Investing in rural people

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Mission Dates:	12 May to 19 June 2024
Document Date:	22/07/2024
Project No.	2000000836
Report No.	6929-PK

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

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

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Pakistan	Environmental and Social Category:	Substantial
Project Name:	Economic Transformation Initiative - Gilgit Baltistan	Climate Risk Classification:	Low
Project ID:	2000000836	Executing Institution:	Planning and Development Department
Project Type:	Irrigation		
CPM:	Fernanda Thomaz da Rocha	Implementing Institutions:	not available yet
Project Director:	Mr. Khadim Hussain Saleem, Secretary Agriculture, Livestock and Fisheries Department, Government of GB.		
Project Area:	Gilgit Baltistan		

Approval Date:	22/04/2015	Last audit receipt:	28/12/2023
Signing Date:	26/10/2015	Date of Last SIS Mission:	19/06/2024
Entry into Force Date:	16/09/2015	Number of SIS Missions:	24
Available for Disbursement Date:	06/04/2016	Number of extensions:	1
First Disbursement Date:	11/04/2016	Effectiveness lag:	5 months
MTR Date:	14/10/2019		
Original Completion Date:	30/09/2022		
Current Completion Date:	30/09/2025		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	$67,000,000
Domestic Financing breakdown	National Government	$23,630,000
	Beneficiaries	$6,540,000
Co-financing breakdown,	Agenzia Italiana per la Cooperazione allo Sviluppo	$22,980,000
Project total financing:		$120,150,000

Current Mission

Mission Dates:	12 May to 19 June 2024
Days in the field:	6
Mission composition:	Fernanda Thomaz Da Rocha, Mission Leader, Country Director Pakistan; Arnoud Hameleers, Mission Member/Country Director Bangladesh; Qaim Shah, Team Leader, Project Management and Policy; Sumaira, Country Programme Analyst, (Remote); Fayaz Ahmad, Value Chain Specialist; Zia Uddin, Nutrition Specialist; Abdul Hakeem Khan, SECAP and Infrastructure Specialist; Arsalan Haneef, Financial Management ; Naeem Abbas, Procurement Specialist; Abdul Hamid Khan, M&E Specialist
Field sites visited:	Skardu District: Ringchan, Sundus, Gole, Hussainabad. Ghanche District: Kharfaq, Balghar, Kharkoo, Machulu, Thagus. Diamer District: Maikal Bala, Gayal, Babusar, Darel. Gilgit District: Danyore. Hunza District: Ali Abad. Ghizar District: Danyore, Khalti, Golodas, Hasis. Nagar District: Hopper, Nagar Khas

B. Overall Assessment

Key SIS Indicator #1	∅	Rating
Likelihood of Achieving the Development Objective		4.27

Key SIS Indicator #2	∅	Rating
Assessment of the Overall Implementation Performance		4.0

Effectiveness and Developmental Focus	**4**
Effectiveness	4
Targeting and Outreach	4
Gender equality & women's participation	5
Agricultural Productivity	4
Nutrition	4
Adaptation to Climate Change	4

Project Management	**4**
Quality of Project Management	4
Knowledge Management	5
Value for Money	5
Coherence between AWPB and Implementation	3
Performance of M&E System	4
Social, Environment, and Climate Standards requirements	4

Sustainability and Scaling-up	**5**
Institutions and Policy Engagement	4
Partnership-building	4
Human and Social Capital and Empowerment	4
Quality of Project Target Group Engagement and Feedback	5
Responsiveness of Service Providers	5
Environment and Natural Resource Management	5
Exit Strategy	4
Potential for Scaling-up	5

Financial Management and Execution	**4**
Acceptable Disbursement Rate	4
Quality of Financial Management	3
Quality and Timeliness of Audit	5
Counterparts Funds	4
Compliance with Loan Covenants	3
Procurement	4

Relevance	**5**

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. The Economic Transformation Initiative - Gilgit-Baltistan (ETI-GB) is an US$ 120 million project, approved by IFAD's Executive Board in April 2015 for an amount of US$ 67 million highly concessional loan. The project is co-financed for an amount equivalent to Euro 20.5 million by the Italian Agency for Development Cooperation (AICS). It entered into force on 16 September 2015 with an initial completion date of 30 September 2022. IFAD approved, in August 2022, a three years no-cost extension of the project period for operationalization of the Italian co-financing, to allow time for realization of benefits linked to the policy reforms and consolidation of investment in community institutions. The current extended completion date is September 2025. The Project Management/GoGB requested a no-cost two years extension of the project for completion of the on-going and new activities under the Project components.

2. The development objective of the project is to increase agricultural incomes and food security for at least 100,000 rural households in Gilgit-Baltistan, as part of the overall goal to improve incomes and reduce poverty and malnutrition in the region. The project initially focused on four districts for economic infrastructure and all the districts for two value chains (potato and apricot) and small pilots in dairy and potato seed. At mid-term the scope of the project was opened to additional value chains. For the three years extension period (2022-25), the Economic Infrastructure Component was extended to all the districts of Gilgit Baltistan.

3. The Supervision Mission was carried out during 12-25 May 2024 in the field, with the main objective to assess the overall progress of the project; progress against agreed actions and recommendations of the 2023 Supervision and implementation support missions; identify key challenges for a successful exit strategy and sustainability of the project interventions and propose agreed solutions to overcome these; asses financial progress and coherence of the AWPB for the current financial and calendar year; and review and assess the quality of procurement both at PCU/RCU and community level.

4. The mission visited field activities in 8 districts and held discussions with project beneficiaries, project staff, staff of GBRSP and relevant government departments. AICS joined the Mission on 19 May 2024. A wrap-up meeting was held with the Additional Chief Secretary on 23 May 2024. A meeting with the Chief Minister was held on 24 May 2024. A debrief meeting with Ministry of Economic Affairs, Economic Affairs Division is also planned.

Key Mission Agreements and Conclusions

5. The project cumulative physical progress is on track and most of the original targets have been achieved. The project's current outreach against the original target HH of 100,000 is 104,464 (104%), including 51% women. Work of additional infrastructure activities for extension period (Sep 2022-Sep 2025) have been initiated and is expected to be completed by June 2025. Project Coordination Unit (PCU) is functioning well and most of the staff is in place. As of 30 April 2024, the project has disbursed SDR 40.55 million (83.53%)—inclusive of initial advance against the total allocation of SDR 48.55 million of IFAD Loan.

6. The pace of implementation of AWPB 2023-2024 suffered a loss of momentum since November 2023 mainly on account of change in the country's accounting system by the State Bank of Pakistan. As a result, the project was not able to access IFAD disbursement to clear payable for completed and on-going activities, the overall execution of AWPB 2023-2024 as of 30 April 2024 is at 19% (IFAD's performance at 38%).

