 2019-20 (ii) review design and log frame in the light of progress and possible changes if needed (iii) explore options for geographical expansion and appropriate approach and target revision as well as measures for enhanced impact for poverty reduction and sustainability; and (iv) address lags in disbursement and implementation progress and ensure an exit strategy and up-scaling of project activities.

The Mission held meetings in Islamabad and Gilgit with various stakeholders including EAD, Chief Minister - GB, Commissioners Gilgit and Diamer, ETI-GB's Service Providers (VCTA and SMP), beneficiary communities, private sector and PCU. In addition, the MTR mission visited the field and met some of the direct and indirect beneficiaries as well as the field sites where project interventions are ongoing. The Mission also met the Italian Cooperation representative to get an update on the recently signed MOU between the Italian Government and EAD for the Italian co-financing. A pre-wrap up was held with the PCU on the 25 October. The Chief Secretary chaired the wrap up held in Gilgit Baltistan on October 26 and the final wrap-up with EAD was held in Islamabad on 18 [\[1\]](#) November 2019.

[\[1\]](#) Due to political demonstrations in Islamabad, the wrap up with the central Government could not be held earlier

### Key Mission Agreements and Conclusions

The overall implementation progress is rated moderately satisfactory (4). The Project's current disbursement of the IFAD loan is 38 per cent and the committed funds against on-going activities take this rate to 52 per cent. Significant progress has been achieved in both economic infrastructure and value chain development since the last Supervision. The MTR mission confirms the relevance of the project design and approach, however there is room for improving efficiency, effectiveness, targeting/beneficiary coverage and sustainability. The project also needs to adapt its strategy in order to catch up with the objective for the number of beneficiaries under the infrastructure and value chain components.

To address the start-up delays, an interim strategy was devised which helped in speeding up implementation progress during Project year 2 and further administrative adjustments including decentralization to RCUs further improved progress under Component 1. Despite this improvement, the majority of irrigation and road schemes have experienced time overruns and need a concerted effort for early completion. The SMTs for the irrigation development currently have no legal status. Irrigation canal development and land development need a better integrated approach and most of the land has not been distributed or cultivated despite completion of the main canals. As of today and despite the important preparatory work done by the PCU, there is no concrete progress on the Land Titling Law. And the lack of progress on the land titling appears to be one of the factors causing the delay in the development and cultivation of the newly irrigated land, hence also affecting negatively the pay back mechanism. There is also need to better formalize and clarify the operation and maintenance responsibilities, after project completion, of the constructed roads and bridges.

Progress in terms of coverage and business development under component 2 has improved a lot since the last supervision, both in quantity and quality and the two pronged approach tested (4Ps in the context of the mountain with few Private sector and Village Producer Groups with high market product demand) has demonstrated its relevance showing a significant increase of marketable quality products and farmer incomes. Nevertheless, the Project needs now to capitalize on these experiences to catch up with the overall quantitative and qualitative project target (220 cooperatives) and to implement some adjustments (as discussed with the MTR mission) in order to better guarantee the sustainability and exit strategy of these interventions. The introduction of the vertical farming as well as the development of some selected 4Ps have been a real and impressive success. The VCTA have also been able to drastically improve both, the quality / relevance of the business plans submitted and the implementation / monitoring of these business plans and partnerships. The past experience has demonstrated the importance to have (i) a very clear leadership / accountability at the PCU level (which is not the case today) and (ii) better clarity in the contracts and TORs of VCTA and SMP in order to position these service providers in a responsible situation. Today, some key VC implementation steps are not under the responsibility of

the VCTA, leading to some confusion in terms of role and responsibility between SMP, VCTA and PCU staff. After this first successful approach, it is now important to ensure that all the VPGs will have a legal status, a professional management, and increase significantly the number of their members (to reach a critical size). The coaching of and support to these VPGs will need to be adapted, more business, management and market oriented to ensure a clear exit strategy and sustainability.

The Mission discussed with the GoGB the possibility for ETI-GB to intervene in new districts in order to respond to the demand for new irrigation schemes and roads development. The MTR mission agreed in principle, subject to that:

- all irrigation schemes currently under construction or completed be fully functional and under cultivation by June 2020 (31 schemes and 7 remaining schemes by October 2020), and
- all 38 completed irrigation schemes benefit from an official land titling.
- All the schemes ready to be implemented will start as soon as possible.

In 2020 the project will continue to identify and study additional potential irrigation schemes, including in the new proposed districts, in order to reach the target of 50 000 farmers beneficiaries (the objective is to reach the target in terms of beneficiaries) but (i) the start of the implementation of the work in the additional districts will be subject to the 2 previous conditions (cultivation and land titling) and (ii) the overall work should be finalized by October 2022 at the latest.

Based on the different observation above, the PIM would need to be revised to reflect the redefined roles and responsibilities of VCTAT and SMP in implementation of Component II as well as the restructured PCU and RCUs. In the course of revision, the respective roles of PSC, P&D Department and PCU may be clearly defined in line with the on-going Financing Agreement and LTB.

The existing physical and financial progress, and balance availability of funds under various categories, do not warrant any major revision in component physical targets. PCU shall workout the balance of available funds in PKR on the basis of the current exchange rate, as considerable additional fund flow in PKR is anticipated in view of the recent devaluation of PKR. Based on that and the agreements reached during the MTR, the revised component and activity budgets will be prepared to assess whether there is need for any revision of the PC-I as well as of the expenditure categories in the IFAD Financing Agreement. The revision outcomes and any proposals will be shared with IFAD for No Objection.

The Project implementation arrangements, including roles and responsibilities of PSC, P&D Department and PCU, as defined by the Financing agreement, are not always respected, which compromised the autonomy and day-to-day operational decision-making ability of the PCU, leading to delays and administrative complexity. The PCU's line of responsibility has to be clarified and implemented, including the supervision of service providers and implementing partners with regards to the quantitative and qualitative deliveries. The PCU finance department needs considerable improvement to ensure better financial control and oversight over RCUs, implementing partners, SMPs and SMTs. Work on the Road Master Plan and Water Use and Management Policy has not been initiated despite the effort and preparatory work by the PCU.

The finalization of the financing agreement for the Italian CO-financing is at an advanced stage and the first tranche is likely to be released early next year (January 2020). The overall CO-financing level remains the same with USD23 million. Once signed, the project will revise the annual work plan and budget to integrate the first tranche. While the overall proportion of the co-financing remains unchanged, the focus interventions of Italian cooperation prioritizes farm to market roads, land and land titling, building climate resilience, strengthening institutional capacity, policy reforms and the promotion of responsible tourism. The CO-financing may also add to the fund to promote insurance.

## D. Overview and Project Progress

### Component-1: Economic Infrastructure (US\$ 61.45 million/61% of base cost):

*The component is rated moderately satisfactory (4).* The component has achieved considerable progress since the last year mission in terms of physical progress and financial disbursements. Against an irrigation budget of USD 6.365 m during 2018-19, the project achieved 77% financial progress while FMRs surpassed the planned budget and spent USD 2.546 m against the budgeted 2.422 m. For the current year, 10 percent of the ILD and 13 percent of the FMRs budgets have been spent during the first quarter (July-September). The irrigation and roads schemes visited by Mission in Ghizer, Astore and Diamer districts were found to be of excellent quality with high degree of community ownership and participation.

Progress on institutional and policy aspects related to Land Titling, Provincial Roads Master Plan and O&M arrangements, legal status of SMTs and Provincial Water Policy remains unsatisfactory and needs a serious push from the PSC and PCU.

The following table shows the overall progress of irrigation and road schemes in each of the target districts.

### District-wise target and progress of Economic Infrastructure schemes as of September 2019

| Name of District | Irrigation objective (acres) | Progress (acres)      |         |        | Farm to Market Roads - Objective (km) | Progress (km)         |         |        |
|------------------|------------------------------|-----------------------|---------|--------|---------------------------------------|-----------------------|---------|--------|
|                  |                              | Completed as of today | ongoing | Total  |                                       | Completed as of today | Ongoing | Total  |
| Diamer           | 17,000                       | 2,917                 | 6,955   | 9,872  | 108                                   | 26.88                 | 24.63   | 51.51  |
| Astore           | 8,000                        | 1,159                 | 2,970   | 4,129  | 64                                    | 21.11                 | 39.39   | 60.5   |
| Ghizr            | 13,500                       | 2,118                 | 8,799   | 10,910 | 136                                   | 27.20                 | 76.87   | 104.07 |
| Ghanche          | 11,500                       | 4,083                 | 6,041   | 10,124 | 92                                    | 4.30                  | 51.57   | 55.87  |
| Total            | 50,000                       | 10,277                | 24,765  | 35,035 | 400                                   | 79                    | 192     | 272    |

### Sub-Component 1.1 Irrigation and Land Development

As of September 2019, the project has completed or is working on 61 irrigation schemes in the four selected districts (Appendix 4, Annexure 1). So far, 23 irrigation channels, covering 10,270 ac of land for 8,930 households, have been completed. About half of the completed schemes and 40 per cent area under these channels is in Ghanche district. Work is in progress for 38 other schemes covering 24,765 ac of land for 14,394 HHs. The total area under the completed and ongoing irrigation schemes will be around 35,035 ac for 23,324 HHs against the target of 50,000 acres and the same number of beneficiary households.

There are 10 cases of delay in Gilgit and Diamer regions where schemes have taken about 62 to 133 days more than planned and are yet to be completed. It has been agreed that 31 schemes under construction will be completed by 30 June 2020 and the remaining 7 schemes (Appendix 4, Annexure 2) will be completed by 31 October 2020. Work schedules and labour deployment requirements need improvement to ensure that the schemes are completed within the stipulated time. With few exceptions, most of the schemes can be completed in one working seasons of six to eight months and the scheduling should be done accordingly.

New irrigation schemes have been identified which will cover about 15,000 ac of land for about 13,147 HHs. Some of the schemes are ready to be implemented while others are in the initial stages of survey and design. As agreed during the MTR, the work on new schemes will start as soon as possible.

Generally, the quality of the community led civil works is very good, however, the terrain is such that parts of channels are vulnerable to landslides and erosion. It is therefore imperative that the conversion of SMTs into formal WUAs and a system of user fees etc. is formalized at the earliest to ensure regular and timely maintenance. Early land titling and land distribution is also important to put the schemes into operation otherwise sedimentation and erosion because of rainwater and vegetation will physically deteriorate the completed schemes.

Despite recommendations by previous missions regarding simultaneous development of irrigation channel, secondary distribution network and command area, the work on channel and land development is still not integrated. This leads to unnecessary delays in bringing land under cultivation. The command area under the 23 completed schemes is about 10,270 ac, out of which 4,146 ac are currently being cultivated. The rest is not cultivated for lack of progress on the formal distribution and land titling. The 31 and 7 irrigation schemes which have been agreed to be completed by 30 June and 31 October 2020 respectively, necessarily would have to be fully developed with land titles provided to the beneficiary households. For future schemes, land distribution, titling, development and construction of secondary and tertiary channels will be part of milestones of the SMT's MOUs to ensure integrated and timely completion of the whole scheme.

### Pilot Lift Schemes

Five solar powered lift pilot schemes have been installed in Astore, Skardu, Ghanche, Gilgit and Ghizr districts, against a target of 7, for providing water to 225 ac of new land for benefiting 1369 HHs. Capacity of pumps varies from 11 to 39.6 cubic meters per hour depending upon the area, which varies from 10 to 70 ac (Appendix 4-Annexure 5). Total investment in five schemes is about PKR 15.21 m or PKR 87,720 per ac as compared to the average cost of PKR 45,000 per ac for gravity schemes.

The essential land distribution and titling is pending in all the schemes causing delay in land development. These schemes require frequent and expensive maintenance but clear operation and maintenance and funds arrangements with

roles and responsibilities have not been laid out for sustainability of these schemes. Land use plans are yet to be prepared. Land under these schemes should be used for high value crops with efficient water management. A drip-irrigation system could not work properly in Baltistan due to silt loaded water.

### **Sub-Component 1.2 Farm to Market Roads**

Of a target of 400 km of farm to market roads, work has so far been undertaken on about 272 km out of which 18 roads of 79.49 km length (20 percent of target) have been completed (Appendix 4-Annexure 4). Five roads of 26 km are more than 80 per cent done, while 27 roads of about 166 km are less than 80 per cent complete. Much of the FMR work is being done in Diamer and Gilgit regions while Baltistan will do only 56 km by completing the roads under construction. There have been delays in some cases while much of the remaining work has been scheduled to be completed by April to July 2020. As agreed, all ongoing FMRs will be completed by 30 June 2020.

It is further agreed that new road construction would be undertaken subject that the government formalizes a system of O&M for the project funded roads.

### **Bridges**

After considerable initial delay due to lack of clarity for types and axle-load capacities, the project has selected eight bridge sites in four districts with a total length of 232 meters to benefit about 59,000 ac of land and 11,500 hhs. All bridges would be pre-stressed concrete. Length of bridges varies from 14 to 45 meters depending upon location and requirements. Due to the size of the work, international competitive bidding (ICB) was carried out for selecting the contractor and the contract was signed in June 2019. The bridges are to be completed in nine months (by March 2020) with a total cost of USD 148.788 m. Work has started on seven bridges and about 12 per cent progress has been achieved so far, while the work on the longest bridge of 45 m in Kunes, Ganche district could not yet start, due to location and design issues, which are currently being resolved.

### **Component 2: Support Services/PPPP for Value Chain Development (US\$ 31.25 million/31% of base cost):**

This component *is rated as moderately satisfactory (4)*. The Component consists of five sub-components. The objective is to upscale commercial and market-oriented production and value addition by organized groups of farmers and other value chain players initially focusing on apricot and potato, plus a pilot in dairy processing. The component has been implemented through a combination of service providers and in-house human resources. These include value chain technical assistance provided through the Agribusiness Support Fund (ASF), social mobilization through the Aga Khan Rural Support Programme (AKRSP) and the Agriculture Department of the Government of GB.

#### **Component 2.1: Value Chain Support Fund and Technical Assistance (USD 20.29m-20% of base cost):**

The Objective is to meet technical assistance and financing needs of value chain actors including farmers, traders, processors, transporters and exporters. 100 partnerships between private sector and farmers are envisaged along with the establishment of 220 organized village producer groups covering 60,000 smallholder farmers. Thus far, 37 Business Plan (BP) have been developed and implemented by 59 village producer groups benefiting in total to 9550 farmers (24 BP in potatoes for 2865 farmers, 9 BP in Apricot for 5150 farmers, 1 BP in vertical farming / vegetable for 547 farmers, 1 BP in dairy for 450 farmers and 1 BP in Apricot Orchard for 513 farmers). In addition to that, different trainings have benefited 9,136 farmers and several exchange visits or participation in trade fairs / exhibitions have been organized. The priority valleys and the major commodities have also been identified and mapped. Work on the development of valley producer groups have also been initiated which represent significant potential for strengthening as business cooperatives. Grants and subsidies amounting to Rs. 427.4 million have been disbursed so far.

As agreed during the previous Mission, further potato seed multiplication through imported seed will be discontinued and the project is now focusing on procurement of mini-tubers of approved varieties from NIGAB/PARC with the first batch of 50,000 tubers due in April 2020. This, together with the subsequent annual supplies, will provide a viable base for the development of potato seed production in GB. At the same time, the provincial government is encouraged to explore alternate management arrangements for the three tissue culture labs to use them as additional source of potato seed development, as originally envisaged. An autonomous management cell directly under the Secretary Agriculture and based in PCU may be one such option. Sufficient liquidity exists in the Potato Seed Revolving fund to support both NIGAB and Tissue Culture Lab based activities.

Progress on establishment of Agriculture Support Fund remains slow though PCU has held discussions with various financial institutions. This will pose problems for the management of recoveries made from various 4-P partnerships and recoveries from beneficiaries of other activities like vertical farming. The PCU needs to expedite the finalization of Fund management arrangements.

Progress on establishment of VPGs and achieving the planned outreach of 60,000 farmers remains less than satisfactory. The coverage in terms of regions is also very uneven with Diamer having only 826 VPG members with Baltistan having 2,336 and Gilgit 6,398 members. The quality of the VPG Business plans developed so far is less than satisfactory as well as the oversight of the planned implementation. The quality of implementation of the business plan approach is unequal and needs to be enhanced. Part of the reason is the lack of dedicated focal point/leadership in the PCU as well as lack of



clarity regarding the VCTAT role (plan review only or plan formulation as well). Therefore, there is need for a clear strategy and clarity in the respective roles for the establishment of VPGs and the formulation of their business plans to reach the target of 220 VPGs in a given timeframe. At the PCU level, the post-MTR reorganised structure must have a responsible per component for managing the deliverables expected under the component and for the coordination of the activities of all the different service providers and institutions involved. Another issue is the lack of clarity on the legal status of the VPGs. They also need a better professional management and increased number of members per groups (to reach the critical economic size) and the coaching / support of these VPG in terms of management and technical areas remains basic. The current narrow focus on potato, apricot and dairy processing is also limiting project outreach as there are a number of other very promising products in different regions. Since the province has many different agro-ecological zones and offer diversity in agriculture and other sub-sectors, it is necessary to consider eligible other sub-sectors for project interventions. The project should allow for interventions in all potential economic activities in GB, using the return on investment as the basis (minimum return of 25% on investment or US\$60 per beneficiary). The project shall also undertake an assessment of the tourism industry and explore the possibility of a destination/cluster home stay model development.

The mission discussed with the PCU, the SMP and the VCTA and worked on a revised approach that would ensure; (i) to better adapt the approach to the Gilgit-Baltistan valley context and promote Village Agriculture Cooperatives (VAC) instead of informal VPGs: 300 members with 4Ps approach underpinned by a quality business plan that should subsequently lead to the establishment of Provincial Farmer Associations for various commodities, (ii) the revision of the TORs of VCTAT and SMP TR to assign clear responsibilities and performance outcomes to support the establishment of 220 registered cooperatives with robust and viable business plans ready for implementation by April 2020; and, (iii) the establishment of at least 20 4-Ps that support small-holders farmers through its supply chains.

#### **Sub-Component 2.2 – Social Mobilization:**

59 VPGs have been formed so far out of which only four have been registered as cooperatives. 13 of these VPGs are composed of women only, 22 are male and 24 mixed. 5,124 are female members and 5,206 are male. In mix VPGs, 32% office bearers are women. SMP (AKRSP) continues to provide social mobilization services for all project area except Diamer and Astore where RCU has its own social mobilization team. The present TORs SMP and their role with regards to land development, land titling, payback mechanism, VPG formation and business planning etc. need more clarity and a clear assignment of responsibilities. The Mission held detailed discussions with the PCU and SMP and it was agreed that their present TOR would be suitably amended to address the Mission's concerns and a revised SMP TOR, contract and budget would be furnished to IFAD for No Objection. While VCTAT will concentrate on Non-Irrigation and land development cooperatives, SMP will focus on all irrigation beneficiary villages to develop their legal cooperatives and business plans.