7. The GoGB requested a no-cost two years extension of the project for completion of the on-going and new activities under the Project components.

8. The Project has laid a sound foundation in terms of outreach, provision of economic infrastructure, rural communities' access to markets and social services and value chain development. However, challenges remain for realisation of the full growth potential and objectives of the project.

    1. Progress of land development under ILD is slow and consequently the process of payback is also moving at a very slow pace.
    2. Institutional capacities of the VACs are weak which limits their growth potential and pose a risk for institutional, business and financial sustainability.

9. **Agreed Actions and Key Recommendations**

10. There is a strong need for focus on consolidation and sustainability of the existing infrastructure and institutional gains during the remaining period of the project and the requested no-cost 2-year extension period, if approved by IFAD, for the achievement of the project objectives, realising the growth potential of GB for a sustainable development.

11. The Mission supports the GoGB request for a 2 year no-cost extension, subject to IFAD approval, to allow the project to successfully pursue the consolidation phase of the project. The request should include the proposal for allocation of unallocated funds as per Mission's guidance, and any potential need for reallocation of funds among categories.

12. Following are the specific recommendations and agreements for the consolidation phase of the project.

13. **Component 1: Economic Infrastructure**

    1. No new ILD schemes will be implemented except 4 schemes which have been approved and MOUs signed. Construction of additional needs-based FMR should be considered.
    2. Focus on command area development for the completed and on-going ILD schemes. GBRSP in consultation with SMT/VACs and collaboration of concerned line departments will undertake participatory land use planning and mapping for guiding

agriculture/cultivation investments, including any additional on farm water infrastructure need. Existing agreement with GBRSP shall be amended accordingly.

14. **Component 2: Support Services for Value Chain Development**

    1. No new VACs will be established. The focus of the project/GBRSP shall be to provide support to existing VACs for institutional, managerial and technical capacity building, business and financial sustainability and recovery and operation of revolving fund.

D. Overview and Project Progress

15. The overall progress of the project is rated moderately satisfactory. Since the last Supervision Mission of 2023, most of the original PDR targets for infrastructure schemes consisting of Irrigation and Land Development (ILD), Farm to Market Roads (FMR) and bridges under the Economic Infrastructure Component have been completed and land development including distribution and titling and cultivation is in progress. However, the pace of land development is slow owing to lack of land use planning support including agriculture extension services and financial constraints of beneficiaries. Land titling of ILD command areas is progressing with support from the Board of Revenue. Currently the measurements and survey work is being carried out manually which is going to take many years beyond the project life. Under Support Services for Value Chain Development Component, at the recommendation of IFAD 2023 SV mission, an agreement with Gilgit Baltistan Rural Support Programme (GBRSP) was signed in December 2023 for provision of capacity building support to Village Agriculture Cooperatives (VAC) for business and financial viability, effective market linkages and recovery of revolving fund. Preparatory work by GBRSP for start of capacity building support for VAC is near completion. Support to VACs was provided for audits and carrying out annual general body meetings/elections of board of directors through the Cooperative Department.

16. Under the Economic Infrastructure component, the ILD interventions in addition to provision of irrigation water, resulted in increase of an average of 1.5 acre of landholding of communities members. Encouraging results were observed for increased production, quality improvement, value addition, collective marketing, and networking of cooperatives resulting in increased income of farmers. The women and youth beneficiaries constitute 30% and 27% respectively and about 300 local graduates have been provided employment in the VACs. Overall, the quality of the procured machinery, equipment and inputs is satisfactory and a number of the VACs have already started reaping benefits through the intervention as a result of the combined efforts of social mobilisation, technical assistance and extension support.

17. **Economic Infrastructure Component**

18. Progress is rated moderately satisfactory.

19. **Irrigation and Land Development (ILD):** The project has completed 77 ILD schemes against the total original target of 78 schemes. The completed schemes cover a command area of 41,551 acres (83% of the target of 50,000 acres). The progress on the remaining scheme, Shamsabad in Ghizr district has been slow due to difficult terrain and limited work season. Out of the completed 77 irrigation schemes, 13 (covering about 6,462 acres) are non-operational due to severe damages by floods and some social problems. The concerned VACs have limited capacities to afford the rehabilitation cost. The project tried to involve with Gilgit-Baltistan Disaster Management Authority (GBDMA) for rehabilitation of these schemes but they expressed their inability due to financial constraints.

20. Under the extension period (Sep 2022-Sep 2025), work on 24 new ILDs covering 14,149 acres of land is in progress and 4 approved schemes will be initiated soon. All the ILD schemes are expected to be completed by June 2025.

21. **Land Development:** The pace of works has been slow on land development under the completed ILD schemes and only 11,085 acres (27 percent,) land has been developed so far. Key reason for the slow progress are attributed to lack of support on the part of the project and concerned line departments for proper land use planning including the need for additional on-farm infrastructure, agriculture extension services and financial constraints of the beneficiaries. Keeping in view the importance and urgency of this activity, the Mission and the Project have agreed that:

    1. No new irrigation schemes will be initiated while the 24 ongoing ILDs and four approved ones (Khaya Thak Niat, Khami Kot, Jalley Bijwat and Kakash Torghon) can be initiated and completed with the other ongoing schemes by June 2025. The focus would be on land development and its cultivation in consultation with the concerned ILD VAC. The Mission has observed at least two successful models of alfalfa grass and fruit plants cultivation in the new lands and has suggested the same to the Project.
    2. PCU will expand GBRSP's involvement to support ILD VACs for land use planning/mapping and implementation of land development in the completed and newly initiated ILDs. The planning and mapping exercise will be carried out in close consultations of members of SMTs/VACs and in coordination with the concerned line departments. The planning/mapping shall include the needs for any additional on-farm infrastructure and provision of effective agriculture extension services.
    3. GBRSP and Agriculture Extension Department will submit a combined proposal to PCU with detailed approach and methodology, targets financial requirements and timelines with defined roles and responsibilities of the two entities.
    4. Agriculture Extension Department will provide technical and capacity building support in the selection of crops, fruits and other plants based on the agro-ecological zones requirements of each command area, selection of nurseries and provision of plants, cultivation methods, etc.
    5. Based on available data, PCU and GBRSP will prioritize irrigation schemes for land development by selecting the small and easily accessible ones to be implemented first. Priority shall also be given to the rehabilitated ILD schemes where a reasonably developed command area already exists.

22. **Farm to Market Roads (FMR):** The project has completed 71 FMRs with a total length of 412 km (103%) against the original target of 400 km during 2016-2022. These roads have greatly facilitated the access of rural communities to markets and social services like health and education. Two roads –Buner Daas and Dabote Kanbari-- in Diamer region have been damaged by floods and are not functional. Ten RCC bridges have also been completed which have increased access to markets and have greatly impacted the cultivation of potato in the remote valleys. All completed roads and bridges have been handed over to the Public Works Department- (PWD) for operation and maintenance. An important aspect of the FMR is the land contribution by communities.

23. Work is also in progress on additional 28 FMRs with a length of 193 km in the 10 districts. Similarly, 5 bridges are also being constructed with a total length of 154 meters.

24. In view of the rural communities needs and demand, the project will continue to construct FMR with the priority of provision of access for the command areas under ILD and within the ILDs command area where required, to facilitate farmers access to schemes, villages and markets. Considering the concentration of infrastructure investments in the original core districts, concentration of new infrastructure in some old core districts, the Mission recommends focus on new districts for additional infrastructure.

25. **Land Tilting:** The Project is transferring land titles to the concerned HHs beneficiaries of the lands developed under the ILDs. The Board of Revenue (BOR) has started manual land measurement under the land titling process in 5 ILDs covering about 4,645 acres of land in different districts and has so far completed only 1,256 acres (31%). The current method of manual measurement and its pace would take a long time to complete. To speed up the pace of land titling, the process for procuring consultancy services for digitalization of the ETI ILDs command area has been started which needs to be expedited.

26. **Water Policy and Road Master Plan and O&M Policy.** Consultancy agreements have been signed for preparing the Gilgit-Baltistan Water Policy, Roads Master Plan and O&M Policy. The assignments are expected to be completed by the first week of July 2024. The Mission identified some qualitative concerns in the work done so far and recommend a thorough review of the quality of work by PCU and concerned line departments and regular monitoring and assessment.

27. **Support Services for Value Chain Development Component**

28. **Village Agricultural Cooperatives:** The project has completed organisation and formation of 162 Village Agriculture Cooperatives (VACs) with a membership of 40,900 farmers. These include 15 VACs owned and managed by women. The project has also transitioned and registered 78 SMC formed under ILD for implementation of irrigation channels into VACs. The Cooperative Department has successfully carried out Annual General Body Meeting (AGM) for 197 VACs and Audits for 203 VACs. A new MoA has been signed between ETI-GB and the Cooperative Department in March 2024 for extending support for establishment of new VACs, conducting AGM and Audit and ensuring regulatory compliances.

29. According to an assessment of VACs carried out by the Project Coordination Unit (PCU), the project interventions have been successful in terms of productivity enhancement, access to financial services and markets, resulting in increased incomes of farmers. The project has made significant headway on the long-standing issue of recovery of VACs revolving funds with active involvement of GBRSP. GBRSP also need to provide guidance to VAC management on the productive utilisation of the revolving funds.

30. The Mission observed that most of the VACs are not able to meet their management and operational cost due to current level business activities and low user fees for provision of services to members. The Project will provide financial support for organizational development of the VACs through the employment of recent graduates, in a phased manner starting from 70% in year 1, 50% in year 2 and 30% in year 3. This transitional approach will enable the VACs to gradually build their operational capacity, become sustainable and eventually be able to meet such costs from its own revenue generation like service fees.

31. Challenges remain in terms of a clear strategy and roadmap, functioning and management of VACs including institutional capacity of VAC, recovery of revolving fund, quality and volume of produce and effective and formal market linkages particularly for markets outside the provinces.

32. The project during the remaining period shall focus on consolidation of existing VACs in terms of institutional and managerial capacity building, linkages with market and recovery and operation of revolving fund and no new VAC will be formed.

33. **Agreement with Gilgit-Baltistan Rural Support Programme for capacity Building of VACs:** At the recommendation of 2023 IFAD Supervision Mission, the project signed an agreement with Gilgit Baltistan Rural Support Programme (GBRSP) in December 2023 for institutional strengthening of VACs; mobilisation of business services; recovery and management of revolving funds; and operationalisation and management of Partial Credit Guarantee Schemes (PCGS) with partner bank. Preparatory work by GBRSP is near completion for the assigned tasks.

34. **Implementation of Partial Credit Guarantee Scheme**: In order to provide access to financial service, the Project will introduce a Partial Credit Guarantee Scheme (PCGS) in collaboration with commercial banks. EOI for prequalification of bank(s) for PCGS has been submitted to IFAD and received mission's feedback for final adjustment. Advertisement will be issued after the receipt of IFAD No Objection.

35. **4P Competitive Grants:** The draft Grants Management Manual for the proposed 20 4P and 50 VACs competitive grants reviewed by the mission lacks standardized grant award process, objective and quantifiable evaluation criteria, that may lead to subjective selection process. There is also a need to incorporate provision of guidance on crucial post grant award steps, including negotiation, award modification, monitoring, termination and conflict resolution, which are essential for effective grants management. VACs with pre-grant sales agreement with private sector would be given special priority.

36. To maximize effectiveness and success, the project in consultations with all the stakeholders will prepare proposal for viability of the competitive grant. The grants for VACs may be extended in production to improve product quality, tap niche market opportunities, pre-processing, marketing, cool chain development, packaging for agriculture produce and/or any innovative but workable ideas.

37. The VACs contribution in the matching grant will be reduced to 30:70 from the original 50:50 ratio.

38. To enhance effective service delivery to VACs, the project in coordination with all relevant departments will develop a proposal and establish formal coordination mechanism for a harmonized development process.

39. **Agriculture Research Department:** The department has made significant progress in potato seed production by partnering with a private seed company on farmer's land. Under potato seed multiplication of Basic-I and Basic-II category seed through VACs, the department has produced 27.00 MT seed of registered and IPR varieties out of which 10 MT has been issued to the farming community through Private Sector Seed Company**.** This is an encouraging development; however, in view of the technical advantage and potential of the area, the activity needs to be scaled up with the involvement of more actors from the private sector and explore potential for diversification at district/sub regional level. For this purpose, the department should develop a feasible business plan for harnessing the commercial potential of seed production in the region, which is essential for up scaling and sustaining the initiative.

40. **Agriculture Extension:** The project is closely working with the Agriculture Extension Department (GoGB) for provision of services to VACs. However, the mission observed that the linkage between the established VACs and the department is limited for provision of extension support, except for few cases where VACs have obtained services of the Government technical officers for the provision of training programmes related to fruits value addition & open field cultivation which needs to be further encouraged**.**

41. Achievements include establishment of 26 Private Fruit Nurseries; Strengthening and up gradation of existing IPM continued; training of 37 Agriculture department staff and ToTs attended by 63 participants; 15 trainings on production & post-harvesting training for 339 male and 152 female farmers and; 19 farmer field days for 404 male and 509 female farmers.

42. The recruitment process for 50 Agri. tech fellows has been completed. The training manual has been drafted and shared with ETIGB for their input. Training of Trainers (ToT) will be conducted for the newly hired agriculture graduates once the manual is finalized.