#### **Sub-Component 2.3 – Agriculture Extension:**

The 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 funds. Of the seven seed potato stores with a capacity of 50 metric ton each, four have been completed and three are nearing completion.. Budgets have been decentralized in line with the previous Mission's recommendations resulting in better staff motivation and engagement. Staff is actively engaged with RCUs and SMTs on developing land use plans for the newly irrigated lands including soil testing. 2,418 households have benefitted from extension activities so far.

25 Plastic Tunnels have been completed to promote production of off-season vegetables through vertical farming. Against the target of 25 Private Nurseries for quality fruit plants, 6 have been established so far and the remaining targets need to be achieved quickly given the burgeoning demand on newly developed lands for quality fruit plants. Training was conducted for 1,550 farmers in pre and post-harvest practices for potato and apricot (900 male/female 650), 80 Farmers Field Days were organized and training and exposure visits for extension staff were organized.

#### **Sub-Component 2.4 – Agriculture Research:**

The Agriculture Research component aimed at establishing a sustainable production base for approved varieties of potato seed through three tissue culture labs, a network of contract farmers and a revolving fund to procure and resell the multiplied certified seed to GB and down-country farmers. Despite efforts by the PCU and the supervision mission the component failed to take off, due to management weaknesses and lack of commitment and the MOU with the Directorate of Research was suspended in 2018 and seed multiplication was carried out through Agriculture Extension using imported seed. The revolving fund was also transferred to the Agriculture Extension. Results have shown that multiplication of potato seed through imported seed is not a financially viable option and the recent agreement with NIGAB for multiplication through mini-tubers would be a long process producing limited quantities with the results that it would still not meet the project objective of establishing a GB-based seed production base.

It is therefore imperative that the seed production through project funded Tissue Culture Labs may still be pursued. The PCU is encouraged to agree with the provincial government an acceptable and accountable management structure for the tissue culture labs and potato seed multiplication activity. An independent and capable Activity Manager with a small team

may be appointed to work in close collaboration with the PCU and report directly to the Secretary Agriculture. If such an arrangement is confirmed, required funds may be budgeted in the AWP/B. In case no such arrangement is reached, then the transfer of allocation of this sub-component to other eligible activities within the same loan category may be proposed to IFAD for No Objection.

**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).* A Draft Law for the province has been prepared by the PCU and has been pending with the Law Department for considerable time now. The Mission met the Law Department and it was agreed that the Law would be placed for Cabinet approval without any further delay and then placed before the legislature. The government has agreed to simultaneously undertake the land titling for the newly developed land in the project on a case to case basis while initiating the approval process of the land titling law.

**Component 3: Programme Management and Policy Support:** *performance is assessed as Moderately Satisfactory (4).*

The decentralized implementation has continued to work reasonably well resulting in an improved pace of implementation under component 1. Coordination among SMP, VCTAT and line departments has also witnessed improvement. The Project Steering Committee (PSC) has held eight meetings since the start of the project. The regularity of the PSC meetings is satisfactory. The practise by the PSC of referring issues to sub-committees needs to be reviewed as it leads to additional delays and is not in line with the ETI-GB Financing Agreement. The role of the PSC (overall guidance and approval of the AWPB) and of the role of the PCU (day to day management) is clearly described in the Financing agreement which should be strictly adhered to.

Given the importance of simplifying the organigram and to make staff, consultants and service providers more accountable, and to increase the relevance and efficiency while hosting in the same building the Gilgit RCU and the ETI-GB PCU, the MTR mission had working sessions with the PCU and service providers on the possible re-structuration of the PCU and consequently the revision of the ETI-GB organigram. The proposed revised ETI-GB organigram with the TORs for each position should be finalized by the PCU and submitted to IFAD for final NOC by end of November 2019 at the latest. All staff contracts will be extended until 31 March 2020. The agreed increase of Salary (NOC provided in May 2019) will be applied retroactively from 1<sup>st</sup> June 2019 to March 2020. Based on the revised organigram and function, a new salary scale will be proposed, with a simulation to the end of the project related to the financial implications. The proposed increase will have to remain within the current category allocation.

The control of documentation as per international best practices and ready availability of accurate data remains problematic in the Finance Wing and needs serious attention. Overall the quality of financial management needs holistic improvement to ensure better control over RCUs, implementing partners, SMP and SMTs. The payment processes at all levels need to be revisited and appropriate check-lists adopted to ensure adequate supporting documentation.

Project progress on policy aspects continues to remain weak and needs to be under focus in the coming months. This includes the Land Titling Legislation and institutional set-up, the Provincial Water Policy, the Provincial Roads Master Plan and O&M Policy, and the Provincial Seed and Product Certification regime.

| <b>Agreed Action</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Responsibility</b> | <b>Agreed Date</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <p><b>VCTA and SMP contracts</b></p> <p>As discussed and agreed during the MTR mission, the VCTA and SMP contracts will be revised with a clear separation of the roles (VCTA = support to 159 VC Coops and SMP = support 38 irrigation coops).</p> <p>SMP: The contract for SMP should contain responsibilities for (1) land development planning including secondary and tertiary irrigation infrastructure; (ii) pay back mechanism; (iii) land titling – interim arrangement; and, (iv) legal status of SMT/cooperative with appropriate capacity for management .</p> <p>VCTA: IFAD recommends to modify the contract of the existing VCTA, in order to build on past experiences, limit the risks connected to a new service provider and ensure a quick delivery of the VC component.</p> <p>The revised ToRs and contracts will be submitted to IFAD for NOC and submitted to the PSC for approval during the revised 2019 – 2020 AWPB by end of November 2019)</p> | PCU                   | 11/2019            |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |              |         |
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| <b>PCU Management</b><br><br>As discussed and agreed during the MTR mission, the revised PCU Organogram will be submitted to IFAD for NOC by end of November 2019 and will include (i) clear leadership, reporting line and accountability for all staff, (ii) merging of the Gilgit and ETI-GB office and (iii) separation between consultants and staff roles. The salary structure will be revised and a simulation up to the end of the project will be provided and submitted for NOC. The ToRs of each position will be also submitted to IFAD by end of November 2019 for NOC and advertised in December 2019. All PCU staff contract will be extended until 31 March 2020. | PCU          | 11/2019 |
| <b>Revised AWPB 2019-20</b><br><br>To incorporate the operational, institutional and budgetary changes in consequence of the agreements reached during MTR and get approval of Project Steering Committee and IFAD NOC by end Nov 2019                                                                                                                                                                                                                                                                                                                                                                                                                                             | PCU          | 11/2019 |
| <b>Value Chain Development</b><br><br>The value chain approach will be revised as discussed with the MTR mission in order to ensure better (i) professionalism, (ii) profitability at farmer level, (iii) organizational and financial sustainability of each supported organization and (iv) a clear exit strategy by 2022. In the 2019-2020 revised AWPB to be submitted by November 2019, the full package to develop / support 220 formal multi-commodity cooperatives run by professional teams, covering all promising commodities and ensuring 25% return on investment or US\$ 60 per month incremental income for each members should be included.                        | PCU          | 12/2019 |
| <b>Financial Management Team Capacity</b><br><br>The PCU FM staff team will have to be externally assessed and necessary replacement will have to be proposed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | PCU          | 12/2019 |
| <b>Review Implementation schedules and labour requirements of on-going schemes</b><br><br>With a view to ensure completion of schemes as per agreed deadlines. Send to IFAD the proposal for each scheme for information                                                                                                                                                                                                                                                                                                                                                                                                                                                           | PCU          | 12/2019 |
| <b>New Management Structure for Potato Seed Production</b><br><br>PCU to propose new management structure to PSC for seed potato production that is autonomous and reports directly to Secretary Agriculture                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | PCU          | 12/2019 |
| <b>Resolve land titling for the newly developed land</b><br><br>To address on priority basis; (i) resolution of land titling being provided to all on-going irrigation schemes on a case-to-case basis and (ii) simultaneously GoGB to pursue a holistic land titling regimen by strengthen the relevant regulatory framework and create the necessary institutional capacity                                                                                                                                                                                                                                                                                                      | PCU and GoGB | 12/2019 |
| <b>Revise PIM</b><br><br>Revise PIM to incorporate the changes agreed above and submit for IFAD NOC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | PCU          | 01/2020 |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                      |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------|
| <b>Project Management</b><br><br>Advertise all key management positions at PCU and RCU level to identify most suitable staff from among the existing incumbents and fresh applicants                                                                                                                                                                                                                                                                                                                            | PCU, PSC             | 03/2020 |
| <b>Land Titling</b><br><br>The on-going irrigation scheme will obtain the land titling, at least through on the interim land community system recognition.                                                                                                                                                                                                                                                                                                                                                      | GoGB                 | 04/2020 |
| <b>Provincial Farmer Association</b><br><br>Under the VCTA lead and with the support of IFAD regional grant for Farmer Organization, develop the full package proposal for the emergence of the Gilgit Balistan Provincial Farmer Association                                                                                                                                                                                                                                                                   | PCU / VCTA / AFA/LVC | 04/2020 |
| <b>Cooperative legal status, business plan, cash flow and profitability</b><br><br>To concentrate on the sustainability of the value chain interventions through creation/support of 220 cooperatives (61 linked to irrigation schemes, 159 linked to Value Chains), and 20 4Ps with professional management team at cooperative level, promoting youth/gender employment and multiple cash flow generating activities.                                                                                         | VCTA/PCU/SMP         | 04/2020 |
| <b>On-going irrigation infrastructure schemes</b><br><br>All on-going irrigation infrastructure schemes to be fully functional (irrigation and cultivation) in 2020 (31 irrigation schemes by June 2020 and remaining 7 by October 2020)                                                                                                                                                                                                                                                                        | PCU                  | 06/2020 |
| <b>New irrigation scheme and expansion to all 10 districts</b><br><br>Initiate the design of new schemes (both for irrigation and farm to market roads) in all the 10 districts of GB for implementation under the 2020-21 AWPB, once the land titling for the completed schemes and the hand over of the completed roads has taken place                                                                                                                                                                       | PCU                  | 06/2020 |
| <b>On-going and New Roads</b><br><br>On-going / finalized roads will have to be officially transferred to the GB Administration before June 2020 and consequently be maintained (O&M) by the GoGB. A last batch of new roads will be studied in 2020 in order (i) to respond to the demand of farmers, FOs or 4Ps, (ii) to reach the ETI-GB objectives and (iii) to be initiated as soon as the full transfer to the GB administration has become effective and to be finalized at the latest by September 2022 | PCU                  | 06/2020 |
| <b>Revise Component/Activity Budgets based on MTR agreements and balance available on the basis of new exchange rate</b><br><br>Prepare updated PC-I budgets on the basis of MTR agreements and balances available under new PKR/Dollar exchange rate and furnish proposal if any revisions in loan categories and PC-I required                                                                                                                                                                                | PCU                  | 06/2020 |
| <b>Early completion of on-going FMRs</b><br><br>Complete all ongoing FMRs by 30 June 2020                                                                                                                                                                                                                                                                                                                                                                                                                       | PCU                  | 06/2020 |

|                                                                                                                                                                                                                                                                                                                                                                      |               |         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------|
| <b>Develop a Provincial Farmer/Cooperatives Association</b><br><br>Propose a representation of the association of the cooperatives formed at the provincial level which would be registered, recognized by the GoGB, sustainably functional and which could be the voice of the small farmers in Gilgit-Balistan.                                                    | VCTAT         | 06/2020 |
| <b>Integrate irrigation development with simultaneous land development</b><br><br>Ensure simultaneous development of irrigation scheme and command area. Incorporate command area development as part of milestones in SMT MOUs/Agreement. Engage experienced Irrigation/Hydraulic Engineer for proper design                                                        | PCU / SMP     |         |
| <b>Pilot Lift Schemes</b><br><br>Develop a comprehensive plan for land distribution, scheme maintenance, land use and regular monitoring of scheme performance and efficiency for future replication                                                                                                                                                                 | PCU           |         |
| <b>Environmental Screening of Future Irrigation and Road Schemes</b><br><br>Engagement an Environmental Specialist on retainer contract to review designs of future schemes from environmental perspective                                                                                                                                                           | PCU/RCUs      |         |
| <b>Provincial Water Policy</b><br><br>Pursue early completion of provincial water policy including scheme management by WUAs.                                                                                                                                                                                                                                        | PCU/RCU       |         |
| <b>On-farm and off farms Value Chains and agribusiness activities</b><br><br>Open the proposal to all value chains approach that promote multi-commodity models having the potential to generate optimal income. Proposal shall be eligible for project support if minimum return on investment is 25% or USD60/month(and above) per beneficiary income enhancement. | VCTAT/PCU/SMP |         |
| <b>Project Management</b><br><br>Roles and responsibilities of PSC and PCU in project decision-making and day to day functioning, as envisaged in Financing Agreement, should be strictly adhered to                                                                                                                                                                 | PCU, PSC      |         |
| <b>Project Management</b><br><br>Assign clear responsibility within PCU for policy aspects and actively follow-up with PSC and relevant departments for early formulation and adoption of project supported policy reforms on land titling, roads master plan, Water Policy and Seed and Product certification                                                       | PCU, PSC      |         |

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 4

## **Justification of rating**

Development effectiveness of ETI is rated as moderately satisfactory (4). Physical progress under component 1 remains robust and the project is well on track to achieve physical targets in terms of canal lengths, command area, farm to market roads and bridges. Implementation delays have been experienced in some schemes which need to be addressed through better scheme scheduling and deployment of labour commensurate with the completion schedules. Current average allocation of land per beneficiary is not in line with the design assumption of one acre per beneficiary. Currently it is around 1.8 acre per household, which means that the project may achieve the target in terms of acres developed but not in terms of beneficiary households reached. There are considerable savings under this component due to lower costs per scheme than estimated and hence, the project should consider the development of additional land to reach the beneficiary target numbers. The progress on the development of 4-P partnerships and the establishment of business centred village producer groups remains slow due to the absence of leadership within PCU and the lack of clarity on the VCTAT and SMP side regarding roles and responsibilities. Going forward, both VCTAT and SMP roles would be redefined with clearly spelled out processes, output/outcome indicators and designation of clear lead responsibility within the PCU.

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

There is need for greater focus on institutional aspects under components 1 and 2 to ensure future sustainability and a proper exit strategy. The Village Producer Groups need to be formalized into legally established cooperatives with proper business plans and professional management to implement the business plans effectively. SMT's and water users of irrigation schemes also need to be organized into formal cooperatives (VACs) with proper business plans for land use and production and proper user fee-based scheme management systems. These cooperatives will also take up the responsibilities for the implementation of the payback mechanism and the future use of those funds.

The PCU needs to expedite the institutional arrangements for the establishment and operation of the Agriculture Support Fund. Any further delay may pose problems in effective management of the paybacks being accrued from 4-P partnerships and those agreed with the VPGs involved in apricot production and processing and vertical farming.

Role and responsibilities of public sector implementing partners are governed by the MOUs signed between the PCU and the concerned entities. The MOU with Agriculture Research has already been rescinded due to poor performance; however, the equipment and vehicles provided under that MOU are yet to be retrieved, which need to be addressed. Going forward, the PCU must ensure full adherence by all partners to the terms and conditions provided by the MOUs.

Progress on the four policy areas of project support remains way below expectation and needs to be vigorously pursued for the sake of sustainability of project investments and to ensure effectiveness of project outputs and outcomes.

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

The log frame analysis at mid-point reveals the following key highlights that would need to be taken in account to maintain project effectiveness and attainment of project objectives and outcomes. The log frame has accordingly been updated.

In order for the Project to remain on track in terms of total beneficiary households (100,000) and benefitting household members (750,000), irrigation development and value chain development would need to be revised to reach the intended numbers. The original assumption of one acre of irrigated land per household is not valid anymore. The currently developed and under-development land has resulted in around 23,000 beneficiary households for 35,000 acres. So, to reach the number of 50,000 beneficiary households, the project would need to enhance the achievement for land development for which sufficient savings are available, as the per acre development cost under project has been considerably lower than allocated budget. Therefore, it is expected that the end achievement will be of 70,000 acres, going beyond the appraisal target of 50,000 acres.

The Present approach to VPG formation and business plan development needs to be revised to cover the present lags in terms of coverage and delivery of benefits. The VPGs and SMTs need to be formalized into legally established cooperatives with professional management and underpinned by quality business development plans. This would require a revision of phasing and targets and better articulation of roles and responsibilities of VCTAT and SMP.

Implementation arrangements for roads, irrigation and potato seed multiplication were changed in view of the reluctance to work on project terms and approach (PWD and Agriculture Research). The Project implemented activities through alternate arrangements quite effectively.

In Value Chain, due to the absence of a vibrant private sector in GB, the implementation of the 4P approach remains a big challenge. The transfer of project functions from Agri (Research) to Agri (Extension) also delayed execution of many project targets, specifically the construction of 50MT potato seed stores. The GB Works Department has now completed these 7 seed stores. The potato seed multiplication proposal submitted by PCU was found to be financially and technically unsustainable. That combined with the Research Directorate's failure to adhere to project requirements means that the project would not be able to achieve its target of 50,000 tons of certified seed by project end.

The project's M&E system continues to improve and now captures a wealth of data related to project log frame and IFAD corporate indicators. There is now a user friendly online dashboard available that provides dis-aggregated data for every

scheme, district and region.

| <b>Agreed Action</b>                                                                             | <b>Responsibility</b> | <b>Agreed Date</b> |
|--------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Update Log Frame</b><br>Project log frame be updated on the basis of the new project approach | PCU/IFAD              |                    |

## Development Focus

### Targeting and Outreach

**Rating: 4**

**Previous rating: 5**

#### Justification of rating

Moderately satisfactory. The Project's geographical targeting is guided by the potential for irrigation development and for the development of value chains of potato and apricot. The irrigation Infrastructure targets the four poorest districts, while the Value Chain component covers the entire GB region. Household targeting within targeted communities is primarily based on wealth ranking by the peers as the BISP poverty scorecard data in GB is being updated and not yet available. The poorest and women headed households are identified primarily to (i) make sure that they get an equitable share in the new developed land and (ii) to exempt them from the 50 per cent payback of development cost and (iii) to accord them priority in income generation training, youth training for employment and wage labour opportunities.

The Project coverage of households up to MTR shows 20,041 beneficiary households under irrigation and FMR schemes (38,360 acres), 3,177 households benefitting from FMR, and 10,492 households organized under Value Chain interventions in 59 Village Producer Groups. 228 youth from poor families have been trained so far at accredited technical institutions. No vocational trainings have been carried out for female youth so far.