Agreed Action	***Responsibility***	***Agreed Date***
Ensure the distribution of the land title on all completed irrigation schemes Provide the necessary support to the Revenue Department for the distribution of the land title to farmers on all completed schemes.	PMU	08/2022
Expedite Payback under all ILD schemes Develop implementation schedule for the payback under all ILD schemes through the regional coordination offices in association with engagement of GBRSP.	PMU	03/2023
Achieve Target of 50 000 acre cultivated land Reassess the target of 20,000 acres under new ILD schemes in order to achieve the overall target of 50,000 acres cultivable land. Share with IFAD and Italian cooperation the list of completed and potential schemes clearly showing the 50 000 acres achievement	PMU	04/2023
Reinstatement of the recovery of revolving fund under cooperatives A schedule shall be agreed with VAC by end of March 2023 with full recovery of revolving fund by March 2024.	PMU	04/2023
Competitive grants for Cooperatives Develop a concept and evaluation criteria for competitive grant (50:50) package for USD25 000 per cooperative (5 per districts open to all 233 cooperatives) to be awarded to cooperatives demonstrating; (i) legal compliance; (ii) have satisfactory recovery; and, (iii) have innovative ideas preferably value addition/processing.	PMU	04/2023

Complete audit, annual general body meeting and elections for all cooperatives Facilitate the fulfilment of the legal obligations of audit, annual general body meetings and elections of cooperatives for all 233 cooperatives, through Department of Cooperatives.	PMU/DoC	06/2023
Complete feasibility on reclamation of land from river Undertake 3 feasibility studies – one in each region where potential exist for reclamation of land from river clearly identifying the need for technical assistance under Italian Cooperation for its implementation.	PMU	09/2023
Competitive grants for Cooperatives 2 Initiate a Partial Credit Guarantee (PCG) scheme for an amount of US$2 million, concept to be finalised by Feb 2023 to enable extending credit to cooperatives by Sep 2023 in collaboration with GBRSP.	PMU	09/2023
priority: revise PC-1 Revise the Government owned design document (PC-1) and get administrative approval for 3 years extension and to reflect necessary amendments.	PMU	09/2023
priority: compliance Guideline to be developed and adopted for ensuring compliance with social inclusion, gender and nutrition requirements, as per the design report.	PMU	09/2023
priority: partial credit guarantee fund A partial credit guarantee fund should be established that facilitate access to finance for cooperatives and agribusinesses.	PMU	12/2023
No new ILD During the remaining period only the 4 approved ILDs will be initiated.	PCU/WMD	06/2024
Focus on Command Area Development GBRSP in consultation with SMT/VAC member and the department of Agriculture Extension, submit a proposal for land use planning/mapping and implementation	GBRSP/Agriculture Extension Department	06/2024
GBRSP to develop strategy paper for institutional strengthening of VACs Develop step by step process for organizational development of VACs, updating of their business plans and action plan for recovery of revolving fund with clear timeline.	GBRSP	06/2024
Complete consultancy firm hiring for land measurement and titling	BoR/PCU	08/2024
Develop business plan for potato seed production The Agriculture Research Department should develop business plan to utilize revolving fund allocated in PC-1, to scaling up potato seed production to the commercial level..	Agriculture Research Department/PCU	08/2024
Completion of ILD All ILDs shall be completed by June 2025	PCU/WMD/SMT	06/2025
Priority: environmental assessments Ensure all infrastructure schemes comply with IFAD's obligations regarding environmental assessments, as applicable.	PMU	

Additional FMR Based on the needs and demand of communities additional FMR could be considered. In view of concentration of infrastructure in core districts, focus of additional infrastructure shall be in the new districts - immediate and on a continuous basis	PCU/PWD Department	
Provision of Management and Operations Support tot VACs Provide financial support for organizational development of the VACs through the employment of recent graduates, in a phased manner starting from 70% in year 1, 50% in year 2 and 30% in year 3. immediate	PCU	
Revised Share of Competitive Grant VACs contribution in the matching grant will be reduced to 30:70 from the original 50:50 ratio; immediate	PCU	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness	Rating: 4	Previous rating: 4

Justification of rating

43. Moderately satisfactory. The project has achieved almost all the physical targets under both components. The participatory approach for planning and implementation of project interventions has resulted in ownership, cost efficiency and effectiveness. The project interventions are effective in terms of generating additional income as a result of availability of increased agriculture land, enhanced production and productivity and diversification into high value crops. The government institutions are fully on board and have strengthened their respective service delivery and capacity building activities particularly by agriculture research, agriculture extension and legal compliances of the cooperatives through audits and annual general meetings by Department of Cooperatives. Policy work on water; roads master plan and roads O&M is in progress.

Log-Frame Analysis & Main Issues of Effectiveness

44. Progress of achievements against the targets is reported at the outputs level. These outputs are translated into the projects outcomes that have shown encouraging results. Except from a couple of indicators e.g., Revolving funds and / pay back “Funds recovered against estimated cost recovery” for irrigation development and Land titling, the rest of the indicators have crossed 100% achievements. Furthermore, the logframe reports data on Nutrition but a plan/strategy that accounts for targeted nutrition intervention was missing and has been prepared following recommendation of previous mission. The data related to a number of indicators including nutrition requires a validity check. The project has conducted an internal outcome assessment survey for all the interventions, however, it lacks rigorous statistical methods. The situation warrants that an independent and statistically valid outcomes evaluation is carried out which shall include IFAD COI survey.

45. Since the project is in the last year of its life, unless otherwise extended, a thorough Data quality assessment of the available data, and an end-line survey following COI survey guidelines shall be conducted during the remaining life of the project (see agreed action under M&E section below).

Development Focus

Targeting and Outreach	Rating: 4	Previous rating: 4

Justification of rating

46. Moderately satisfactory. The project scope under the Economic Infrastructure and Support for Value Chain Development components covers all the 10 districts. The project's current outreach against the target HH of 100,000 is 104,464 (104%), including 51% women. This includes 40,288 HH through economic infrastructure development and 64,176 HH benefited from 4P based value chain development, support services and capacity building activities.

Main issues

47. The project has a well-structured Social Inclusion, Gender and Poverty Targeting Strategy. Women participation and empowerment is ensured through equitable share for women headed HH in the newly developed irrigated lands and participation of women in the Village Agriculture Cooperatives. About 28% women & 30% youth are engaged in value chain activities.

48. Poverty targeting needs to be strengthened under the value chain component to ensure equitable benefit of the project investments. In view of maintaining the current level of membership of VACs, the poor household/small non-member farmers could be supported through provision of technical and capacity building services by agriculture research and extension departments.