#### Main issues

Unlike in other IFAD projects in Pakistan, there are no specific poverty graduation interventions under ETI-GB. However, the project has carried out a poverty assessment in four districts for all completed and on-going irrigation schemes, and 9 per cent households have been identified as women-headed and ultra-poor. The PCU's Gender and Poverty Section has visited other IFAD projects with poverty graduation initiatives (SPPAP) to generate ideas for the poverty graduation activities with the ultra-poor and women headed households in GB. Proposals shared with the Mission included provision of low cost housing and productive assets. The Mission found the proposals should be tailored more to the local context and IFAD will be providing support for the fine tuning of interventions.

The MOU signed with the irrigation communities distinctly identifies the women-headed, poorest and landless households and binds the community to provide equitable share to such households in the newly developed land and exempt them from payment of 50% development cost. The mission observed that in all completed schemes, while the community has prepared land-maps and lists, showing the share of each household, including the poorest and women headed households, an actual legally binding entitlement of such households cannot be verified, as the official land titling has not taken place, under the land titling component. This has also led to many communities' reluctance to start the full development and cultivation of land. The Project design estimated the development of 50,000 acres of new land with each family getting around one acre of land. However, the average land size per household at present is around 1.8 acres. Therefore, it is proposed that with the savings in component 1 (pls. refer to para 49), the project would identify new areas for irrigation development.

While the project has effectively implemented inclusiveness in irrigation, land development and farm to market roads, the poverty targeting needs to be strengthened under the value chain development to ensure that all farmer cooperatives effectively include the poorest as members, who should take equitable benefit of the project investments.

The pace of VPG formation up to the MTR has been slow. Only 10,492 households have been reached so far against a target of 60,000 households. The primary reason has been the restriction imposed by the contract to cover only two value chains and the lack of clarity in roles and responsibilities of VCTAT and SMP in organizing the farmers for the VC activities. These aspects have been discussed at length during the MTR and a new approach has been agreed, whereby formal Village Cooperatives (VAC) would be established in all irrigation schemes and priority value chain valleys with much clearer roles and responsibilities assigned to VCTAT and SMP under the revised contracts. As per agreed plan, the target of 220 Village Groups will be reached by April 2020 and the value chain development would be expanded to all potential commodities in addition to potato and apricot.

The cooperatives bye laws will have to include provisions to ensure the inclusion of poorest and vulnerable in the value chain activities; either by allowing them to contribute their share in kind, or by guaranteeing jobs for the poorest in the processing of the produce or in the cultivation. The TORs of the service providers, VCTA and SMP, which are to be updated to reflect the new set up after the MTR, will need to have provisions to guarantee the inclusion of the poorest and women as members in the cooperatives. The service providers will also assist those who are in need with the preparation of their business proposals and the subsequent implementation and will in general have the responsibility for the correct

poverty targeting. The Gender Team in the PCU will have to ensure these aspects are included in the updated TORs of VCTA and SMP, and will have to oversee their implementation. Likewise, the VACs (Village Agricultural Cooperatives) will have to make a special effort to provide employment for the women and youth.

| <b>Agreed Action</b>                                                                                                                                                                                                                                                                                   | <b>Responsibility</b> | <b>Agreed Date</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Household Coverage under Irrigation component</b><br><br>Review current targets for land developed and households covered to rationalise the final target numbers for the project and furnish a proposal to PSC and IFAD                                                                            | PCU                   | 12/2019            |
| <b>Land Titling for the Poor and Women Headed Households</b><br><br>Ensure that the shares of women headed and poor hhs agreed in the MOU are fully respected at the time of formal land titling process                                                                                               | PCU, SMP              |                    |
| <b>Poverty targeting</b><br><br>Poverty targeting to be carried out for all project activities, and special mechanisms to be adopted for inclusion of the most vulnerable households, should be included in the revised contracts with VCTAT and SMP and in the model bye laws of the new cooperatives | PCU, SMP, VCTA        |                    |

**Gender equality & women's participation**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

Satisfactory. Gender is being mainstreamed in project activities as per project design with a dedicated Gender Officer. The Project has developed a Gender Strategy with related Gender Action Plan, a gender checklist for implementation and M&E. As per the last supervision mission's recommendation, a special action plan has been prepared for the Diamer District, a very traditional society, where a more careful and gradual approach needs to be adopted. Also per the last supervision mission's recommendation, a poverty graduation model has been prepared for the poorest segments of the villages, which now needs to be operationalized and implemented for some 74 poorest households in Ghizer, Ghanche, Astore and Diamer.

Under component 1, in 39 irrigation schemes, out of 12'176 households, almost 7% are the women-headed households who have received their share of newly developed land; they will be exempt from the payback of the 50% of the construction costs. In component 2, 59 VPGs have been formed with a total membership of 9'560 farmers. Of these, 22 are male VPGs, 13 are exclusively female VPGs (13%) and 24 are mixed VPGs. Among these mixed VPGs, 6 have a woman President, 9 a female General Secretary and 8 have a female Finance Secretary. In 18 trainings conducted for the value chain participants, out of a total of 8'392 participants, 4'514 were women, which corresponds to almost 54%.

#### **Main issues**

Under component 1, women-headed households are among the main beneficiaries of the newly developed land. Once the legal framework is in place and implemented, these women, like all the other beneficiaries, will be awarded with the official land title, which will grant them the property, providing them also with the needed collateral for bank loans. With regards to the value chain activities, women are the main beneficiaries with a total of 5'292 women engaged under this component, compared to 4'268 men. In detail: 3'794 women receive project support for apricot value chain (against 1'163 men), 649 for seed potato value chain (2'408 men), 205 for tomato vertical farming (106 men), 191 for cucumber vertical farming, and 447 for milk production and processing.

The gender ratio among the total of project staff at MTR is 68 males to 6 females, or 92% to 8%, which is lower than the minimum indicated in the PDR (10%). Efforts will need to be made to hire more female staff in the PCU. Likewise, in the current Irrigation SMTs, the percentage of women members was found to be too small. Extra effort would need to be made in the selection of office bearers for the new proposed cooperatives to ensure that at least 50 per cent of management positions are occupied by women and youth. With the Deputy Project Coordinator leaving soon for another assignment, the M&E officer position will have to be filled. As per the new organigram, the M&E Manager will have oversight duty over the team that comprises the Gender Officer and Poverty Graduation specialist. The project will need to select a candidate who has familiarity with Gender mainstreaming and Poverty graduation in order to ensure that the activities related to these two important cross-cutting areas continue to receive due attention.



| <b>Agreed Action</b>                                                                                                                                                           | <b>Responsibility</b> | <b>Agreed Date</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Gender and Youth in New Coops</b><br><br>Ensure that the guidelines and byelaws for new cooperatives foresee adequate share of women in membership and management positions | PCU                   |                    |
| <b>PCU Gender Balance</b><br><br>Make efforts to improve gender balance in PCU and RCUs and ensure due management attention to cross cutting issues in post MTR Period         | PCU                   |                    |

#### **Agricultural Productivity**

**Rating: 3**

**Previous rating: 4**

#### **Justification of rating**

Moderately Unsatisfactory. ETI-GB's support to agriculture productivity is underpinned by the development of new irrigated land (50,000 acres) and support to organized farmer groups in production of seed potato and apricot. A pilot for dairy production was also initiated through the partnership between a private sector partners and dairy farmers. Irrigation for around 15,000 acre has been completed but most of the command area is yet to be brought under plough through land use plans have been prepared for all such lands. Value chain development for potato and apricot was to be pursued through the establishment of 220 Village Producer Groups, however only around 59 VPGs have been organized so far and only four of them have been formally registered as cooperatives. The interventions carried out so far in seed potato, apricot, dairy and vertical vegetable production have all resulted in considerable production gains and increased incomes for the farmers. Potato contract growers achieved five times more production and incomes. Apricot farmers achieved both production and price gains. The introduction of vertical vegetable production under green houses has proven to be a resounding success and has generated a huge demand from women farmers for participation in this activity. One greenhouse measuring 50 feet by 12 feet, producing tomatoes and/or cucumber has on average provided an income of Rs. 70,000 over a four-month production period. Around 600 dairy farmers have now access to milk-collection centers, have improved housing for cattle and almost 30 per cent increase in incomes.

#### **Main issues**

While the project has already completed the development of irrigation for around 15,000 acres, only around 4,000 acres have been cultivated by the farmers so far due to lingering uncertainties on land titling for land distributed under the traditional practices. Another factor has been the disjointed development approach, whereby the main canal was built without the concurrent development of the distribution channels and the land preparation resulting in loss of valuable time. There is need for an integrated approach to canal construction and land development so that land can be brought under plough immediately upon completion of the main channel.

The present approach to VPG formation and business plan formulation has proven to be ineffective and needs to be revisited in terms of roles and responsibilities of VCTAT and SMP, if the project has to achieve the target of 220 producer groups and 60,000 beneficiary farmers. The potato seed multiplication based on the subsidized provision of imported seed is unsustainable and needs to be discontinued. The current restrictive approach covering only potato and apricot needs to be changed and all potential commodities produced in various agro-ecological regions need to be considered for inclusion in the value chains. The VPGs/Cooperatives supported under the project should have a multi-commodity business plan covering all promising niche products from their area.

Access to finance remains a major challenge for all value chain players including farmers. The proposed agriculture support fund under the project needs to be brought to fruition quickly with the selection of a suitable management partner so that this major need of farmers and other value chain actors can be sustainably addressed.

#### **Nutrition**

**Rating: 4**

**Previous rating: 5**

#### **Justification of rating**

Moderately Satisfactory. The project has prepared a nutrition training module, in cooperation with the Aga Khan Foundation. A very thorough and detailed training guide has been developed and up to the MTR, 27 persons from the Govt. Health Department and SMP were trained as master trainers. Subsequently, these master trainers have trained 150 selected persons at district level (mainly health workers, health supervisors, teachers and community activist) to begin with from Diامر, Astore, Ghanche and Skardu (79 men and 71 women). The project is now ready to roll out the training to the VPG members in the communities, both male and female, starting at the beginning of November 2019, with initial 11 sessions.

#### **Main issues**

The nutrition training aims at providing basic information in hygiene practices, malnutrition, indigenous nutritional practices, nutrition needs for mothers, awareness about the first 1000 days of child, etc. While the training module seems to have been tailored to the context, the distribution material, available in Urdu, the main language understood in all districts, however, might benefit from some more context specific information. The training will eventually be rolled out to all 10 districts of GB. This training should not be a one-time activity, but follow-up sessions should be held after a few months from the first training. In addition, the project will have to find ways to assess the effect of the nutrition training on the population, because outcome of the nutrition training together with the benefits of the project activities will converge to feed into the Project Goal indicator on decrease in child malnutrition. In order to reach a wider audience, the project might explore the possibility of broadcasting nutrition related information via local radios and TV/cable channels.

| <b>Agreed Action</b>                                                                                                                                                                                    | <b>Responsibility</b> | <b>Agreed Date</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Measure impacts and outcomes against baseline</b><br><br>M&E Section to develop formats and reporting schedules to measure impact and outcome of nutrition activities together with project benefits | PCU, M&E Section      | 12/2019            |
| <b>Nutrition Training as a continuous activity</b><br><br>Make nutrition awareness and training an ongoing activity in all VAC sessions to instil desired practices and behaviours                      | PCU/ Gender Section   |                    |

**Adaptation to Climate Change**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

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.

Beneficiaries of newly developed lands are being assisted in developing detailed land use plans to ensure that various types of land parcels (slopy, sandy, loose, stony etc.) are allocated to suitable crops and trees to ensure that land is protected against adverse climatic conditions and its productivity and integrity remains protected. Farmers are also being trained and sensitized in the adoption of alternate crops in the event of a prolonged dry or wet season or water stress. The project needs to ensure that the agreed land use plans are adhered to by the communities once the land comes under plough. The geographical advantages of GB lie in its elevation and in a climate that is most suitable and known for organic production which needs to be built on in order not to rely on chemical fertilizers and genetically modified seeds.

#### **Main issues**

The project design belongs to the Pre-SECAP era and followed IFAD guidelines for projects designed prior to SECAP. The PCU needs to update its feasibility, design and implementation guidelines for the Economic Infrastructure Component to ensure that IFAD guidelines for feasibility assessment and climate change adaptation measures are faithfully and effectively implemented.

| <b>Agreed Action</b>                                                                                                                                                                                                                       | <b>Responsibility</b> | <b>Agreed Date</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Faithful Implementation of Land Use Plans</b><br><br>Ensure that beneficiary communities faithfully implement the land use plans developed for newly created land                                                                       | PCU/RCUs              |                    |
| <b>Promote Organic</b><br><br>Instead of encouraging chemical fertilizers and pesticides, encourage use of traditional productivity measures and promote GB's organic production feature. Explore market and labelling of organic products | PCU                   |                    |

#### **b. Sustainability and Scaling up**

**Institutions and Policy Engagement**

**Rating: 3**

**Previous rating: 5**

### Justification of rating

Moderately Unsatisfactory. The Project's institution building and policy engagement performance has somewhat slipped from the promising start witnessed until the last supervision. The establishment and capacity building of the SMT's under the Economic Infrastructure component and the performance of SMT's in irrigation canal development has remained satisfactory. However, the project objective of early development of command area and making the new command area productive, has not received the attention it deserved. The pace of VPG formation and beneficiary coverage remained slow during 2018-19, and barring exceptional performance and results of VPG's engaged for vertical vegetable production, the quality and performance of business plans of the rest of the VPGs require improvement. The four areas of policy engagement, i.e. Land Titling, Provincial Roads Master Plan, Provincial Water Policy and Provincial seed and agriculture product certification, went dormant after an initial promising start. The Provincial Government has yet to appoint a permanent Senior Member Board of Revenue and the Land Law is now pending in the Law Department for a long time. The Committee constituted for the Roads Master Plan has yet to hold a meeting. The other two area of policy engagement also have seen no progress.

### Main issues

There appears to be no focal person in the PCU to spearhead project work on policy and institutional aspects. It is imperative that a capable person with appropriate seniority is appointed for these aspects in the post-MTR phase. The PCU needs to have a timeline plan for these policy aspects. The establishment and strengthening of farmer groups for the value chain development need a different and more synergized approach with clear allocation of roles and responsibilities between VCTAT, SMP and RCUs.

| <b>Agreed Action</b>                                                                                                                        | <b>Responsibility</b> | <b>Agreed Date</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Focal Person for Policy Engagement</b><br><br>Select and appoint an appropriate focal person in PCU to take charge of all policy aspects | PCU                   | 12/2019            |

**Partnership-building**

**Rating: 4**

**Previous rating: 4**

### Justification of rating

Moderately Satisfactory. The Project design envisages a number of partnerships at policy, management, financing and beneficiary levels. PCU and RCUs have a central role in pursuing and nurturing these partnerships. While some promising partnerships have been built over the last three years, progress on other required and anticipated partnerships has been below expectations. At policy level, the partnership with relevant government agencies including the Board of Revenue, PWD, the Agriculture Department and the Federal Seed Certification Department has remained weak and desired outputs and outcomes have yet to accrue. At Management level, partnership with the Agriculture Extension and the Directorate of Water Management has consistently improved while it completely broke-down with the Agriculture Research. At implementation level, a promising start has been made in building partnerships with private sector including Momo Dairy, Zamindara Seeds, Sohni Dharti etc. as well as with the VPGs. That experience now needs to be used to readjust the current strategy for value chain development in partnership with the private sector so as to bring it to scale and attain the remaining targets for VPG formation and household coverage more efficiently and effectively.

### Main issues

While ETI has MOUs signed with various implementing agencies for the field level interventions, it has no such MOU with relevant agencies for the policy related interventions.

The finalization of the financing agreement for the Italian CO-finance is in an advanced stage and the first tranche is likely to be released early next year (January 2020). The overall CO-financing amount remains the same as at design at USD23 million. Once signed, the project will revise the AWPB to integrate the first tranche. While the overall proportion of the co-financing remains unchanged, the the Italian cooperation interventions prioritize farm to market roads, land and land titling, building climate resilience, strengthening institutional capacity, policy reforms and promotion of responsible tourism. The CO-financing may also add to the fund to promote insurance.

| <b>Agreed Action</b>                                                                                                                                                                                                                                     | <b>Responsibility</b> | <b>Agreed Date</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>MOUs for Policy Interventions</b><br><br>Prepare and sign MOUs with relevant agencies for policy related interventions including Land Titling, Provincial Roads Master Plan, Water Policy and Seed certification.                                     | PCU                   | 12/2019            |
| <b>Revise Private Sector Engagement Strategy in light of new approach to Farmer Organizations</b><br><br>With transition to cooperatives at village level, the private sector engagement strategy be also appropriately adjusted                         | PCU                   |                    |
| <b>Follow up on Italian Co-Financing for early availability</b><br><br>Once signed the Agreement, share with IFAD the proposed programme of work which will be financed by the Italian Cooperation, with clear synergy with the on-going IFAD financing. | PCU                   |                    |

#### **Human and Social Capital and Empowerment**

**Rating: 4**

**Previous rating: 5**

#### **Justification of rating**

Moderately Satisfactory. Human and social capital development and community empowerment is central to the project implementation approach. Beneficiary communities have been put in the driving seat for the Economic Infrastructure Component. Community elected Scheme Management Teams are active partners in scheme design and cost estimation, manage all project funds and material procurement, engage and supervise all required skilled and unskilled labour and are accountable to the community for their performance. The same process applies to the project-funded roads. Women headed households, landless and ultra-poor are provided an equal share in the newly developed land. Youth from poor households are specifically targeted and provided with skills training in construction-related fields.

#### **Main issues**

Through full payment of scheme costs for wages and materials, an amount of PKR 362 million has so far been pumped into the rural economy in the shape of wages and, on average, each community member working on irrigation schemes earned PKR 60,000 as wages. The establishment of 13 women specific VPGs and 24 mixed VPGs and having women in 32% of the management positions in the VPGs, has contributed hugely to increase women's confidence and empowerment.

The equitable provision of land to women headed households has enhanced their status and economic empowerment. Youth is being employed in the construction of irrigation schemes, and receive salaries at market rate. Until now, the project has provided vocational training to 228 male youth from the villages where irrigation schemes are being constructed. Of these 228 youth, 107 could be contacted and out of these 107, 62 indicated that they had found an employment, which corresponds to approx. 58%. However, no vocational trainings have been carried out for female youth thus far who are being primarily targeted for on-farm income generation activities like vertical farming.

The real test of human and social capital built at community level will come when formal land titling takes place and the 50% payback mechanism kicks in. Any delays in these two activities may result in loss of momentum and the current spirit of mutual accountability between the project, the SMT's and their communities. Early progress on these aspects would further add to social capital and empowerment.

#### **Quality of Beneficiary Participation**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

Satisfactory. Beneficiary participation is confirmed to be good in all project interventions. This has been greatly facilitated by the engagement of specialized social mobilization partner in all project areas except in Diamer region, where it is being pursued through in-house staff. Communities display a large degree of ownership in all project interventions under irrigation, roads and value chain activities. Community elected SMTs have displayed a high degree of commitment in executing irrigation and roads schemes in some very challenging sites and extremes of weather. 59 VPG's have been organized so far representing around 10,000 households. The challenge now is to adjust the strategy for value chain development in a manner to quickly reach the target of 220 farmer organizations representing at least 60,000 households. The other challenge is to provide these organizations in irrigation SMT's with a legal structure in the shape of

professionally run cooperatives, so that they can perform the expected functions of payback etc. in an effective and accountable manner.

### **Main issues**

A clear exit strategy needs to be developed for the future sustainability of irrigation and value chain related farmer organizations, especially in view of the various payback requirements built in the various activities. This would entail equipping them with an institutional structure that has a legal status and is subject to some oversight and accountability mechanism.

|                                            |                  |                           |
|--------------------------------------------|------------------|---------------------------|
| <b>Responsiveness of Service Providers</b> | <b>Rating: 4</b> | <b>Previous rating: 4</b> |
|--------------------------------------------|------------------|---------------------------|

### **Justification of rating**

Moderately Satisfactory. A number of service providers are engaged by the project for delivery of its interventions. These include private sector equipment suppliers, government agencies, vocational training institutions, social mobilization partner, VCTAT and suppliers of agriculture machinery and inputs. The responsiveness of service providers has generally been satisfactory barring few exceptions like the Agriculture Research. VCTAT and SMP contribution could have been much better if it was not for confusion about their respective roles at community level and some inadequacies in their TOR and contracts. The quality of supplies for infrastructure and value chain activities is consistently good and competitively priced. Technical support and quality of materials and inputs for Momo Dairy, irrigation lift pilots and vertical vegetable production was found to be excellent. Vocational training by NLC for the project supported youth has been of very good standard.

### **Main issues**

There is still room for better integration and coordination of activities at field/beneficiary level between VCTAT, SMP and Agriculture extension. RCUs have a crucial role in ensuring this integration through their monthly and quarterly planning and coordination meeting and field monitoring.

|                                                    |                  |                           |
|----------------------------------------------------|------------------|---------------------------|
| <b>Environment and Natural Resource Management</b> | <b>Rating: 5</b> | <b>Previous rating: 5</b> |
|----------------------------------------------------|------------------|---------------------------|

### **Justification of rating**

Satisfactory. As of now, adequate measures have been taken to guard against landslides, erosion and floods. Proper structural measures have been adopted in the design and implementation at vulnerable points. Channels have been covered with reinforced concrete cement slabs to avoid debris and sediment flow from landslides. Similarly, proper cross drainage facilities have been provided over or under the channels where small streams flows are expected during rains and from snowmelt. In some cases where channels have been constructed in hard rock areas, HDPE pipes have been laid and properly buried for protection against slides, mudflow and falling stones. Measures have been taken against flash floods or GLOF. Project schemes are in stone masonry with proper plaster and concrete coping to protect them against usual natural hazards. Gates and escape structures have been provided to discharge excess flows during floods or for maintenance activities downstream. Additionally, none of the schemes involves land acquisition, resettlement or relocation of people. Project activities do not have any negative impact on the environment.

### **Main issues**

All FMRs are less than 10 km long and are using local material for construction. Protection walls have been provided against landslides and erosion while natural terrain is such that drainage is not an issue. Proper facilities like culverts and pipes have been provided for cross drainage and conveying water for irrigation and other purposes across the road.

A contractor is constructing the eight big bridges on turnkey basis. Geotechnical studies were carried for all sites and the reports were taken into consideration while designing them. The design is also considering seismic loading using the relevant codes of highway bridges and building code of Pakistan. A third party has vetted the design was well. Highest flow levels in the concerned rivers were used to protect against probable floods.

The foreseen improved production and productivity may lead farmers to increase their need for lands and even grow on un-recommended areas. Furthermore, they may introduce the use of chemical fertilizers and pesticides which may harm the local environment and ecological balance in a region known for its organic crop production. Attention should be paid to the introduction of efficient irrigation technologies like drip irrigation to prevent the possibility of increased water and soil run-offs.

| <b>Agreed Action</b>                                                                                                                                                                                                            | <b>Responsibility</b>      | <b>Agreed Date</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|
| <b>Introduce High Efficiency Irrigation where appropriate</b><br>Organise capacity building seminars/workshop to improve farmers awareness of efficient water technologies like drip irrigation and provide incentives          | PCU and farmers/partners   |                    |
| <b>Improve Soil productivity with Organic matter</b><br>Promote use of organic fertilizers in the newly developed lands to improve organic content of barren soils otherwise the temptation to use mineral fertilizers is high. | PCU, Agriculture Extension |                    |

**Exit Strategy** **Rating: 4** **Previous rating: 4**

#### Justification of rating

Moderately Satisfactory. The project approach and activities contain high promise of sustainability and the required ingredients for the development of a coherent exit strategy. The community driven development approach has resulted in beneficiary ownership of both infrastructure and value chain interventions. The completed irrigation infrastructure needs legally backed water management and O&M arrangements. Completed roads need a formalized O&M regime. SMTs and VPGs need a professionally managed legal existence in order to manage the post project responsibilities related to pay-back funds, private sector engagement etc. It's now time to fully articulate a comprehensive exit strategy based on following pillars:

- (a) Early completion of all policy and regulatory steps related to Land Titling, Provincial Roads Master Plan, Water Management Policy and seed certification policy and regulations.
- (b) A revised approach to VPG and SMT formation and operations whereby they are helped to become legally registered cooperatives with appropriate bye laws and professional management under-pinned by comprehensive business plans.
- (c) Establish provincial level Apex Associations for key agriculture products to represent farmer interests vis-à-vis public and private sector.

#### Main issues

Many farmers' cooperatives have failed in the past because of the top down and supply driven approaches, with the government initiating the formation of cooperatives and infusing capital without sufficient beneficiary stake and ownership. The project requirements of 50% payback in infrastructure schemes and farmer contribution in value chain funded activities are moves in the right direction and would contribute to the formalization of cooperatives with financial sustainability. The SMP should act as a catalyst and a change agent, with technical backstopping from VCTAT and the PCU Business Development Officer to help farmer groups attain formal cooperative structure and well-articulated business plans with accountability of management to the members. The goal is to have well-functioning cooperatives at village/valley level by the end of the project life and the PCU should start developing a well-rounded Exit Strategy around these pillars to be proposed to the Project Steering Committee for approval and to IFAD for No Objection.

| <b>Agreed Action</b>                                                                                                                                                           | <b>Responsibility</b> | <b>Agreed Date</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Formalise Groups/Associations into Coops with Apex organization at Provincial level</b><br>Develop a clear road map for the conversion of VPG/VPAs into formal cooperatives | PCU                   | 12/2019            |
| <b>Exit Strategy Formulation</b><br>Start working on a Comprehensive Exit strategy for all Project investments to ensure their future sustainability                           | PCU                   | 03/2020            |

**Potential for Scaling-up** **Rating: 5** **Previous rating: 5**

#### Justification of rating

Satisfactory. The Project has successfully demonstrated a number of innovative approaches to irrigation, roads and value chain development that have very high potential for scaling up, both within the project area and elsewhere. The Project has demonstrated that even technically challenging irrigation infrastructure can be implemented through a community



driven approach, and communities have the capacity to manage large amounts of funds and complex construction activities. The Project has also successfully demonstrated the way to protect the interest of women-headed households and landless and ensured an equitable share for them in newly developed lands. Full payment of wages and material costs, instead of traditional practise of asking communities for contribution, has infused much needed capital in poor rural communities and created wage opportunities for the local poor and youth. This has led to willingness of the communities to pay back 50% of the development costs to community accounts for future development. The Project has also demonstrated that communities are willing to provide free of cost right of way for roads if they are put in the driving seat and the choice of roads are based on their needs and contribute to their incomes. Organizing farmers around value chains has resulted in aggregation and quality improvement of products, and has encouraged the private sector to engage with organized groups of farmers. These positive results bode well for future scaling-up within existing core districts and other districts adding other value chains in addition to potato and apricot.

#### Main issues

Quick progress on new land law, provincial Roads Master Plan including O&M arrangements for project funded roads and development a provincial water policy are urgently needed to provide a predictable legal and regulatory underpinning for scaling-up.

| <b>Agreed Action</b>                                                                                                                                       | <b>Responsibility</b> | <b>Agreed Date</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Land Law</b><br><br>Early promulgation of a project linked legal, regulatory and policy framework covering land law, roads master plan and Water Policy | PCU, P&D, BOR         | 03/2020            |

### c. Project Management

|                                      |                  |                           |
|--------------------------------------|------------------|---------------------------|
| <b>Quality of Project Management</b> | <b>Rating: 4</b> | <b>Previous rating: 4</b> |
|--------------------------------------|------------------|---------------------------|

#### Justification of rating

Moderately Satisfactory. Since the last supervision mission, PSC meetings were held more regularly with clear agendas and issue-based discussions. However, a tendency to establish other Committees to examine various proposals submitted by the PCU emerged during the year which led to delays and lack of effective decision-making that needs to be eschewed in future. The PSC is the only decision-making forum for the project's plans and proposals as per the financing agreement which should be respected. Some confusion was also created with regards to the role of the P&D's in the PCU's day to day operations which compromised, to a certain extent, the PCU's operational autonomy. Current contracts of all project staff expired on 30 September and all staff, including the Project Coordinator, were found to be without contracts and salaries for the month of October. The PC could not renew staff contracts as his own contract had been pending in the P&D Department for renewal for the last two months.

#### Main issues

The decentralization to RCUs with concurrent capacity building has had a very positive impact on the quality and pace of project delivery and the project was able to achieve 96% financial progress against the 2018-19 AWPB. Planning and coordination at RCU level also improved considerably with regular planning and coordination meetings and clearer assignment of responsibilities. M&E is one area where project showed a marked improvement with the establishment of a very robust M&E platform with excellent details of each and every scheme with gender disaggregated data.

The Finance Wing of the PCU continues to perform below expected standards. The Management of data and supporting documentation and the lack of operational independence from the rest of the project management remain problem areas and need urgent attention.

| <b>Agreed Action</b>                                                                                                                                          | <b>Responsibility</b> | <b>Agreed Date</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Renew Staff contracts</b><br><br>Renew staff contracts immediately up to March 2020. Further, extension would depend on results of fresh recruitment drive | PSC, PCU              | 11/2019            |

|                             |                  |                           |
|-----------------------------|------------------|---------------------------|
| <b>Knowledge Management</b> | <b>Rating: 4</b> | <b>Previous rating: 4</b> |
|-----------------------------|------------------|---------------------------|

#### Justification of rating

Moderately Satisfactory. The Project is still without a KM Officer and there is no operational knowledge management plan

at the moment. With a much improved M&E system in place, which generates a wealth of actionable information, there is urgent need to quickly fill the KM position and articulate a proper KM plan. The progress under the various project components over the last one year is generating a wealth of useful knowledge that must be shared within GB and with other stakeholders. The Project has a lot of raw footage of pre-project and post-project scenarios and success stories which need to be professionally put together. Pending recruitment of a regular KM Officer, the PCU should consider the engagement of short-term communication/KM professionals to produce knowledge products.

#### Value for Money

Rating: 4

Previous rating: 4

#### Justification of rating

Moderately Satisfactory. The project implementation is efficient with investments in both components showing value for money. The overall unit cost for the different types of interventions is below the prevailing market cost and represent a positive benefit to cost ratio. Activities are using community procurement which is implemented with fair market prices for inputs and labour. The returns for the beneficiaries offer incentives to participate and willingness to contribute/invest in land development and value chain activities.

#### Main issues

The major project activities under component 1 include irrigation and land development while component comprises of value chain, 4Ps, land titling and policy reforms. The following is a brief overview of the major investments and its efficiency:

- **Irrigation and land development:** The cost of irrigation and land development of the completed schemes range from Rs. 50,000 to Rs. 105,000 per acre, depending on the scheme. The cost is higher in the case of siphon piped irrigation, compared to irrigation channel. The cost per acre in the case of left irrigation schemes is noted as Rs. 50,000 (average of five completed schemes). The return from the land development is estimated to be Rs. 38,000 per acre in year 2 increasing to Rs. 240,000 in year 5, having a payback of 2.6 years.
- **Farm to market road:** A total of 79 km of farm to market roads have been completed. For the total roads of 350 km under construction, the average per km cost is noted to be Rs. 3.55 million. Compared to this the average cost of similar roads is Rs. 5 million per km.
- **Value chain development:** Investments in potato, apricot and vertical farming has resulted in a significantly higher net income. The return on investment is the highest which is more than 100% in the case of vertical farming while in all other cases the return on investment is 25% – 50%.

| Agreed Action                                                                                                                                                                                                                          | Responsibility | Agreed Date |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|
| <b>Improved business model development for producer cooperatives</b><br><br>The return to project investment will accrue in the form of improved value chain/business activities for which a robust business model shall be developed. | VCTAT          | 03/2020     |

#### Coherence between AWPB and Implementation

Rating: 4

Previous rating: 4

#### Justification of rating

Moderately Satisfactory. The ETI showed an improved performance in coherence between the planned 2018-19 AWPB and actual implementation, as compared to the previous two years where the actual delivery fell short of planned physical and financial targets. The AWPB formulation and approval process still did not meet the prescribed timeline for 2018-19 though it somewhat improved for the 2019-20 AWPB. The Project was able to attain 96% financial progress against the planned 2018-19 budget. Notable shortfalls were experienced in Irrigation (77% achievement), Agriculture Extension (52%) and Land Titling (02%). While a short construction season and communities' pre-occupation with regular agricultural activities etc. are plausible factors for delays in irrigation development and shortfalls in budget usage, these can be overcome through proper scheduling of work and the deployment of required labour, even if such labour has to be engaged from outside the beneficiary community. It is key to agree with the community on a clear work schedule and deadlines and have an upfront agreement on labour numbers and sources for such labour. The following table depicts the actual financial progress against planned targets (Rs. Million).

#### AWPB Inputs and Outputs Review and Implementation Progress



| Sr # | Component/ Sub-Component                          | FY 2018-19     |                                   |              |                 |            |
|------|---------------------------------------------------|----------------|-----------------------------------|--------------|-----------------|------------|
|      |                                                   | Budget 2018-19 | Actual Expense As of 30 June 2019 |              |                 |            |
|      |                                                   |                | IFAD                              | Gov          | Total           | %age       |
| 1.1  | Irrigation Development                            | 783            | 536.6                             | 63.0         | 599.58          | 77%        |
| 1.2  | Farm to Market Roads                              | 298            | 284.5                             | 28.7         | 313.24          | 105%       |
| 2.1  | Value Chain Support Fund and Technical Assistance | 183            | 307.6                             | 22.3         | 329.89          | 181%       |
| 2.2  | Social Mobilization                               | 69             | 39.2                              | 22.7         | 61.92           | 89%        |
| 2.3  | Agri Extension                                    | 88             | 32.7                              | 12.8         | 45.50           | 52%        |
| 2.4  | Agri Research                                     | 29             | 32.7                              | 4.7          | 37.39           | 131%       |
| 2.5  | Land Titling                                      | 22             | 0.4                               | 0.1          | 0.52            | 2%         |
| 3    | Project Management                                | 161            | 118.2                             | 55.8         | 174.00          | 108%       |
|      | <b>Total (Rs. Million)</b>                        | <b>1,632</b>   | <b>1,351.8</b>                    | <b>210.2</b> | <b>1,562.05</b> | <b>96%</b> |

The 2019-20 AWPB is pitched at PKR 3,435 million which is more than double of the 2018-19 AWPB size. The Irrigation component budget is almost double the previous year's budget, the same applies to the value chain budget, while the roads/bridges budget is four times the one of the previous year. Hence, the current AWPB appears to be ambitious, but achievable, keeping in mind that much of the design work for the remaining schemes has already been carried out and the pace of work on the on-going irrigation and road schemes has accelerated. With the planned completion of the 8 major bridges before the end of the financial year, the financial progress under roads component should not be an issue. Clear scheduling for completion and adherence of communities and contractors to planned activities will be key for meeting the deadline. Another important factor is the efficient liquidation of advances given to SMTs and replenishments. The financial progress during the first three months is at 15% and likely to reach 40% by end of December 2019, taking into account also the pending payments and immediate commitments. Omissions in the current AWPB are nil allocations for Agriculture Research and Land Titling. The recommended Post-MTR revision of the AWPB 2019-20 should revisit these two sub-components in the light of the MTR recommendations and make appropriate budgetary allocations for the two.

The recent signing of the MOU with the Italian Cooperation for the co-financing triggers a budget allocation for the Italian C-financing to be included in the revision of the AWPB.