Agreed Action	*Responsibility*	*Agreed Date*
Ensure inclusion of more poor households in the VACs (ILD+VC) Develop proposal for inclusion of more poor households in the VACs – Project shall pay membership fee on behalf of poor falling in the BISP PSC 0-26.	PMU	09/2023

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

Justification of rating

49. Satisfactory. The project has a well-structured Social Inclusion and Gender Strategy and related Gender Action Plan, operationalised through a gender checklist for implementation. The planning cycle is ensuring and reinforcing gender mainstreaming at each step and during implementation. The project delivers on IFAD Policy on Gender Equality and Women's Empowerment and GEWE objectives. GEWE objectives have been achieved through social mobilisation, prioritising women headed households under ILD schemes, economic empowerment of women under value chain actions, and equal opportunities of leadership being offered to women in VACs. The provision of ownership of land under ILD schemes have resulted in increased economic and social empowerment. Under the VACs, around 28% women are shareholders of VACs, 15 VACs are entirely women managed, and women in leadership role in VACs is around 14%. The project has directly benefited 11,565 women-headed households against the target of 10,000, as direct beneficiaries. Land and water rights shall be further reinforced through effective policy implementation.

Main issues

50. The project makes a significant contribution to addressing gender needs and achieving GEWE, addressing the gender policy objectives (economic empowerment, voice and decision making, equitable workloads), notwithstanding Gilgit-Baltistan’s sociocultural and religious norms which limit women to traditional roles.

51. The project follows an extensive social mobilisation approach to ensure access to women. The gender strategy of the project envisions to improve women economic empowerment, reduce their workload, and improve their participation in decision making. The project has made significant progress in enhancing economic status of women and reducing their workload. They have been integrated into value chains through participation in VACs, which have resulted in significant increase in production and economic gains, contributing substantially to their economic empowerment. There has been significant participation of women in trainings related to improved production practices. New production technologies such as vertical farming, practices that improve their planting, harvest and post-harvest efficiency, solar drying and crop process equipment have reduced the workload of women. Value chain participation and land ownership under ILD schemes have contributed to increase women’s voice and agency, particularly through economic empowerment. Participation of women in leadership role in VACs is still low.

52. Despite the project’s success in GEWE aspects, it should deepen support for women’s participation in decision making. Concerted and targeted efforts are necessary to address this gap and ensure women have a voice in decision making process under both ILD and value chain related VACs.

53. There is a need to make implementation of the secure land titling and water management policies gender responsive.

54. The project staffing structure is not gender balanced. Going forward through concerted efforts, the project should encourage engaging qualified women including hiring of consultants to improve gender gap in project management structures.

Agreed Action	*Responsibility*	*Agreed Date*
Women leadership and membership in cooperatives Develop specific actions to increase membership in cooperatives especially women participation as shareholders as well as representation in the governing bodies – the project should reach the minimum target of 30%.	PMU/GBRSP	
Achieve women staffing requirements as per the PDR The 20% and 15% women staffing at PCU and RCU shall be adhered by taking into account gender parity in recruitment of remaining vacant positions. .	PMU	

Agricultural Productivity **Rating: 4** **Previous rating: 4**

Justification of rating

55. Moderately satisfactory. The project is contributing to increased production, productivity, crop diversification and marketability of agriculture produce through economic infrastructure and support service for value chain development. A range of agricultural activities including off-season vegetable production, tunnel farming, potato seed production, nurseries establishment, and fodder

production on both the existing and newly developed land under ILD have significantly contributed to increased productivity in Gilgit-Baltistan. The completed ILD schemes cover 41,551 acres of command area, out of which 11,085 acres (27 percent) land has been developed and cultivation of various cereal and horticultural crops has been initiated.

Main issues

56. Village Agriculture Cooperatives (VACs) reported a significant increase in production and income from vertical farming and off-season vegetable production. An impact study carried out by the project reported 63% increase in production and 73% in income. Furthermore, training by Agriculture Extension helped farmers manage post-harvest losses and convert over-ripened fruits into value-added products, collectively boosting agricultural productivity and improving farmers' livelihoods in Gilgit Baltistan.

57. The mission observed that there is a need to enhance the agriculture extension support for the newly developed land under ILD and to the members of VACs to realize the growth potential of the agriculture sector which has been successfully created by the project to achieve the objective of Increased agriculture incomes and employment. The agriculture extension services are also particularly important to exploit the enormous growth potential in the development of high value crops due to the suitable ago-climatic conditions. There is also a need for scaling up of the seed potato production activity.

Agreed Action	*Responsibility*	*Agreed Date*
Conduct Comparative Studies on Agriculture Productivity and Profitability Assess the increase in agriculture production and profits of project supported beneficiaries (VACs) in vegetables (peas, cucumber, tomato, capsicum etc.) and fruits (apricot, apple etc.) compared to the traditional system.	PMU	12/2024
Monitor cultivated land in each ILD to assess productivity under the project investments Use GIS for monitoring of land development and gauging cultivation level in new developed land.	PMU	

Nutrition **Rating: 4** **Previous rating: 3**

Justification of rating

58. Moderately satisfactory. The project has significantly enhanced community access to nutritious food products by promoting the development of nutrient-rich foods from local fruits, vegetables, and cereals. By leveraging local resources, it has made healthy foods more affordable and promoted dietary diversity. Though the project was initially not designed as nutrition sensitive, it has a nutrition policy and plans to improve the overall community nutrition status. The project created practical channels for integrating nutrition-sensitive activities, such as community nutritional awareness, attitudes, and practices (KAP), capacity building for off-season food preservation, and personal hygiene promotion. Active and practical entry points for nutrition integration in ETI-GB include conducting nutrition-focused activities through 50 newly recruited agricultural graduates.

Main issues

59. ETI-GB was not designed as a nutrition-sensitive project, but during its implementation it has been agreed to include an output indicator for targeted nutrition activities. The nutrition's entry points of the project include the choice of agri commodities which contribute to nutritious diets, food preservation and processing, and changes in women empowerment. The project has prepared a Nutrition Strategy following previous mission recommendation.

60. The modules developed for the newly hired graduates include a component on nutrition, which requires enhancement and updating to cater to the specific age group of the target beneficiaries, ensuring the content is age-appropriate and effective in addressing their nutritional needs.

61. Although not originally designed for nutrition-focused initiatives, the project has successfully built capacity in the local community for processing food products. To further enhance this achievement, it is necessary to empower local women with nutritional knowledge, skills, and training to prepare and preserve locally grown fruits and vegetables for off-season consumption at the household level. The GBRSP, the project's implementing partner, plans to train master trainers (ToTs) to achieve this specific nutritional objective in the GB regions. This will increase the project's capacity to promote access to off-season nutritious foods and foster a culture of healthy eating habits within local communities.

62. The logframe reports data on Nutrition activities but there are no incremental HH over the 2021 outreach. Following the preparation of the Nutrition plan/strategy, the data requires a validity check or update.

Agreed Action	*Responsibility*	*Agreed Date*
Update Nutrition Strategy and Action Plan The project should develop nutrition strategy and action plan with appropriate nutrition sensitive interventions, and consider replacing the stunting indicator with the dietary diversity indicator.	PMU	09/2023
Nutrition indicators Replace the goal level multi-sectoral stunting indicator with the dietary diversity indicator and integrate in the project M&E plan	IFAD/PMU	09/2023
Strengthen nutrition Campaign as part of the project activities As part of the project train master trainers to roll out the Nutrition education covering project beneficiaries, including VPG and VAC following the project's nutrition training guideline		06/2024
Update Nutrition component of the module developed for newly hired graduates This component should clearly and simply convey key nutrition messages, emphasizing the following essential aspects: The vital role of nutrition in promoting and maintaining overall health and well-being; the importance of adopting healthy lifestyle choices and dietary habits; Hands-on practical sessions on nutrition gardening, a practical approach to understanding the concept of nutrition	PMU/GBRSP	06/2024
Community Capacity building Trained Master Trainers to build community capacity, in processing and preserving local produce for off-season use and nutrient-preserving cooking techniques	GBRSP/Agriculture Extension Department	08/2024
Undertake nutrition, food security and gastronomy campaigns Hire experts to develop campaign, resource kit and engage 50 graduates/master trainers to run campaigns in cooperatives, schools, colleges regarding nutrition, food security gastronomy.	PMU/GBRSP	12/2024

Adaptation to Climate Change **Rating: 4** **Previous rating: 4**

Justification of rating

63. Moderately satisfactory. The design of economic infrastructure takes into account the challenges of climate change with prior assessment during the initial surveys. Protection against flash floods, soil erosion and slides is being provided but extreme events of heavy rainfall and floods have damaged a few schemes. The new design under the Extension Phase has further strengthened climate resilience by using alternative options like open channels and pipes for conveying water to the command area. The project has introduced vertical tunnel farming in the project area to enable the farmers to control production cycles, using the same for off-season and weather-safe processing and drying of products. Farmers are better trained in collection, storing and drying of fruits and getting more incomes from improved varieties of vegetables. Adoption of alfalfa is increasing in the area which requires less water and helps in nitrogen fixation.

Main issues

64. The damaged infrastructure was expected to be rehabilitated through the GB Disaster Management Authority (GBDMA) but the same has not happened and PCU has been asked to provide the details of these schemes to IFAD by 30 June 2024 with robust design and climate proofing. It has also been observed that the operation and maintenance of piped systems is a constraint for the communities due to high replacement cost of a damaged pipe and lack of skills for rejointing. The new schemes consider protective measures against climate change effects in their planning and design. The project will ensure the sustainable supply of water to irrigation schemes by studying the hydrology of the system, especially those drawing water from glaciers due to their shrinking behaviour in some cases. Frequency of sliding is increasing in the region which requires special attention in design to be resilient and robust. The Project was expected to procure the services of a third party for design verification and supervision during construction but the same has not been complied with and the idea has been shelved now because there will be no new ILDs with immediate effect.

Agreed Action	Responsibility	Agreed Date
Rehabilitate Damaged Schemes through GBDMA MoU shall be signed for rehabilitation of the 4 damaged scheme through government funding	IFAD	09/2023
Submit Proposal for Rehabilitation of Damaged Schemes to IFAD Provide details with cost estimates to IFAD for consideration of funding	PCU	06/2024

b. Sustainability and Scaling up

Institutions and Policy Engagement **Rating: 4** **Previous rating: 4**

Justification of rating

65. Moderately satisfactory. The project design envisaged four areas of policy engagement: Land Titling, Provincial Roads Master Plan and Operation and Maintenance Policy, Provincial Water Policy, and Provincial seed and agriculture product certification. A landmark first ever Land Titling policy supported by the project has been approved and the Board of Revenue Department, based on a strategy and action plan, has started implementation of the approved policy. Work on Roads Master Plan and Water Policy is in progress and is expected to be completed mid July 2024. Collaboration with national seed certification agencies have been established and a potato variety developed by the Agriculture Research Department has been registered and certified.

Main issues

66. A good start has been made in implementation of the approved policy for land titling, and work on water policy and roads master plan and O&M Policy have been initiated. Manual land measurement and titling is in progress in 5 ILDs command area but because of the manual nature of work, the pace of wok is slow. The BoR department is in the process of engaging consulting firm for the digitalization of land records which needs to be expedited. A consulting firm for Water and Roads O&M Policies work has been engaged and work is scheduled for completion in July 2024. The Mission observed that there was some lack of understanding and clarity about both assignments and this may compromise the quality of deliverables and not fulfil its purpose and objective. The consultant's work needs to be closely supervised and assessed periodically. In absence of the required level of expertise, the PMU may need support for supervision and assessment of the deliverables.

67. The project has successfully achieved the formation of VACs. However, institutional and management challenges remain. Absence of a clear vision and roadmap, lack of clarity and capacity for business and financial planning and understanding of the purpose and operation of revolving fund need to be addressed to achieve institutional and business sustainability. GBRSP, which has been engaged for capacity building support to VACs, needs to focus on tailored solutions to meet the needs of each VACs. To ensure institutional and financial sustainability, there is a need for formal institutional arrangements and support mechanism for regulatory oversight, access to finance, and continued provision of services to the established VACs and its networks. In this regard, an agreement was reached with PCU and Planning and Development Department (P&DD) for putting in place formal coordination arrangements between the PCU, concerned line departments and GBRSP.

68. It was agreed that no new VACs will be formed by the project and the existing ones will be consolidated and strengthened for their sustainability.

Agreed Action	Responsibility	Agreed Date
Formal Institutional Arrangements for VACs and Eco-Friendly Tourism MoU/MoA shall be finalised with Department of cooperative and GBRSP. In addition, potential for collaboration with Rupani Foundation/Apex & Co investment (re eco-friendly tourism) shall be explored.	PMU	07/2023
Preparation of Road Masterplan and Water Management Policy Evaluation of EOIs shall be completed and contract awarded so that policy is ready for approval by Mar 2024	PMU	03/2024
Hiring of firm for digitalization of land records and titling	PMU/SMBR	09/2024

Partnership-building **Rating: 4** **Previous rating: 5**

Justification of rating

69. Moderately satisfactory. The project public sector partnerships include the Water Management Directorate for ILD; Public Works Department for FMR; Agriculture Extension for extension service and trainings; Agriculture Research for crop research and seed production, registration and certification; Board of Revenue for land titling; and Cooperative Department for VACs audit and

annual general body meeting. At the recommendation of IFAD Mission, GBRSP was engaged in Dec 2023 for provision of capacity building support to VACs. The partner organisations are effectively contributing to project implementation and service provision to project beneficiaries. At the beneficiary level, partnerships initially covered SMTs for irrigation and VACs for value chain activities. These institutions have been transitioned into formal cooperatives with their own legally recognized status with long-term viable business plans. There have been some delays in the engagement of banks for Partial Credit Guarantee Scheme. The process of launching the PCGS has recently been initiated.