The following Table depicts the AWPB 2019-20 allocations for components/sub-components and financial progress up to 30 Sep 2019.

| #   | Component/ Sub-Component                          | FY 2019-20     |                                  |              |              |               |
|-----|---------------------------------------------------|----------------|----------------------------------|--------------|--------------|---------------|
|     |                                                   | Budget 2019-20 | Actual Expense As of 30 Sep 2019 |              |              |               |
|     |                                                   |                | IFAD                             | Gov          | Total        | %age          |
| 1.1 | Irrigation Development                            | 1,518          | 141.4                            | 5.8          | 147.2        | 10%           |
| 1.2 | Farm to Market Roads                              | 1,142          | 148.2                            | 4.3          | 152.5        | 13%           |
| 2.1 | Value Chain Support Fund and Technical Assistance | 377            | 144.8                            | 4.7          | 149.5        | 40%           |
| 2.2 | Social Mobilization                               | 87             | 10.9                             | 1.4          | 12.3         | 14%           |
| 2.3 | Agri Extension                                    | 61             | 0.1                              | 0.0          | 0.1          | 0%            |
| 2.4 | Agri Research                                     | 0              | -                                | -            | -            | -             |
| 2.5 | Land Titling                                      | 0              | -                                | -            | -            | -             |
| 3   | Project Management                                | 249            | 26.0                             | 12.2         | 38.2         | 15%           |
|     | <b>Total (Rs. Million)</b>                        | <b>3,435</b>   | <b>471.40</b>                    | <b>28.43</b> | <b>499.8</b> | <b>14.55%</b> |

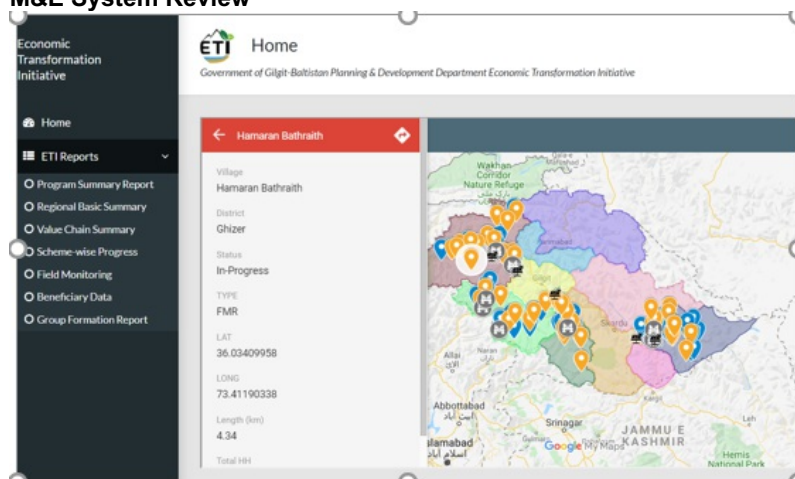
| Agreed Action                                                                                                                                                                  | Responsibility | Agreed Date |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|
| <b>Post MTR AWPB Revision</b><br><br>Revise AWPB 2019-20 in the light of MTR agreements/recommendations and revisit allocations for Agriculture Research and Land Titling      | PCU            | 11/2019     |
| <b>Italian Co-financing</b><br><br>Make tentative budgetary provision for Italian Co-financing in the light of recently signed MOU and expedite signing of Financing Agreement | PCU, EAD       | 11/2019     |

**Performance of M&E System** **Rating: 5** **Previous rating: 4**

### Justification of rating

Satisfactory. The performance and quality of the Project's M&E system has improved since the last supervision mission. The project currently does not have a dedicated M&E officer and the related tasks are being carried out by the Deputy Project Coordinator, with the help of three provincial M&E assistants. As recommended by last year's supervision mission, the project has developed a sound MIS system, for which the data collection is being carried out with the help of tablets. A Dashboard has been developed and the data for the irrigation schemes and roads constructed is being uploaded in real time. When clicking on an interactive map, all information related to every irrigation scheme, market access road or bridge can be retrieved. As visible from the below picture, several reports can be downloaded, per province, village, scheme, group, activity, etc. The system reports the data disaggregated by gender.

### M&E System Review



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 available in the system for the single beneficiary is slightly behind, due to the cross checking that is being carried out before uploading.

The mission has reviewed the current log frame, adapting it to the changed project set-up after the MTR. It is worth noting that ETI-GB being primarily an infrastructure project, the indirect beneficiaries and direct beneficiaries coincide, which is not the case with non-infrastructure project. The mission, together with the Deputy Project Coordinator has retrofitted some IFAD core indicators, and currently, the log frame is reporting on 10 IFAD core indicators. Following the MTR, the project will need to start reporting also on the outcome indicators

The project has established a very solid base for M&E data procurement and management. This should now translate into improved quality and timeliness of progress reporting for all stakeholders which has not been ensured in the past. The system needs some additional layers to address the reporting requirements related to cross-cutting aspects as well as new reporting requirements under SECAP. The linkage between data collection/ monitoring, knowledge management and sharing needs to be paid attention to.

#### **Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

Satisfactory. This project was designed prior to the current mandatory SECAP guidelines for projects of this nature; however, the PDR contains an ESRN note. That, coupled with the SECAP for the Pakistan COSOP provides adequate guidance for the project with respect to social, environment and climate change safeguards. A number of SECAP features and safeguards have been built in the criteria and selection process for the economic infrastructure schemes. Hence, this project areas has not witnessed any dispute on land ownership and access to water, nor disputes on right of way, equitable distribution of land among all households in the village, use of local materials, or displacement of people or fauna, etc.

Adequate measures have been taken to guard against landslides, erosion and floods. Where necessary, channels have been covered with reinforced concrete cement slabs to avoid debris and sediment flow from landslides. Similarly, proper cross drainage facilities have been provided over or under the channels where small stream flows are expected during rains and from snowmelt. HDPE pipes have been laid and properly buried for protection against slides, mudflow and falling stones in hard rocky areas.

All FMRs are less than 10 km long and are using local material for construction. Protection walls have been provided against landslides and erosion while natural terrain is such that drainage is not an issue. Proper facilities like culverts and pipes have been provided for cross drainage and conveying water for irrigation and other purposes across the road.

#### **SECAP Review**

The economic infrastructure sub-component is implemented through a community led participatory approach starting from identification to planning to implementation to management and operation and maintenance of the scheme. ETI's approach in this project is to distribute one acre of new land with entitlement to each household of the community for equitable distribution of benefits. Selection criteria comprise: absence of conflict, no land acquisition, no resettlements, no deforestation, no protected areas and no threat to wildlife. The establishment of community-elected Scheme Management Teams (SMT) for irrigation or road schemes minimizes conflicts and increases efficiency. The source of water for the irrigation schemes 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 will be drawing run of the river or stream water with no interventions in the watersheds. Mostly, the channels are small in size that do not involve huge excavations of soils. Being the terrain mountainous, all channels are constructed with locally available stone without involving borrow areas. Drainage facilities are 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 and should not be affected by the current hydrological variability and climate change, unless an unusual change in rain pattern and intensity happens. Traditionally, operation and maintenance of the schemes is the responsibility of the community without the involvement of the government at any level. The channels with proper controls improve water management and efficiency of water for increased productivity and income of the users. The FMRs, which are selected in consultation with the concerned communities, are 2 to 8 km long with proper cross drainage and protection breast and retaining walls. The land is provided by the beneficiary community voluntarily and no displacement of persons and structures is involved. The design and implementation of all infrastructure is taking into consideration social and environmental impacts, while the concerned SMTs monitor the construction and implementation of the schemes.

#### **d. Financial Management & Execution**

##### **Acceptable Disbursement Rate**

**Rating: 3**

**Previous rating: 3**

#### **Justification of rating**

Automated rating based on IFAD disbursement data - As at 30th of September 2019, ETIGB has disbursed 37.84% from IFAD loan. Overall rate is moderately unsatisfactory as less than 50% has been disbursed while the project is in its med term and there are three years left until completion. For the financial year 2018/2019, the project has disbursed \$11.04 million whereas for the first quarter of the current financial year (July to September 2019), the project has disbursed \$3.5 million. There is one pending WA that was submitted in October 2019 for an amount of \$1.56 million, by including this WA, the project disbursement from AWPB for 2019/2020 will reach around 22%.

### Main issues

As at 30<sup>th</sup> of September 2019, the project has utilized 15% of AWPB 2019/2020 and 33% of cumulative AWPBs. The project has commitments for an amount of \$16.3 million and has submitted below disbursement plan for the period November 2018 to June 2020.

| Categories                 | Commitments     |
|----------------------------|-----------------|
| Civil Works                | \$13.3 M        |
| Grant and Subsidies        | \$2 M           |
| Training and Consultancies | \$0.96 M        |
| <b>Total</b>               | <b>\$16.3 M</b> |

| Disbursement Plan ETIGB form November 2019 to June 2020 (USD Millions) |          |         |          |       |       |     |      |       |
|------------------------------------------------------------------------|----------|---------|----------|-------|-------|-----|------|-------|
| November                                                               | December | January | February | March | April | May | June | Total |
| 1.5                                                                    | 1        | 1       | 1.5      | 2     | 2     | 2   | 3    | 14    |

Disbursement for the project has started increasing in the financial year 2017/2018. Project must ensure proper budget monitoring and on time utilization of the expenses incurred by the IPs, SMPs and the communities in order to ensure better planning and timely decisions in case of any delays or issues.

| 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019  | 2019/2020 (Jul - Sep 19) |
|-----------|-----------|-----------|------------|--------------------------|
| \$ 1.50 M | \$ 2.34 M | \$ 7.22 M | \$ 11.05 M | \$ 3.52 M                |

| Agreed Action                                                                                                                         | Responsibility   | Agreed Date |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------|
| <b>Management of advances</b><br>Verify and justify actual expenditures incurred by various implementing partners on systematic basis | Director Finance |             |

### Fiduciary aspects

Quality of Financial Management

Rating: 3

Previous rating: 4

### Justification of rating

Even though the project has managed to make the accounting software TOMPRO functional, worked on updating the PIM and filling all vacancies, quality of financial management still needs improvement to ensure better control over RCUs, implementing partners, SMPs and SMTs. Finance staff capacity was not found to be well equipped and used to its extent. In addition, project must adopt a new payment filing process that includes basic supporting documentation and enable

expenses/advances verification. Advances to contractors should be monitored and recovery process must be systemized. Project should start submitting interim financial reports on quarterly basis and must ensure that beneficiary cash contribution is included in the reports.

## Main issues

**Staffing**; almost all vacancies are filled now. Finance unit consists of 4 staff at PCU, 10 staff at the three RCUs and 5 interns, however it was found that this capacity was not properly used to ensure control over IPs, SMPs and communities.

**Accounting software**; the accounting software TOMPRO is functional, however until now there is no segregation between input and approval levels.

**Budget monitoring**; there was a delay in submitting the AWPB for FY 2019/2020. AWPB is available in TOMPRO and automated reports for actual utilization are available on monthly basis. Budget monitoring process must be enhanced for implementing partners and communities levels especially that for most of them, utilization of expenditures is based on advance adjustments. AWPB does not include all financiers, both co-financer (Italian fund) and beneficiaries are not included in it.

**Internal control**; based on the decentralization level in this project and the fact that fund is channelled through several partners, the following must be ensured:

1. Proper tools equipped (cross checks, reconciliations, monthly financial reporting, expenditures verifications) in order to ensure that there is control over advances and fund managed by communities and implementing partners.
2. Field finance controllers' (FFCs) roles must be enhanced to include consolidation of SMTs monthly finance reports and verification of utilized expenditures. Follow up on unrepresented cheques for all bank accounts in order to manage and reduce them. Old cheques must be cleared properly.
3. For some advances, project does not obtain bank guarantees. In such cases, project must discuss alternatives with IFAD.
4. MOUs with IPs, SMPs and all other partners must be strengthened and amended to include IFAD fiduciary aspects.
5. Computerized accounting software to be provided to the IPs as currently they do not have ledgers or monthly bank reconciliations.
6. Monthly bank reconciliations of PCU, RCUs and **all partners** bank accounts with monthly submission to PCU. In addition, bank reconciliations must include copies of the bank statement and the ledger for which beginning balances, all transactions and closing balances are included.

**Accounting**; claims/invoices from contractors are included for suppliers only, SMT does not submit/sign any claim for the advances adjustments, almost all payments for communities (SMTs) and consultants are based on engineers' verification. While engineers' measurement and verification is important to record work achieved and calculate payment amount, the contractor must submit a claim/invoice with payment details. **Advances**; Proper follow up mechanism on advances and recovery plans must be in place with justification for waivers/changes.

**SOE Sampling - Documentation**; after reviewing the SOE sample, it was found that the project has inconsistent and poor documentation process. Project finance staff and approvers must ensure that all necessary documents are included as advised.

**Financial reporting**; project never submitted IFRs to IFAD. As per LTB, project should submit quarterly IFRs. As agreed during the mission, first IFR for first quarter of 2019/2020 to be received by 15<sup>th</sup> of November and then process to be on continuous within 45 days of each quarter end.

**Internal audit**; the internal auditor was hired in April 2019. Mainly he started covering the period from July 2018, he reports to the Chief Secretary of the project steering committee. The Internal Auditor has worked on developing internal audit plan, charter and manual for which all are pending approval by Chief Secretary of the project steering committee. IFAD is expecting a comprehensive report with two months of mission date and would recommend receiving an updated internal report before each mission.

| Agreed Action                                                                                                                                                                                                                                                                                                                                                                          | Responsibility     | Agreed Date |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| <b>Reallocation of Honoraria payment to government</b><br><br>Reallocation of "Honoraria to Federal and GoGB staff" to be 100% from government allocation for total of \$23K that was charged under the loan without NOC for vouchers (OIP1906047, OIP1906059, OIP1906048, OIP1906058, OIP1906050, OIP1906055, OIP1906052, OIP1906049, OIP1906054, OIP1906061, OIP1906053, OIP1906060) | Finance unit – PCU | 11/2019     |

|                                                                                                                                                                                                                                                                                                                                                                         |                    |         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------|
| <b>Comprehensive internal audit report to be submitted to IFAD</b><br><br>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.                                                                          | Internal Auditor   | 12/2019 |
| <b>Field Finance Controllers work to be strengthened and organized.</b><br><br>Field Finance Controllers work to be strengthened and organized.<br>---<br>deadline extended until restructuring is in place to see if these positions will still exist                                                                                                                  | PC, FD, FFC        | 12/2019 |
| <b>MOUs of implementing partners be reviewed and strengthened.</b><br><br>MOUs of implementing partners be reviewed and strengthened with regards to financial obligations including funds flow, financial reporting, auditing, ownership and monitoring of assets, etc.<br>----<br>This is extended as after MTR new structuring is proposed and new MOUs to be signed | PC, FD             | 12/2019 |
| <b>Update and strengthen the finance part in all MOUs</b><br><br>New MOUs with all implementing partners, SMPs, etc. to include IFAD main fiduciary aspects and to be cleared by IFAD FO                                                                                                                                                                                | PCU                | 12/2019 |
| <b>Introduce basic accounting software to IPs</b><br><br>PCU to provide IPs with "Peach3" software and to train them on using it. The accounting software includes the minimum accounting requirements for double entry accounting and reconciliations. All data must be entered to the software retrospectively since the beginning of the project.                    | Finance unit – PCU | 04/2020 |
| <b>Strengthening of internal controls</b><br><br>Strengthen internal controls over funds channeled through different stakeholders (list given above)                                                                                                                                                                                                                    | Director Finance   |         |
| <b>Revised AWPB</b><br><br>AWPB to include all financiers (Co-financing and beneficiaries)                                                                                                                                                                                                                                                                              | PCU                |         |
| <b>Proper documentation</b><br><br>All expenditures to include proper documentation as per the list above                                                                                                                                                                                                                                                               | Finance unit       |         |
| <b>Monthly monitoring for advances and recovery plans</b><br><br>Monthly monitoring for all advances, amounts recovered, remaining amounts, completion date and recovery plans                                                                                                                                                                                          | Finance unit – PCU |         |
| <b>Monthly reconciliation for all partners bank accounts</b><br><br>Monthly bank reconciliations for all implementing partners bank accounts (IPs, SMPs, SMTs)                                                                                                                                                                                                          | Finance unit – PCU |         |

|                                                                                                                                                                                                                   |                    |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--|
| <b>Quarterly submission of IFRs</b><br><br>Interim financial reports (IFRs) to be submitted on quarterly basis as indicated in the LTB, first report for the 1st quarter of 2019/2020 to be received with 45 days | Finance unit – PCU |  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--|

**Quality and Timeliness of Audit** **Rating: 4** **Previous rating: 4**

#### Justification of rating

The Directorate General Audit Gilgit-Baltistan carried out the audit in accordance with the auditing standards of INTOSAI. The audit report and management letter were received 20 days after the deadline of 31 December 2018

#### Main issues

The auditor expressed unqualified opinion on the financial statements and the Statement of Expenditures related to the loan. Quality of the audit is complete, the rating was impacted by the late submission of the audited financial statements and the fact that there was no follow up on previous year recommendations.

**Counterparts Funds** **Rating: 4** **Previous rating: 5**

#### Justification of rating

As of date, government has contributed \$4.2 million out of \$24 million which is only 18%. As per original budget, the \$24 million is divided between around \$11.17 million cash contribution and \$12.46 million in the form of taxes. Only PKR 13 million out of the \$4.2 million was government contribution in the form of taxes. Currently, the government is not applying any taxes in Gilgit region hence government contribution in form of taxes is not valid anymore. It was decided to keep the taxes budgeted contribution as it is in case of any future changes on taxes law.

#### Main issues

As per submitted report, the following table shows government actual contribution per component and sub-component in comparison with original budget.

| # | Component                | Original Budget (COSTAB) (USD - million) | Actual Contribution Up to 31 <sup>st</sup> of Sep 19 (USD – Million) | Percentage | Original Budget (COSTAB) (USD – million) Cash Contribution only |
|---|--------------------------|------------------------------------------|----------------------------------------------------------------------|------------|-----------------------------------------------------------------|
| 1 | Civil Works              | 14.26                                    | 0.99                                                                 | 7%         | 3.35                                                            |
| 2 | Equipment & Material     | 0.53                                     | 0.50                                                                 | 94%        | 0.08                                                            |
| 3 | Grants & subsidies       | 0                                        | 0                                                                    | 0%         | 0                                                               |
| 4 | Training & Consultancies | 2.81                                     | 1.17                                                                 | 42%        | 2.77                                                            |
| 5 | Salaries & Allowance     | 3.83                                     | 1.27                                                                 | 33%        | 3.83                                                            |
| 6 | Operating Cost           | 2.19                                     | 0.32                                                                 | 15%        | 0.95                                                            |
|   | <b>Grand Total</b>       | <b>23.63</b>                             | <b>4.2</b>                                                           | <b>18%</b> | <b>11.17</b>                                                    |

For beneficiary contribution, only in-kind beneficiary contribution under component 1 (land contribution for both irrigation and FMR schemes) is reported and included in the unaudited financial statements for FY 2018/2019 for an amount of PKR 364 million. Trees as in-kind contribution to be included next year as more to be contributed since the schemes are in place.

Under component 2 (Value chain), there is farmers in-kind contribution for an amount of PKR 164 million and farmers

cash contribution for an amount of PKR 101 million for the FY 2017/2018 and 2018/2019. Both to be included in the financial statements and reporting.

| <b>Agreed Action</b>                                                                                                                                                                       | <b>Responsibility</b> | <b>Agreed Date</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| <b>Beneficiary contribution (Cash and in-kind) Component 2</b><br><br>Beneficiary cash and in-kind contribution under component 2 to be included in the financial statements and reporting | Finance unit - PCU    | 11/2019            |

#### **Compliance with Loan Covenants**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

Moderately Satisfactory. There are 24 loan covenants applicable in ETI, GB. Of these 14 have been fully complied with and four only partially. Two are either not applicable yet (PCR) or not warranted (Tax exemption on IFAD financing as GB is Tax free area). Four covenants have not been complied with which include timely submission of AWPB to IFAD, submission of Quarterly reports to IFAD, quarterly summary interim financial reports and submission of internal audit reports (Detailed status report at Appendix 3).

#### **Main issues**

There is room to increase the performance in meeting the deadlines for the submission of periodic financial and physical progress reports, the submission of AWPBs and of the Audit Reports. The PCU needs to specifically assign staff within the Finance Section and M&E section with the responsibility to keep track of and adhere to deadlines.