Main issues

70. Partnership with the Agriculture Extension needs to be further strengthened in terms of provision of services to beneficiaries of irrigated land development and VACs members.

Agreed Action	***Responsibility***	***Agreed Date***
Facilitate additional financing requirement of VACs Strengthen the existing partnerships with IFAD regional grant (APFP/FO4A/ARISE) & formalise partnership with GBRSP to provide additional support for VACs.	PMU	08/2022
Improve access to finance through PCGS and finalize the engagement with GBRSP Formalize institutional arrangement with GBRSP to structure and manage the PCGS for improving access to finance for VAC members and common asset financing at VAC level in the extension period and for capacity building and institutional strengthening of VACs through training modules and system development for governance, book-keeping, marketing, financial management, business development, HR, IT and audit.	PMU	07/2023
Build capacity of VACs by institutionalizing and formalizing the engagement with AKRSP The mission recommends that a formal institutional arrangement with AKRSP is materialized for leveraging AKRSP's thematic focus on nutrition, training on digital literacy and entrepreneurship for VACs and linkage to digital spooks for adoption of e-commerce.	PMU	07/2023

Human and Social Capital and Empowerment	**Rating: 4**	**Previous rating: 4**

Justification of rating

71. Moderately satisfactory. Human and social capital development and community empowerment is central to the community driven development approach. Beneficiary communities (SMT and VACs) and households are involved and in all aspects of project planning and implementation. The Scheme Management Teams for ILD lead the scheme identification, design and costing, manage funds and procurement, engage and supervise all labour and are accountable to the community. Women headed households, landless and ultra-poor are provided equal share in the newly developed land. Youth are specifically targeted and provided with skills trainings. Establishment of legally recognized Village Agriculture Cooperatives is another step towards empowerment and social capital building.

Main issues

72. Overall, women and youth membership of VACs is 28 and 30% respectively, 15 VACs were entirely women owned, run and managed and women leadership role in VACs is around 14%. The project's ILD activities targets the poorest segments including women-headed households on priority basis which receive equitable share in the newly developed lands. The project has directly benefited 11,565 women-headed households against the target of 10,000, as beneficiaries of infrastructure/land development and under the value chain component. The targeting of women headed holds for equitable provision of land and their involvement in VACs has enhanced their status and economic empowerment.

73. 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 over 300 male youth from the villages where irrigation schemes are being constructed.

74. The Mission was pleased to observe increasing number of youth (male and female) and active participation in the crop production and management and operation of VACs. This contributes to stimulating youth's interest in agricultural production, processing and marketing.

Agreed Action	*Responsibility*	*Agreed Date*
E-commerce platform and online accounting system made functional for VACs GBRSP to develop e-commerce platform and online accounting software and roll it out – 50 VACs brought on-board within 1 year.	PMU/GBRSP	06/2024

Quality of Project Target Group Engagement and Feedback	**Rating: 5**	**Previous rating: 5**

Justification of rating

75. Satisfactory. The mission observed and confirmed a good direct and active involvement in terms of community engagement and responsiveness under both components. The community engagement was facilitated by a specialized social mobilization partner in all project areas except in Diamer region, where it was pursued through in-house staff. Communities display a large degree of ownership in all project interventions under irrigation, roads and value chain activities. Additionally, the approach followed by the project promotes inclusiveness for participation of marginalised, poor and vulnerable households including women headed households. The project's participatory approach ensures that the target groups' feedback is received throughout the project lifecycle, and that project activities are demand-driven and tailored to target groups' specific needs. The project has a functional grievance redressal mechanism in place and that is being updated as per agreement during the Mission.

Main issues

76. The Project has prepared an exit strategy. However, the strategy needs to be revised as per the key recommendations of the Mission for the proposed extension phase with particular focus on sustainability of irrigation and value chain related VACs, especially in view of the current capacity and various payback issues. Communication and beneficiary participation aspects require strengthening to ensure that each member of an infrastructure beneficiary group and a cooperative has a clear understanding of his/her rights and obligations, commitments with the project, timelines and financial aspects and their right to hold the SMT and Cooperative Management accountable.

Agreed Action	*Responsibility*	*Agreed Date*
Develop MIS with complete data of VAC memberships (both component) and provide access to cooperative, agriculture and GBRSP Complete MIS with necessary details that facilitate access to all beneficiaries.	PMU/GBRSP/Cooperative/ Agri Department	12/2023

Responsiveness of Service Providers	**Rating: 5**	**Previous rating: 5**

Justification of rating

77. Satisfactory. The project is being implemented through a range of public sector, NGOs, private sector stakeholders engaged in value chain and community implementing partners (SMT/VACs) and service providers. The partnerships have continued to evolve and to improve. This is reflected in the mostly timely and good physical progress and qualitative aspects of the project intervention. Notably, the Economic Infrastructure Component has been mainly implemented by the communities with a high degree of commitment in executing irrigation and roads schemes in some very challenging sites and extreme weather conditions. GBRSP was engaged in Dec 2023 and has almost completed preparatory activities to initiate capacity building support to VACs. After the initial delays and challenges, performance of BoR and Agriculture Research and Extension has been continuously improving.

Main issues

78. PMU has successfully forged strong, responsive and accountable partnerships with all service providers and collaboration is functioning well. The Mission observed that the project and the public and Non-Government, private and community institutions are effectively responding to the needs of project beneficiaries including the ultra and extremely poor HH and smallholder farmers as per the provisions of the Project design. GBRSP, recently engaged for capacity building support to VACs, is in the final stages of completing preparatory work. GBRSP has also agreed to undertake the ILD command area planning and mapping in collaboration with agriculture extension department as per the Mission's recommendation.

Agreed Action	*Responsibility*	*Agreed Date*
Explore partnership with development partners in GB ETI should develop result-based partnership with different development partners in GB	PMU	

Environment and Natural Resource Management	**Rating: 5**	**Previous rating: 5**

Justification of rating

79. Satisfactory. The infrastructure and agriculture development has been linked with measures to guard against natural hazards and chemicals. No borrow areas are involved while noise and air pollution is not an issue due to limited use of heavy machinery. ILDs contribute positively to environment due to increased plantation and cultivation of crops. Where necessary, pipes are used for conveying water or channels are covered with reinforced concrete slabs to avoid debris and sediment flow from landslides. The Extension Phase uses scheme selection criteria considering climate change and environmental aspects. Agriculture Department is training farmers in the use of biocontrol agents against pest. FMRs and bridges have facilitated education and health access in many areas.