#### **Procurement**

#### **Procurement**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

Moderately Satisfactory. The application of procurement procedures is generally found consistent and transparent. However, the project faced moderate difficulties in effective procurement planning and submission of procurement plans in time. There is need for more forward planning for the procurement plan preparation and its execution. In some cases, the planned procurement activities could not be completed due to management issues. The quality of procurement documentation and procurement decisions is moderately satisfactory.

#### **Procurement Review**

Procurement Plan updates and revisions are not timely submitted to IFAD for its review and No Objection. Methods of procurement applied in the procurement plan and actual procurement are consistent with the provisions of the Financing Agreement, the Letter to the Borrower (LTB) and the PPRA Procurement Regulations. Generally, the PP is logically grouped, packaged and costed in line with the implementation strategy and consistently follows competitive methods of procurement. Procurement methods in some cases had to be changed mid-way due to late realization of quantum and cost of activity e.g. the method of procurement was changed from NCB to ICB for bridges, due to the increased length of Bridges and decision on their type (RCC). The procurement plan is not accessible publicly. Delays have been observed in some procurements of goods and services cases under the PP 2018-19 and the activities were not carried forward to the next FY 2019-20. The mission identified some procurement activities in the 2019-20 PP, that are not yet initiated.

Review of Ongoing/Completed Procurement Activities and Documentation: During the mission, randomly selected procurement packages were reviewed. The processes and procedure are in compliance with the PPRA Guidelines that are consistent with IFAD's Procurement Guidelines. The PCU undertakes open competitive processes to ensure the consistency, fairness, value for money, competition and efficiency.

Process and Procedures for Evaluation and Contract Award: Based on a review of prior review cases, the evaluation and award stages indicate several incidences of back and forth correspondence with the PCU, who in turn reverts back to the evaluation committee for clarification and changes. In some instances, IFAD's guidance helped avert the possibility of mis-procurement through timely advice on the evaluation reports and recommendations. Such issues primarily cropped up due to issues with the capacity and understanding of the evaluation panel members in evaluating bids.

Review of Contract Administration and Management: The Contracts Register (C10) and Contract Information/Payment Monitoring Forms (C11) are up to date, with information on all the awarded contracts for the life of the project. The procurement associate is currently acting as a reviewer of documents for payment purposes rather than managing contracts. In the absence of a contract management officer, the mission faced challenges in obtaining updates with regards to physical vs. financial performance. The PCU needs to develop a more adequate mechanism to monitor the physical and financial performance under the MOUs signed with the communities and the subsidiary contracts signed by



SMTs. The PIM needs to be updated, especially the section regarding the community led procurement, to incorporate systems and processes to ensure effective monitoring and oversight.

Review of project's procurement filing system and the ease of document retrieval: The procurement filing system was reviewed and the mission observed that supportive documents are available right up to the point of contract issuance. After that, the information is managed by several technical and financial teams resulting in scattering of documents in various files of different sections. The mission advises to reorganize the filing systems to ensure easy reference to all supportive documents for a procurement activity, including delivery reports, payments records, technical teams' reports, financial reports/disbursements, delivery orders, receipt of goods in satisfactory condition and clearance of the payment request for goods and consultancy services; and to make them available in one master file for each procurement.

The agreed actions of the last SM have been partially addressed, the procurement specialist was not yet on board, the PCU advertised the position but no suitable candidate was found.

| <b>Agreed Action</b>                                                                                                                                                                                                                                                                                                                                                            | <b>Responsibility</b>    | <b>Agreed Date</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------|
| <b>External Audit Findings/Observations</b><br><br>PCU team should hold a meeting with external auditors and share all the relevant documentations with external auditors and sort out the findings and share the final report with IFAD.                                                                                                                                       | PC/DF/PO/Technical Teams | 11/2019            |
| <b>Hiring of staff (Procurement Assistant)</b><br><br>Hiring of Procurement Associate for the vacant post of Procurement officer and newly created post of procurement assistant be expedited.                                                                                                                                                                                  | PC/P&DD                  | 12/2019            |
| <b>Hiring of staff (Contract Management Officer)</b><br><br>ETI-GB needs to hire a contract management officer/nominate the technical staff to monitor all the contracts related to works and services.                                                                                                                                                                         | PC/P&DD                  | 12/2019            |
| <b>Complaint Management System</b><br><br>Currently there is no formal mechanism to handle complaints related to procurement. The ETI-GB should constitute a grievance redressal committee with odd number officials (including Representatives from ETI-GB, and Representatives from governmental officials) to enquire into complaints and take remedial actions accordingly. | PCU/PO/P&DD              | 03/2020            |
| <b>Procurement Plan</b><br><br>Adhere to planned schedules for all procurement of goods and services.                                                                                                                                                                                                                                                                           | PO                       | 06/2020            |
| <b>Procurement Plan</b><br><br>Submit the revised updated Procurement Plan to IFAD for No Objection.                                                                                                                                                                                                                                                                            | PCU/PO                   |                    |
| <b>Filing System</b><br><br>Prepare a master file for each procurement that contains all deliverables/reports with the endorsement of the technical team and financial track record.                                                                                                                                                                                            | PO                       |                    |
| <b>IFAD No Objections</b><br><br>ETI-GB should always seek IFAD NO for any changes of contract in advance payment to the contractor/vendors.                                                                                                                                                                                                                                    | PO/PC                    |                    |

## e. Key SIS Indicators

|                                                          |                  |                           |
|----------------------------------------------------------|------------------|---------------------------|
| <b>Likelihood of Achieving the Development Objective</b> | <b>Rating: 4</b> | <b>Previous rating: 5</b> |
|----------------------------------------------------------|------------------|---------------------------|

### Justification of rating

agree with suggested rating

|                                                             |                  |                           |
|-------------------------------------------------------------|------------------|---------------------------|
| <b>Assessment of the Overall Implementation Performance</b> | <b>Rating: 4</b> | <b>Previous rating: 4</b> |
|-------------------------------------------------------------|------------------|---------------------------|

### Justification of rating

agree with suggested rating

## F. Relevance

|                  |                  |                           |
|------------------|------------------|---------------------------|
| <b>Relevance</b> | <b>Rating: 5</b> | <b>Previous rating: 5</b> |
|------------------|------------------|---------------------------|

### Justification of rating

The project development objective and approach remain relevant and highly appropriate for the needs of the smallholder farmers living in the high mountain area. Initial results and impacts vouch for the soundness of objective and approach. Of the 50,000 acres of new irrigated area targeted, the project is already covering around 38,000 acres of which 12,000 acres have already been completed and rest will be completed by October 2020. The remaining land is already under design and should not pose a problem in attaining the full project target. The only area of concern is the absence of progress on the finalization of the land law and formal land titling. The Provincial government has agreed to expedite the process and, in the meantime, make interim arrangements for the land titling through District Collectors on a case to case basis. The project assumption that the communities would willingly provide land if the road benefits themselves, has been proven. 272 km of roads, out of 400 km target, are currently under implementation by the communities and no land compensation has been demanded or paid. The value chain development has not taken place at a pace initially anticipated but it had more to do with the management and less with the approach and assumptions. The actions to be taken to revise the VCTAT and SMP roles and pursuit of VPGs in a formal cooperative mode shall address the present constraints.

### Main issues

The policy aspects of land titling, water management and roads O&M need to be addressed on a priority basis for future sustainability of the project investments. The menu of the supported value chains needs to be expanded to add more promising products of the area like apple, cherries, nuts and off-season vegetables

## G. Project Modifications

| Responsibility | Modification type | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PC             | Project Area      | A basic agreement has been reached to expand the coverage of economic infrastructure to districts other than the four core districts. This however is conditioned by the progress on land titling and the creation of a provincial roads master plan including O&M arrangements for the project funded roads.                                                                                                                                                                                                                                                                |
| EAD and IFAD   | Reallocation      | Based on the agreements reached during the MTR, and keeping in view the new Pak Rupee/Dollar parity, the PCU shall prepare a revised post-MTR budget for the project and propose a reallocation among loan categories, if needed. As for the Financiers, the Italian Government had committed to provide around 20 per cent of the project financing through a loan and a MOU has recently been signed with EAD for this purpose. Once the Financing Agreement is signed, the PCU shall keep the Italian contribution in view while proposing adjustments in loan categories |

| Responsibility | Modification type | Description                                                                                                                          |
|----------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| PC and IFAD    | Logical Framework | The Logical Framework has been updated to reflect the changes agreed during the MTR. Some more IFAD core indicators have been added. |

## H. Lessons Learned

### Farmer Organizations need appropriate legal cover and professional management to become viable and credible business organizations

ETI supports the establishment of Village Producer Groups and Valley Producer Organizations to act as aggregators of produce and agents for collective marketing of produce and procurement of inputs and services. However, to attain credibility and a professional business approach, these organizations need to be formalized and structured into legally recognized entities like cooperatives with professional management and sound business plans. This will enable them to engage with other sources of support including finance and be under an oversight that lends them credibility.

### Legislation and Regulations

Projects like ETI that pursue innovative approach to community driven development need proper supportive policy and regulatory frameworks to ensure sustainability of the approach, institutions and investments. Project design recognized this need but this aspect has so far not received the attention that it deserved. The four policy areas covering land titling, roads master plan and O&M, Water Policy and Management and Seed Certification need to get priority attention in THE post MTR period for ensuring sustainability of approach and interventions.

## I. Agreed Actions

| Agreed Action                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Responsibility | Agreed Date |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------|
| <b>Overview and Project Progress</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |             |
| <b>VCTA and SMP contracts</b><br><br>As discussed and agreed during the MTR mission, the VCTA and SMP contracts will be revised with a clear separation of the roles (VCTA = support to 159 VC Coops and SMP = support 38 irrigation coops).<br>SMP: The contract for SMP should contain responsibilities for (1) land development planning including secondary and tertiary irrigation infrastructure; (ii) pay back mechanism; (iii) land titling – interim arrangement; and, (iv) legal status of SMT/cooperative with appropriate capacity for management .<br>VCTA: IFAD recommends to modify the contract of the existing VCTA, in order to build on past experiences, limit the risks connected to a new service provider and ensure a quick delivery of the VC component.<br>The revised ToRs and contracts will be submitted to IFAD for NOC and submitted to the PSC for approval during the revised 2019 – 2020 AWPB by end of November 2019) | PCU            | 11/2019     |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |              |         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------|
| <b>PCU Management</b><br><br>As discussed and agreed during the MTR mission, the revised PCU Organogram will be submitted to IFAD for NOC by end of November 2019 and will include (i) clear leadership, reporting line and accountability for all staff, (ii) merging of the Gilgit and ETI-GB office and (iii) separation between consultants and staff roles. The salary structure will be revised and a simulation up to the end of the project will be provided and submitted for NOC. The ToRs of each position will be also submitted to IFAD by end of November 2019 for NOC and advertised in December 2019. All PCU staff contract will be extended until 31 March 2020. | PCU          | 11/2019 |
| <b>Revised AWPB 2019-20</b><br><br>To incorporate the operational, institutional and budgetary changes in consequence of the agreements reached during MTR and get approval of Project Steering Committee and IFAD NOC by end Nov 2019                                                                                                                                                                                                                                                                                                                                                                                                                                             | PCU          | 11/2019 |
| <b>Value Chain Development</b><br><br>The value chain approach will be revised as discussed with the MTR mission in order to ensure better (i) professionalism, (ii) profitability at farmer level, (iii) organizational and financial sustainability of each supported organization and (iv) a clear exit strategy by 2022. In the 2019-2020 revised AWPB to be submitted by November 2019, the full package to develop / support 220 formal multi-commodity cooperatives run by professional teams, covering all promising commodities and ensuring 25% return on investment or US\$ 60 per month incremental income for each members should be included.                        | PCU          | 12/2019 |
| <b>Financial Management Team Capacity</b><br><br>The PCU FM staff team will have to be externally assessed and necessary replacement will have to be proposed.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | PCU          | 12/2019 |
| <b>Review Implementation schedules and labour requirements of on-going schemes</b><br><br>With a view to ensure completion of schemes as per agreed deadlines. Send to IFAD the proposal for each scheme for information                                                                                                                                                                                                                                                                                                                                                                                                                                                           | PCU          | 12/2019 |
| <b>New Management Structure for Potato Seed Production</b><br><br>PCU to propose new management structure to PSC for seed potato production that is autonomous and reports directly to Secretary Agriculture                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | PCU          | 12/2019 |
| <b>Resolve land titling for the newly developed land</b><br><br>To address on priority basis; (i) resolution of land titling being provided to all on-going irrigation schemes on a case-to-case basis and (ii) simultaneously GoGB to pursue a holistic land titling regimen by strengthen the relevant regulatory framework and create the necessary institutional capacity                                                                                                                                                                                                                                                                                                      | PCU and GoGB | 12/2019 |

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| <b>Revise PIM</b><br><br>Revise PIM to incorporate the changes agreed above and submit for IFAD NOC                                                                                                                                                                                                                                                                                                                                                                                                             | PCU                  | 01/2020 |
| <b>Project Management</b><br><br>Advertise all key management positions at PCU and RCU level to identify most suitable staff from among the existing incumbents and fresh applicants                                                                                                                                                                                                                                                                                                                            | PCU, PSC             | 03/2020 |
| <b>Land Titling</b><br><br>The on-going irrigation scheme will obtain the land titling, at least through on the interim land community system recognition.                                                                                                                                                                                                                                                                                                                                                      | GoGB                 | 04/2020 |
| <b>Provincial Farmer Association</b><br><br>Under the VCTA lead and with the support of IFAD regional grant for Farmer Organization, develop the full package proposal for the emergence of the Gilgit Balistan Provincial Farmer Association                                                                                                                                                                                                                                                                   | PCU / VCTA / AFA/LVC | 04/2020 |
| <b>Cooperative legal status, business plan, cash flow and profitability</b><br><br>To concentrate on the sustainability of the value chain interventions through creation/support of 220 cooperatives (61 linked to irrigation schemes, 159 linked to Value Chains), and 20 4Ps with professional management team at cooperative level, promoting youth/gender employment and multiple cash flow generating activities.                                                                                         | VCTA/PCU/SMP         | 04/2020 |
| <b>On-going irrigation infrastructure schemes</b><br><br>All on-going irrigation infrastructure schemes to be fully functional (irrigation and cultivation) in 2020 (31 irrigation schemes by June 2020 and remaining 7 by October 2020)                                                                                                                                                                                                                                                                        | PCU                  | 06/2020 |
| <b>New irrigation scheme and expansion to all 10 districts</b><br><br>Initiate the design of new schemes (both for irrigation and farm to market roads) in all the 10 districts of GB for implementation under the 2020-21 AWPB, once the land titling for the completed schemes and the hand over of the completed roads has taken place                                                                                                                                                                       | PCU                  | 06/2020 |
| <b>On-going and New Roads</b><br><br>On-going / finalized roads will have to be officially transferred to the GB Administration before June 2020 and consequently be maintained (O&M) by the GoGB. A last batch of new roads will be studied in 2020 in order (i) to respond to the demand of farmers, FOs or 4Ps, (ii) to reach the ETI-GB objectives and (iii) to be initiated as soon as the full transfer to the GB administration has become effective and to be finalized at the latest by September 2022 | PCU                  | 06/2020 |
| <b>Revise Component/Activity Budgets based on MTR agreements and balance available on the basis of new exchange rate</b><br><br>Prepare updated PC-I budgets on the basis of MTR agreements and balances available under new PKR/Dollar exchange rate and furnish proposal if any revisions in loan categories and PC-I required                                                                                                                                                                                | PCU                  | 06/2020 |

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| <b>Early completion of on-going FMRs</b><br><br>Complete all ongoing FMRs by 30 June 2020                                                                                                                                                                                                                                                                            | PCU           | 06/2020 |
| <b>Develop a Provincial Farmer/Cooperatives Association</b><br><br>Propose a representation of the association of the cooperatives formed at the provincial level which would be registered, recognized by the GoGB, sustainably functional and which could be the voice of the small farmers in Gilgit-Balistan.                                                    | VCTAT         | 06/2020 |
| <b>Integrate irrigation development with simultaneous land development</b><br><br>Ensure simultaneous development of irrigation scheme and command area. Incorporate command area development as part of milestones in SMT MOUs/Agreement. Engage experienced Irrigation/Hydraulic Engineer for proper design                                                        | PCU / SMP     |         |
| <b>Pilot Lift Schemes</b><br><br>Develop a comprehensive plan for land distribution, scheme maintenance, land use and regular monitoring of scheme performance and efficiency for future replication                                                                                                                                                                 | PCU           |         |
| <b>Environmental Screening of Future Irrigation and Road Schemes</b><br><br>Engagement an Environmental Specialist on retainer contract to review designs of future schemes from environmental perspective                                                                                                                                                           | PCU/RCUs      |         |
| <b>Provincial Water Policy</b><br><br>Pursue early completion of provincial water policy including scheme management by WUAs.                                                                                                                                                                                                                                        | PCU/RCU       |         |
| <b>On-farm and off farms Value Chains and agribusiness activities</b><br><br>Open the proposal to all value chains approach that promote multi-commodity models having the potential to generate optimal income. Proposal shall be eligible for project support if minimum return on investment is 25% or USD60/month(and above) per beneficiary income enhancement. | VCTAT/PCU/SMP |         |
| <b>Project Management</b><br><br>Roles and responsibilities of PSC and PCU in project decision-making and day to day functioning, as envisaged in Financing Agreement, should be strictly adhered to                                                                                                                                                                 | PCU, PSC      |         |
| <b>Project Management</b><br><br>Assign clear responsibility within PCU for policy aspects and actively follow-up with PSC and relevant departments for early formulation and adoption of project supported policy reforms on land titling, roads master plan, Water Policy and Seed and Product certification                                                       | PCU, PSC      |         |
| <b>Development Effectiveness</b>                                                                                                                                                                                                                                                                                                                                     |               |         |

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| <b>Household Coverage under Irrigation component</b><br><br>Review current targets for land developed and households covered to rationalise the final target numbers for the project and furnish a proposal to PSC and IFAD                                                                            | PCU                 | 12/2019 |
| <b>Measure impacts and outcomes against baseline</b><br><br>M&E Section to develop formats and reporting schedules to measure impact and outcome of nutrition activities together with project benefits                                                                                                | PCU, M&E Section    | 12/2019 |
| <b>Update Log Frame</b><br><br>Project log frame be updated on the basis of the new project approach                                                                                                                                                                                                   | PCU/IFAD            |         |
| <b>Land Titling for the Poor and Women Headed Households</b><br><br>Ensure that the shares of women headed and poor hhs agreed in the MOU are fully respected at the time of formal land titling process                                                                                               | PCU, SMP            |         |
| <b>Poverty targeting</b><br><br>Poverty targeting to be carried out for all project activities, and special mechanisms to be adopted for inclusion of the most vulnerable households, should be included in the revised contracts with VCTAT and SMP and in the model bye laws of the new cooperatives | PCU, SMP, VCTA      |         |
| <b>Gender and Youth in New Coops</b><br><br>Ensure that the guidelines and byelaws for new cooperatives foresee adequate share of women in membership and management positions                                                                                                                         | PCU                 |         |
| <b>PCU Gender Balance</b><br><br>Make efforts to improve gender balance in PCU and RCUs and ensure due management attention to cross cutting issues in post MTR Period                                                                                                                                 | PCU                 |         |
| <b>Nutrition Training as a continuous activity</b><br><br>Make nutrition awareness and training an ongoing activity in all VAC sessions to instil desired practices and behaviours                                                                                                                     | PCU/ Gender Section |         |
| <b>Faithful Implementation of Land Use Plans</b><br><br>Ensure that beneficiary communities faithfully implement the land use plans developed for newly created land                                                                                                                                   | PCU/RCUs            |         |
| <b>Promote Organic</b><br><br>Instead of encouraging chemical fertilizers and pesticides, encourage use of traditional productivity measures and promote GB's organic production feature. Explore market and labelling of organic products                                                             | PCU                 |         |
| <b>Sustainability and Scaling up</b>                                                                                                                                                                                                                                                                   |                     |         |

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| <b>Focal Person for Policy Engagement</b><br><br>Select and appoint an appropriate focal person in PCU to take charge of all policy aspects                                                                                                              | PCU                        | 12/2019 |
| <b>MOUs for Policy Interventions</b><br><br>Prepare and sign MOUs with relevant agencies for policy related interventions including Land Titling, Provincial Roads Master Plan, Water Policy and Seed certification.                                     | PCU                        | 12/2019 |
| <b>Formalise Groups/Associations into Coops with Apex organization at Provincial level</b><br><br>Develop a clear road map for the conversion of VPG/VPAs into formal cooperatives                                                                       | PCU                        | 12/2019 |
| <b>Exist Strategy Formulation</b><br><br>Start working on a Comprehensive Exit strategy for all Project investments to ensure their future sustainability                                                                                                | PCU                        | 03/2020 |
| <b>Land Law</b><br><br>Early promulgation of a project linked legal, regulatory and policy framework covering land law, roads master plan and Water Policy                                                                                               | PCU, P&D, BOR              | 03/2020 |
| <b>Revise Private Sector Engagement Strategy in light of new approach to Farmer Organizations</b><br><br>With transition to cooperatives at village level, the private sector engagement strategy be also appropriately adjusted                         | PCU                        |         |
| <b>Follow up on Italian Co-Financing for early availability</b><br><br>Once signed the Agreement, share with IFAD the proposed programme of work which will be financed by the Italian Cooperation, with clear synergy with the on-going IFAD financing. | PCU                        |         |
| <b>Introduce High Efficiency Irrigation where appropriate</b><br><br>Organise capacity building seminars/workshop to improve farmers awareness of efficient water technologies like drip irrigation and provide incentives                               | PCU and farmers/partners   |         |
| <b>Improve Soil productivity with Organic matter</b><br><br>Promote use of organic fertilizers in the newly developed lands to improve organic content of barren soils otherwise the temptation to use mineral fertilizers is high.                      | PCU, Agriculture Extension |         |
| <b>Project Management</b>                                                                                                                                                                                                                                |                            |         |
| <b>Renew Staff contracts</b><br><br>Renew staff contracts immediately up to March 2020. Further, extension would depend on results of fresh recruitment drive                                                                                            | PSC, PCU                   | 11/2019 |



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| <b>Post MTR AWPB Revision</b><br><br>Revise AWPB 2019-20 in the light of MTR agreements/recommendations and revisit allocations for Agriculture Research and Land Titling                                                                                                                                                                                                              | PCU                      | 11/2019 |
| <b>Italian Co-financing</b><br><br>Make tentative budgetary provision for Italian Co-financing in the light of recently signed MOU and expedite signing of Financing Agreement                                                                                                                                                                                                         | PCU, EAD                 | 11/2019 |
| <b>Improved business model development for producer cooperatives</b><br><br>The return to project investment will accrue in the form of improved value chain/business activities for which a robust business model shall be developed.                                                                                                                                                 | VCTAT                    | 03/2020 |
| <b>Financial Management &amp; Execution</b>                                                                                                                                                                                                                                                                                                                                            |                          |         |
| <b>External Audit Findings/Observations</b><br><br>PCU team should hold a meeting with external auditors and share all the relevant documentations with external auditors and sort out the findings and share the final report with IFAD.                                                                                                                                              | PC/DF/PO/Technical Teams | 11/2019 |
| <b>Beneficiary contribution (Cash and in-kind) Component 2</b><br><br>Beneficiary cash and in-kind contribution under component 2 to be included in the financial statements and reporting                                                                                                                                                                                             | Finance unit - PCU       | 11/2019 |
| <b>Reallocation of Honoraria payment to government</b><br><br>Reallocation of "Honoraria to Federal and GoGB staff" to be 100% from government allocation for total of \$23K that was charged under the loan without NOC for vouchers (OIP1906047, OIP1906059, OIP1906048, OIP1906058, OIP1906050, OIP1906055, OIP1906052, OIP1906049, OIP1906054, OIP1906061, OIP1906053, OIP1906060) | Finance unit – PCU       | 11/2019 |
| <b>Hiring of staff (Procurement Assistant)</b><br><br>Hiring of Procurement Associate for the vacant post of Procurement officer and newly created post of procurement assistant be expedited.                                                                                                                                                                                         | PC/P&DD                  | 12/2019 |
| <b>Hiring of staff (Contract Management Officer)</b><br><br>ETI-GB needs to hire a contract management officer/nominate the technical staff to monitor all the contracts related to works and services.                                                                                                                                                                                | PC/P&DD                  | 12/2019 |
| <b>Comprehensive internal audit report to be submitted to IFAD</b><br><br>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.                                                                                         | Internal Auditor         | 12/2019 |

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| <b>Field Finance Controllers work to be strengthened and organized.</b><br><br>Field Finance Controllers work to be strengthened and organized.<br>---<br>deadline extended until restructuring is in place to see if these positions will still exist                                                                                                                          | PC, FD, FFC        | 12/2019 |
| <b>MOUs of implementing partners be reviewed and strengthened.</b><br><br>MOUs of implementing partners be reviewed and strengthened with regards to financial obligations including funds flow, financial reporting, auditing, ownership and monitoring of assets, etc.<br>----<br>This is extended as after MTR new structuring is proposed and new MOUs to be signed         | PC, FD             | 12/2019 |
| <b>Update and strengthen the finance part in all MOUs</b><br><br>New MOUs with all implementing partners, SMPs, etc. to include IFAD main fiduciary aspects and to be cleared by IFAD FO                                                                                                                                                                                        | PCU                | 12/2019 |
| <b>Complaint Management System</b><br><br>Currently there is no formal mechanism to handle complaints related to procurement. The ETI-GB should constitute a grievance redressal committee with odd number officials (including Representatives from ETI-GB, and Representatives from governmental officials) to enquire into complaints and take remedial actions accordingly. | PCU/PO/P&DD        | 03/2020 |
| <b>Introduce basic accounting software to IPs</b><br><br>PCU to provide IPs with "Peach3" software and to train them on using it. The accounting software includes the minimum accounting requirements for double entry accounting and reconciliations. All data must be entered to the software retrospectively since the beginning of the project.                            | Finance unit – PCU | 04/2020 |
| <b>Procurement Plan</b><br><br>Adhere to planned schedules for all procurement of goods and services.                                                                                                                                                                                                                                                                           | PO                 | 06/2020 |
| <b>Management of advances</b><br><br>Verify and justify actual expenditures incurred by various implementing partners on systematic basis                                                                                                                                                                                                                                       | Director Finance   |         |
| <b>Strengthening of internal controls</b><br><br>Strengthen internal controls over funds channeled through different stakeholders (list given above)                                                                                                                                                                                                                            | Director Finance   |         |
| <b>Revised AWPB</b><br><br>AWPB to include all financiers (Co-financing and beneficiaries)                                                                                                                                                                                                                                                                                      | PCU                |         |

|                                                                                                                                                                                                                   |                    |  |
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| <b>Proper documentation</b><br><br>All expenditures to include proper documentation as per the list above                                                                                                         | Finance unit       |  |
| <b>Monthly monitoring for advances and recovery plans</b><br><br>Monthly monitoring for all advances, amounts recovered, remaining amounts, completion date and recovery plans                                    | Finance unit – PCU |  |
| <b>Monthly reconciliation for all partners bank accounts</b><br><br>Monthly bank reconciliations for all implementing partners bank accounts (IPs, SMPs, SMTs)                                                    | Finance unit – PCU |  |
| <b>Quarterly submission of IFRs</b><br><br>Interim financial reports (IFRs) to be submitted on quarterly basis as indicated in the LTB, first report for the 1st quarter of 2019/2020 to be received with 45 days | Finance unit – PCU |  |
| <b>Procurement Plan</b><br><br>Submit the revised updated Procurement Plan to IFAD for No Objection.                                                                                                              | PCU/PO             |  |
| <b>Filing System</b><br><br>Prepare a master file for each procurement that contains all deliverables/reports with the endorsement of the technical team and financial track record.                              | PO                 |  |
| <b>IFAD No Objections</b><br><br>ETI-GB should always seek IFAD NO for any changes of contract in advance payment to the contractor/vendors.                                                                      | PO/PC              |  |

## Economic Transformation Initiative - Gilgit Baltistan

### Logical Framework

| Results Hierarchy                                                                                               | Indicators                                                                               |          |          |            |                      |                          |                            | Means of Verification                                                                                    |           |                | Assumptions                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------|----------|------------|----------------------|--------------------------|----------------------------|----------------------------------------------------------------------------------------------------------|-----------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                 | Name                                                                                     | Baseline | Mid-Term | End Target | Annual Result (2019) | Cumulative Result (2019) | Cumulative Result % (2019) | Source                                                                                                   | Frequency | Responsibility |                                                                                                                                                                                                                                                                                                                                                         |
| Outreach                                                                                                        | 1 Persons receiving services promoted or supported by the project                        |          |          |            |                      |                          |                            |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Females                                                                                  |          |          | 250 000    | 26 764               | 141 097                  | 56.4                       |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Males                                                                                    |          |          | 250 000    | 28 394               | 143 900                  | 57.6                       |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Total number of persons receiving services                                               |          |          | 500 000    | 55 158               | 284 997                  | 57                         |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | 1.a Corresponding number of households reached                                           |          |          |            |                      |                          |                            |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Women-headed households                                                                  |          |          | 10 000     | 562                  | 833                      | 8.3                        |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Non-women-headed households                                                              |          |          | 90 000     | 17 027               | 44 529                   | 49.5                       |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Households                                                                               |          |          | 100 000    | 17 589               | 45 362                   | 45.4                       |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | 1.b Estimated corresponding total number of households members                           |          |          |            |                      |                          |                            |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 | Household members                                                                        |          |          | 750 000    | 149 507              | 386 275                  | 51.5                       |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |
| Project Goal<br>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                                                                                              |           |                |                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                 |                                                                                          |          |          |            |                      |                          |                            |                                                                                                          |           |                |                                                                                                                                                                                                                                                                                                                                                         |

| Results Hierarchy                                                                                                                                                                | Indicators                                                                                   |          |          |            |                      |                          |                            | Means of Verification                                      |           |                | Assumptions                                                                                                                                           |
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|                                                                                                                                                                                  | Name                                                                                         | Baseline | Mid-Term | End Target | Annual Result (2019) | Cumulative Result (2019) | Cumulative Result % (2019) | Source                                                     | Frequency | Responsibility |                                                                                                                                                       |
|                                                                                                                                                                                  | Height for age (boys) % decreased : Chronic-Stunting                                         |          |          | 10         |                      |                          |                            |                                                            |           |                |                                                                                                                                                       |
|                                                                                                                                                                                  | 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><br>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         |                      |                          |                            |                                                            |           |                |                                                                                                                                                       |
|                                                                                                                                                                                  | 1.2.4 Households reporting an increase in production                                         |          |          |            |                      |                          |                            |                                                            |           |                |                                                                                                                                                       |
|                                                                                                                                                                                  | Households                                                                                   |          |          | 90         |                      |                          |                            |                                                            |           |                |                                                                                                                                                       |
|                                                                                                                                                                                  | Total number of household members                                                            |          |          |            |                      |                          |                            |                                                            |           |                |                                                                                                                                                       |
|                                                                                                                                                                                  |                                                                                              |          |          |            |                      |                          |                            |                                                            |           |                |                                                                                                                                                       |

| Results Hierarchy                                                                                                                     | Indicators                                                                                                 |          |          |            |                      |                          |                            | Means of Verification            |           |                | Assumptions                                                                                                                                                                                                                |
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|                                                                                                                                       | Name                                                                                                       | Baseline | Mid-Term | End Target | Annual Result (2019) | Cumulative Result (2019) | Cumulative Result % (2019) | Source                           | Frequency | Responsibility |                                                                                                                                                                                                                            |
| Outcome<br>Outcome 1:<br>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 |          |          |            |                      |                          |                            |                                  |           |                | 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. |
|                                                                                                                                       | Households reporting improved access to land                                                               |          |          | 50         |                      |                          |                            |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Total no. of households reporting improved access to land                                                  |          |          |            |                      |                          |                            |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Households increase sales                                                                                  |          |          |            |                      |                          |                            | Farmers' organizations' records. |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Households                                                                                                 |          |          | 60         |                      |                          |                            |                                  |           |                |                                                                                                                                                                                                                            |
| Output<br>Outputs 1                                                                                                                   | 1.1.2 Farmland under water-related infrastructure constructed/rehabilitated                                |          |          |            |                      |                          |                            | Progress Reports                 | annual    |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Hectares of land                                                                                           |          |          | 20 000     | 4 260                | 14 181                   | 70.9                       |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | water channels/ irrigation schemes constructed, rehabilitated'                                             |          |          |            |                      |                          |                            | Progress Reports                 | annual    |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | kilometres                                                                                                 |          |          | 400        | 70                   | 192                      | 48                         |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | 2.1.5 Roads constructed, rehabilitated or upgraded                                                         |          |          |            |                      |                          |                            | Progress Reports                 |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Length of roads                                                                                            |          |          | 400        | 89                   | 153                      | 38.3                       |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Other productive infrastructure constructed/rehabilitated                                                  |          |          |            |                      |                          |                            | Progress Reports                 | annual    |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Plastic tunnels                                                                                            |          |          | 100        | 75                   | 100                      | 100                        |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Groups managing productive infrastructure formed/strengthened                                              |          |          |            |                      |                          |                            | Progress Reports                 | annual    |                |                                                                                                                                                                                                                            |
|                                                                                                                                       | Groups SMT                                                                                                 |          |          | 107        | 0                    | 74                       | 69.2                       |                                  |           |                |                                                                                                                                                                                                                            |
|                                                                                                                                       |                                                                                                            |          |          |            |                      |                          |                            |                                  |           |                |                                                                                                                                                                                                                            |

| Results Hierarchy                                                                                                                                            | Indicators                                                                   |          |          |            |                      |                          |                            | Means of Verification                                               |           |                | Assumptions                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------|----------|------------|----------------------|--------------------------|----------------------------|---------------------------------------------------------------------|-----------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                              | Name                                                                         | Baseline | Mid-Term | End Target | Annual Result (2019) | Cumulative Result (2019) | Cumulative Result % (2019) | Source                                                              | Frequency | Responsibility |                                                                                                                                                   |
| <b>Outcome</b><br>Outcome 2:<br>Sustained and community driven development approach established that is pro- poor and youth/gender- and nutrition- sensitive | Vulnerable and women-headed target households provided with land titles      |          |          |            |                      |                          |                            | Programme activity records and PO records.                          |           |                | Youth have preference for working in village if economic opportunities are same or better than in towns and cities offering low-skill employment. |
|                                                                                                                                                              | vulnerable and women-headed hh                                               |          |          | 100        |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Funds recovered against estimated cost recovery for irrigation development   |          |          |            |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Percentage of funds recovered                                                |          |          | 50         |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
| <b>Output</b><br>Outputs 2                                                                                                                                   | 2.1.2 Persons trained in income-generating activities or business management |          |          |            |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Females                                                                      |          |          | 650        | 2 686                | 3 805                    | 585.4                      |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Males                                                                        |          |          | 900        | 1 770                | 3 100                    | 344.4                      |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Young                                                                        |          |          |            | 337                  | 596                      |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Not Young                                                                    |          |          |            |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | 1.1.8 Households provided with targeted support to improve their nutrition   |          |          |            |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Households                                                                   |          |          | 50 000     |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Village/community plans formulated                                           |          |          |            |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Plan                                                                         |          |          | 50         | 6                    | 24                       | 48                         |                                                                     |           |                |                                                                                                                                                   |
| <b>Outcome</b><br>Outcome 3: Agri-business actors invest in local processing and value addition to improve marketing of local food products                  | Contracts signed between POs and private sector buyers                       |          |          |            |                      |                          |                            | Investment funds applications plus private investor balance sheets. |           |                | Sufficient quantity, quality and seedling reliability of agricultural products available to sustain PPPP.                                         |
|                                                                                                                                                              | Number of contracts                                                          |          |          | 100        | 30                   | 37                       | 37                         |                                                                     |           |                |                                                                                                                                                   |
| <b>Output</b><br>Outputs 3                                                                                                                                   | 2.1.1 Rural enterprises accessing business development services              |          |          |            |                      |                          |                            |                                                                     |           |                |                                                                                                                                                   |
|                                                                                                                                                              | Rural enterprises                                                            |          |          | 220        | 32                   | 45                       | 20.5                       |                                                                     |           |                |                                                                                                                                                   |

| Results Hierarchy                                                                                     | Indicators                                                                            |          |          |            |                      |                          |                            | Means of Verification                                        |           |                | Assumptions                                                                                                     |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------|----------|------------|----------------------|--------------------------|----------------------------|--------------------------------------------------------------|-----------|----------------|-----------------------------------------------------------------------------------------------------------------|
|                                                                                                       | Name                                                                                  | Baseline | Mid-Term | End Target | Annual Result (2019) | Cumulative Result (2019) | Cumulative Result % (2019) | Source                                                       | Frequency | Responsibility |                                                                                                                 |
|                                                                                                       |                                                                                       |          |          |            |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Size of enterprises                                                                   |          |          | 60 000     |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Women in leadership position                                                          |          |          | 30         | 3                    | 3                        | 10                         |                                                              |           |                |                                                                                                                 |
|                                                                                                       | 2.1.6 Market, processing or storage facilities constructed or rehabilitated           |          |          |            |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Processing facilities constructed/rehabilitated                                       |          |          | 100        |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Storage facilities constructed/rehabilitated                                          |          |          | 7          |                      |                          |                            |                                                              |           |                |                                                                                                                 |
| <b>Outcome</b><br>Outcome 4:<br>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     | 6 887                | 10 452                   | 20.9                       |                                                              |           |                |                                                                                                                 |
| <b>Output</b><br>Outputs 4                                                                            | Staff of service providers trained                                                    |          |          |            |                      |                          |                            | RIMS                                                         |           |                |                                                                                                                 |
|                                                                                                       | Males                                                                                 |          |          | 213        |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Females                                                                               |          |          | 212        |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Government Officials and staff trained                                                |          |          |            |                      |                          |                            | RIMS                                                         |           |                |                                                                                                                 |
|                                                                                                       | Males                                                                                 |          |          | 426        |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       | Females                                                                               |          |          |            |                      |                          |                            |                                                              |           |                |                                                                                                                 |
|                                                                                                       |                                                                                       |          |          |            |                      |                          |                            |                                                              |           |                |                                                                                                                 |



| Results Hierarchy                                                                                                                                                               | Indicators                                                              |          |          |            |                      |                          |                            | Means of Verification                                                |           |                | Assumptions                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------|----------|------------|----------------------|--------------------------|----------------------------|----------------------------------------------------------------------|-----------|----------------|-------------------------------------------------------------------------------------|
|                                                                                                                                                                                 | Name                                                                    | Baseline | Mid-Term | End Target | Annual Result (2019) | Cumulative Result (2019) | Cumulative Result % (2019) | Source                                                               | Frequency | Responsibility |                                                                                     |
| <b>Outcome</b><br>Outcome 5:<br>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     |                      |                          |                            |                                                                      |           |                |                                                                                     |
|                                                                                                                                                                                 | Provincial water policy and roads O&M policy formulated and implemented |          |          |            |                      |                          |                            |                                                                      |           |                |                                                                                     |
|                                                                                                                                                                                 | Policy formulated and implemented                                       |          |          |            |                      |                          |                            |                                                                      |           |                |                                                                                     |

## **Pakistan**

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

#### **Mid-term Review**

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

Mission Dates: 14-29 October 2019  
Document Date 20/12/2019  
Project No. 2000000836  
Report No. 5223-PK

Asia and the Pacific Division  
Programme Management Department

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

**Table 1A: Financial performance by financier as at 30<sup>th</sup> of September 2019**

| Financier     | Appraisal<br>(USD '000) | Actuals<br>(USD '000) | Balance       | Percent<br>Actual |
|---------------|-------------------------|-----------------------|---------------|-------------------|
| IFAD loan     | 67 000                  | 22 189                | 44 810        | 33%               |
| Co-financier  | 22 980                  | 0                     | 22 980        | 0%                |
| Government    | 23 630                  | 4 271                 | 19 358        | 18%               |
| Beneficiaries | 6 540                   | 2 974                 | 3 565         | 45%               |
| <b>Total</b>  | <b>120 150</b>          | <b>29 436</b>         | <b>90 713</b> | <b>25%</b>        |

Gilgit Baltistan – Pakistan  
Economic Transformation Initiative Gilgit Baltistan (ETIGB)

**Table 1B: Financial performance by financier by component (USD ‘000) as at 30<sup>th</sup> of September 2019**

| Component                   | IFAD loan     |               |            | Co-financier  |          |           | Government    |              |            | Beneficiary  |              |            | Total          |               |            |
|-----------------------------|---------------|---------------|------------|---------------|----------|-----------|---------------|--------------|------------|--------------|--------------|------------|----------------|---------------|------------|
|                             | Appraisal     | Actual        | %          | Appraisal     | Actual   | %         | Appraisal     | Actual       | %          | Appraisal    | Actual       | %          | Appraisal      | Actual        | %          |
| 1-Productive Infrastructure | 36 950        | 12 915        | 35%        | 14 000        | 0        | 0%        | 15 550        | 1 554        | 10%        | 6 540        | 2 967        | 45%        | 73 040         | 17 437        | 24%        |
| 2-Value Chain Development   | 24 870        | 6 381         | 26%        | 7 040         | 0        | 0%        | 4 970         | 1 315        | 26%        | 0            | 7            | 0%         | 36 880         | 7 705         | 21%        |
| 3-Programme Management      | 5 180         | 2 892         | 56%        | 1 940         | 0        | 0%        | 3 110         | 1 401        | 45%        | 0            | 0            | 0%         | 10 230         | 4 294         | 42%        |
| <b>Total</b>                | <b>67 000</b> | <b>22 189</b> | <b>33%</b> | <b>22 980</b> | <b>0</b> | <b>0%</b> | <b>23 630</b> | <b>4 271</b> | <b>18%</b> | <b>6 540</b> | <b>2 974</b> | <b>45%</b> | <b>120 150</b> | <b>29 436</b> | <b>25%</b> |

**Table 1C: Financial performance by financier by category (USD ‘000) as at 30<sup>th</sup> of September 2019**

| Category                   | IFAD loan     |               |            | Co-financier  |          |           | Government    |              |            | Beneficiary  |              |            | Total          |               |            |
|----------------------------|---------------|---------------|------------|---------------|----------|-----------|---------------|--------------|------------|--------------|--------------|------------|----------------|---------------|------------|
|                            | Appraisal     | Actual        | %          | Appraisal     | Actual   | %         | Appraisal     | Actual       | %          | Appraisal    | Actual       | %          | Appraisal      | Actual        | %          |
| 1-Civil Works              | 31 533        | 12 412        | 39%        | 13 290        | 0        | 0%        | 14 260        | 994          | 7%         | 6 450        | 2 974        | 45%        | 65 623         | 16 381        | 25%        |
| 2-Equipment & Material     | 1 252         | 676           | 54%        | 230           | 0        | 0%        | 540           | 500          | 93%        | 0            | 0            |            | 2 022          | 1 177         | 58%        |
| 3-Grants & subsidies       | 14 655        | 3 383         | 23%        | 3 820         | 0        | 0%        | 0             | 0            | 0%         | 0            | 0            |            | 18 475         | 3 383         | 18%        |
| 4-Training & Consultancies | 4 333         | 2 109         | 49%        | 1 820         | 0        | 0%        | 2 810         | 1 176        | 42%        | 0            | 0            |            | 8 963          | 3 286         | 37%        |
| 5-Salaries & Allowance     | 5 865         | 2 217         | 38%        | 2 430         | 0        | 0%        | 3 830         | 1 274        | 33%        | 0            | 0            |            | 12 125         | 3 491         | 29%        |
| 6-Operating Cost           | 3 353         | 1 391         | 41%        | 1 390         | 0        | 0%        | 2 190         | 324          | 15%        | 0            | 0            |            | 6 933          | 1 715         | 25%        |
| Unallocated                | 6 006         | 0             | 0          |               |          |           |               |              |            |              |              |            | 6 006          | 0             | 0          |
| <b>Total</b>               | <b>67 000</b> | <b>22 189</b> | <b>33%</b> | <b>22 980</b> | <b>0</b> | <b>0%</b> | <b>23 630</b> | <b>4 271</b> | <b>18%</b> | <b>6 450</b> | <b>2 974</b> | <b>45%</b> | <b>120 150</b> | <b>29 436</b> | <b>25%</b> |

Gilgit Baltistan – Pakistan  
Economic Transformation Initiative Gilgit Baltistan (ETIGB)

**Table 1D: IFAD loan disbursements (SDR '000), as at 30<sup>th</sup> of September 2019**

| Category | Category description     | Original Allocation | Revised Allocation | Disbursement  | Balance       | Per cent disbursed | W/A pending  |
|----------|--------------------------|---------------------|--------------------|---------------|---------------|--------------------|--------------|
| I        | Civil Works              | 22 850              | 22 850             | 8 337         | 14 512        | 36.49%             |              |
| II       | Equipment & Material     | 400                 | 907                | 487           | 419           | 53.75%             |              |
| III      | Grants & subsidies       | 10 620              | 10 620             | 1 956         | 8 663         | 18.42%             |              |
| IV       | Training & Consultancies | 3 140               | 3 140              | 1 480         | 1 659         | 47.14%             |              |
| V        | Salaries & Allowance     | 4 250               | 4 250              | 1 547         | 2 702         | 36.42%             |              |
| VI       | Operating Cost           | 2 430               | 2 430              | 979           | 1 450         | 40.31%             |              |
|          | Unallocated              | 4 860               | 4 352              | 0             | 4 352         | 0%                 |              |
|          | Initial deposit          |                     |                    | 3 582         | (3 582)       |                    |              |
|          | <b>Total</b>             | <b>48 550</b>       | <b>48 550</b>      | <b>18 371</b> | <b>30 178</b> | <b>37.84%</b>      | <b>1.560</b> |

## **Pakistan**

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

#### **Mid-term Review**

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

Mission Dates: 14-29 October 2019  
Document Date 20/12/2019  
Project No. 2000000836  
Report No. 5223-PK

Asia and the Pacific Division  
Programme Management Department

## Appendix 2: Physical progress measured against AWP&B 2018-19

| Component/Outcome                                                 |                                                                       |                 | Period: 01-07-2018 to 30-09-2019 |        |      | Cumulative Actual | Appraisal Target | %                |
|-------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------|----------------------------------|--------|------|-------------------|------------------|------------------|
| Sub-component or Output                                           | Indicator                                                             | Unit            | AWP&B                            | Actual | %    |                   |                  |                  |
| Component 1 – Economic Infrastructure for Value Chain Development |                                                                       |                 |                                  |        |      |                   |                  |                  |
| 1.1 Irrigation and Land Development                               | Farmland under water-related infrastructure constructed/rehabilitated | Acres           | 16,704                           | 10,283 | 62%  | 10,283            | 50,000           | 21% <sup>1</sup> |
|                                                                   | Water channels/irrigation schemes constructed/rehabilitated           | km              | 169                              | 85     | 50%  | 192               | 400              | 48% <sup>2</sup> |
|                                                                   | Youth Construction Teams-Trainings                                    | Group           | 24                               | 15     | 63%  | 28                | 40               | 70%              |
|                                                                   | Lift Irrigation Pilots                                                | No.             | 5                                | 4      | 80%  | 5                 | 7                | 71%              |
| 1.2 - Farm to Market Roads                                        | Roads constructed, rehabilitated or upgraded                          | km              | 136                              | 126    | 93%  | 153               | 400              | 38%              |
|                                                                   | Construction of bridges                                               | m               | 129                              | 178    | 138% | 178               | 220              | 81% <sup>3</sup> |
| Component 2 – Value Chain Support Fund and Technical Assistance   |                                                                       |                 |                                  |        |      |                   |                  |                  |
| 2.1 Value Chain Funds – Grant and Subsidies                       | On Farm Grants-Seed Potato                                            | FO              | 32                               | 47     | 147% |                   |                  |                  |
|                                                                   | On Farm Apricot                                                       | FO              | 133                              | 527    | 396% |                   |                  |                  |
|                                                                   | On Farm Dairy                                                         | FO              | 5                                | 16     | 320% |                   |                  |                  |
|                                                                   | On Farm Off Season Vegetables                                         | FO              | 40                               | 67     | 168% |                   |                  |                  |
|                                                                   | On-Farm Grants Total                                                  | No.             | 210                              | 657    | 313% | 800               | 2950             | 27%              |
|                                                                   | Off Farm Grants- Seed Potato                                          | FO              | 29                               | 35     | 121% |                   |                  |                  |
|                                                                   | Off Farm Grants- Apricot                                              | Cluster         | 21                               | 12     | 57%  |                   |                  |                  |
|                                                                   | Off Farm Grants Dairy                                                 | MCC             | 3                                | 1      | 33%  |                   |                  |                  |
|                                                                   | Off Farm Grants Dairy                                                 | Processing Unit | 0                                | 0      | 0%   |                   |                  |                  |
|                                                                   | Off Farm Grants Total                                                 | No.             | 50                               | 48     | 96%  | 135               | 500              | 27%              |
| 2.1 Value Chain Funds – Trainings                                 | Non-Farm Grants-Dairy, Dry fruits, apiculture                         | Grants          | 12                               | 9      | 96%  | 9                 | 45               | 20%              |
|                                                                   | Training of VC staff & VC stakeholders                                | Persons         |                                  | 40     | 378  | 945%              |                  |                  |
|                                                                   | Training of Community Master Trainers                                 | Persons         | 185                              | 15     | 8%   | 319               | 425              | 75%              |
|                                                                   | Training of Farmers in Value Chain                                    | Persons         | 1040                             | 8386   | 806% | 9136              | 35000            | 26%              |
|                                                                   | Exposure visit for farmers/promoters                                  | Persons         | 0                                | 0      | -    | 26                | 40               | 65%              |

<sup>1</sup> Actual cultivation started. Total land under implementation is 35,042 acres (70%) and additional 3035 acres in designing phase.

<sup>2</sup> 192 km completed, while 167km under implementation, for total of 360km (90%) of program target.

<sup>3</sup> 178m of bridges have been initiated and targeted for completion by March 2020.

|                                                                       |                                                                    |         |     |     |      |      |     |      |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|---------|-----|-----|------|------|-----|------|
| 2.2 Social Mobilization (Farmers Organization & Institution Building) | Rural producers' organizations supported (Village Producer Groups) | No.     | 54  | 12  | 22%  | 59   | 220 | 27%  |
| 2.3 Agriculture Extension                                             | Installation of plastic tunnels                                    | No.     | 0   | 0   | -    | 25   | 25  | 100% |
| 2.3 Agriculture Extension - Trainings                                 | Training of trainers                                               | Persons | 29  | 30  | 22%  | 50   | 18  | 278% |
|                                                                       | Production and post-harvest training (males)                       | Persons | 450 | 557 | 124% | 725  | 900 | 81%  |
|                                                                       | Production and post harvest training (female)                      | Persons | 400 | 798 | 200% | 1108 | 650 | 170% |
|                                                                       | Farmers field days (male)                                          | l/s     | 23  | 39  | 170% | 47   | 40  | 118% |
|                                                                       | Famers field days (female)                                         | l/s     | 25  | 28  | 112% | 35   | 40  | 88%  |
|                                                                       | Soil survey analysis                                               | p/d     | 100 | 40  | 40%  | 200  | 400 | 50%  |
|                                                                       | Technical training for Agri.staff                                  | p/d     | 30  | 64  | 213% | 264  | 60  | 118% |
|                                                                       | Exposure visit of Agri Staff (local)                               | persons | 20  | 23  | 115% | 36   | 40  | 90%  |
| 2.4 Agriculture Research                                              | Installation of Green Houses                                       | No.     | 2   | 2   | 100% | 4    | 4   | 100% |
|                                                                       | Aphid proof screen houses                                          | No.     | 0   | 0   | -    | 7    | 7   | 100% |
|                                                                       | Installation of 50MT seed stores                                   | No.     | 0   | 1   | -    | 7    | 7   | 100% |



## **Pakistan**

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

#### **Mid-term Review**

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

Mission Dates: 14-29 October 2019  
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Project No. 2000000836  
Report No. 5223-PK

Asia and the Pacific Division  
Programme Management Department

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

| Section                                  | Covenant                                                                                                                  | Target/Action Due Date                | Compliance Status/Date | Remarks                                                                                                                                                                                                                                                   |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Section B.6</b><br><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     | On-going               | Yes – Ongoing but with less allocation due to tax status in GB                                                                                                                                                                                            |
| <b>Section E.1 (i)</b>                   | Appointment of Program Coordinator and Finance Manager                                                                    | Condition precedent to withdrawal     | Done                   |                                                                                                                                                                                                                                                           |
| <b>Section E.1 (ii)</b>                  | No objection from IFAD on the draft Program Implementation Manual                                                         | Condition precedent to withdrawal     | Done                   | IFAD NOC on 20 Dec 2018 after incorporation of Anta's comment                                                                                                                                                                                             |
| <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                   | Procurement, installation and operationalization of accounting software has been completed.                                                                                                                                                               |
| <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                   | October 2019                                                                                                                                                                                                                                              |
| <b>GC-Section 7.01 (b) (ii)</b>          | Submission of AWPB to IFAD for its review and comments                                                                    | 30 April each year                    | Done with delay        | <ul style="list-style-type: none"> <li>• 2015-16: No AWPB (activities started in May 16).</li> <li>• 2016-17: AWPB submitted in September 2016</li> <li>• 2017-18: AWPB submitted in July 2018</li> <li>• 2018-19: AWPB submitted in June 2019</li> </ul> |
| <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     | Partially complied     | See Procurement section of supervision report                                                                                                                                                                                                             |
| <b>GC-Section 7.08 (a)</b>               | Insurance of program assets in accordance with sound commercial practice                                                  | Throughout program implementation     | Partially done         | Insurance of Vehicles done. Insurance of other assets not done.                                                                                                                                                                                           |

| Section                     | Covenant                                                                                                                   | Target/Action Due Date                 | Compliance Status/Date     | Remarks                                                                                                                       |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>GC-Section 7.11</b>      | Health & accident insurance for project staff                                                                              | Throughout program implementation      | Done                       |                                                                                                                               |
| <b>GC-Section 8.03 (a)</b>  | Submission of progress reports to IFAD                                                                                     | Quarterly                              | Not Complied               | Not submitted.                                                                                                                |
| <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                   | Done                       | Submitted on 22 October 2019 for FY 2018/2019                                                                                 |
| <b>GC-Section 9.03</b>      | Submission to IFAD of audit report and reply to management letter                                                          | 31 December each year                  | Done with delay            | For FY 2016/17 submitted on 14 Jan 2018<br>For FY 2017/18 submitted on 21 Jan 2019                                            |
| <b>GC-Section 11.01 (c)</b> | Taxes not to be paid from IFAD financing                                                                                   | Through out the program implementation | Taxes not applicable in GB |                                                                                                                               |
| <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. | Through out the program implementation | Complied                   |                                                                                                                               |
| <b>LTB - B - 11</b>         | Statement of Expenditure Threshold USD 50,000                                                                              | Through out 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.                              | Through out the program implementation | Partially Complied         | Contract Register updated in the Accounting Software and Contract Register sent to the CPM a couple of times but not monthly. |
| <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     | Not Complied               |                                                                                                                               |
| <b>LTB - G - 31</b>         | Appointment of Independent Auditors within 120 days after the beginning of each year                                       | 30 Oct                                 | On Track                   | PCU has contacted the DG Audit and audit is scheduled in November                                                             |
| <b>LTB - G - 34</b>         | Appointment of Internal Audit Firm after No Objection by IFAD.                                                             | Immediate                              | Complied                   | Position was filled in April 2019                                                                                             |
| <b>LTB - G - 34</b>         | Submission of Internal Audit Report to IFAD                                                                                | Immediate                              | Not Complied               |                                                                                                                               |