Main issues

80. The Mission observed land cultivation in Dahimal ILD and a private farm in Ghizr district where farmers have successfully grown fodder (alfalfa) and fruit plants without much effort on terracing, levelling and land development which has been the traditional way of land development in GB. Alfalfa has many benefits including soil fertility and conservation; it is used as a fodder and also serves as a cash crop due to shortage of fodder in the region. While the region is best suited to cash crops like fruits and vegetables, the proposed land development and cultivation would not only contribute positively to the environment but would also improve economic condition of the people.

81. The Agriculture Department is establishing nurseries for provision of quality plants to farmers along with training of male and female farmers in in good practices. The Department has also planned to strengthen and upgrade the existing IPM labs but this has yet to materialise. Planned activities on pest and disease management have not been started and need to be completed. Exposure visits to model and successful demonstrations are a strong tool for capacity building of farmers and should be planned for the coming years. Field teams make environmental assessment of the infrastructure schemes for proposing mitigation measure during implementation. They have been advised to make these assessments as part of the database to be easily accessible to IFAD.

Agreed Action	*Responsibility*	*Agreed Date*
Ensure protection against slides during design and implementation of schemes to ensure water quality against contamination on a continuous basis	PCU	
Farmers trainings in biocontrol agents on a continuous basis	PCU/Agr. Dept	

Exit Strategy **Rating: 4** **Previous rating: 5**

Justification of rating

82. Moderately satisfactory. The Project design and approach contain elements which provide a sound exit strategy framework. The project has prepared an exit strategy which is based on institutional arrangements for the involvement of government departments and establishment of legal status of cooperatives. The economic infrastructure component is driven by a community centric model with established SMT/VACs that are mobilized for the effective operation and maintenance of the irrigation channels and the subsequent land development with the embedded pay-back mechanism. FMR upon completion are handed over to the works department for O&M. Capacity, management, and financial challenges remain for successful exit and sustainability of value chain VACs.

Main issues

83. The Project's infrastructure component follows a community driven approach with high degree of community ownership. The value chain activities involve legally established cooperatives with a business plan and institutional oversight and audit. Policy formulation and reforms under the project envisaged to provide proper institutional and resource cover to project interventions in irrigation and land development, land titling, as well as FMR maintenance etc. Land Title policy has been approved and work on land titling is in progress. Main issues for the future sustainability of project-supported institutions and investments is the promulgation and implementation of the remaining Water Policy and roads O&M.

84. To address the challenges faced for the institutional, business and financial sustainability of VACs, the Mission's key recommendation is the focus on consolidation of the VACs and no new VACs shall be formed. Some specific actions to be implemented by GBRSP include:

1. Good grounding of the members of VACs in their rights and obligations and the establishment of robust systems of transparency and accountability.
2. Access to finance through the proposed Partial Credit Guarantee Scheme would be an important element for the cooperatives' continued functioning and success.
3. Enhance the provision of technical service by line departments particularly agriculture extension for improved production, productivity and quality standards.
4. Am important factor for attracting private sector involvement from markets outside the region is the availability of sizeable volume of the produce/aggregation. For this purpose, the GBRSP approach shall explore federation of VACs at valley, district and provincial level where appropriate.
5. In view of the slow progress of land development under the ILD schemes, GBRSP, as agreed, would also provide support for land use planning and mapping, identification of additional infrastructure and agriculture extension services in collaboration

with the Agriculture Extension Department, with a focus on high value crops/fruit.

Agreed Action	*Responsibility*	*Agreed Date*
Revise Exit Strategy In consultation with project implementation partners, develop a clear revised exit strategy including a road map/timeline for seamless exit and sustainability of infrastructure O&M and irrigation and value chain related VACs.	PCU/Line Departments/GBRSP	09/2024

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

Justification of rating

85. Satisfactory. The Project has successfully demonstrated a number of innovative approaches to irrigation, roads and value chain development that have a high potential for scaling up, both within the project area and elsewhere. These include: (i) technically challenging irrigation infrastructure that can be implemented through a community driven approach, and communities have the capacity to manage large amounts of funds and complex construction activities; (ii) community driven road construction with right of way provided free by the community; (iii) equitable share of land to each household including women headed HH and landless; (iv) 4-Ps, vertical farming and privately run nurseries for marketable volumes; and (v) farmers cooperatives/VACs for value chain development. The requested non cost extension would allow the consolidation of results and lay the ground for a potential phase two of the project. ILD schemes will be scaled up through the Italian cooperation funding.

Main issues

86. The project introduced full payment of wages and material costs, instead of traditional practise of communities labour and local resources as contribution, and has not only infused capital in poor rural communities but also created wage opportunities for the local poor and youth. This has also led to willingness of the communities to pay back 50% of the development costs to community accounts for future development. Organizing farmers around value chains/VACs has resulted in aggregation and quality improvement of products and has encouraged the private sector to engage with organized groups of farmers, to some extent at the moment.

87. The Project has also demonstrated that communities are willing to provide free of cost right of way for roads if they are involved in the choice of roads and these are based on their needs and contribute to their incomes.

88. Promulgation and implementation of policies for Roads Master Plan including O&M arrangements for project funded roads and development a provincial water policy are expected to provide a predictable legal and regulatory underpinning for scaling-up.

89. The government has expressed interest in scaling up project innovations and the requested non cost extension would allow the consolidation of results and lay the ground for a potential phase two of the project. Implementation of the Italian cooperation funding has begun after delays and new ILD schemes will be submitted to them. The European Union launched new programs to strengthen youth's skills and energy in Gilgit Baltistan and there is potential for leveraging IFAD-funded work on cooperatives.

Agreed Action	*Responsibility*	*Agreed Date*
Documentation of Successful and Innovative Experiences Develop KM products on the project's experiences and disseminate through policy level meetings and workshops for possible resource allocations for replication and scaling up in GB and other similar regions of the country	PCU	03/2025

c. Project Management

Quality of Project Management	**Rating: 4**	**Previous rating: 4**

Justification of rating

90. Moderately satisfactory. Most of the key staff of Project Coordination Unit (PCU) and Regional Coordination Units (RCU) are on board. Due to the effective leadership and coordination, the project has been able to achieve almost all the physical targets with an outreach of 104% against the target of 100,000 HH, despite difficult terrain and limited work season because of harsh winters. The Project Steering Committee (PSC) has been meeting regularly for the provision of strategic guidance, oversight, progress review and approval of AWPB. The agreed actions/recommendations of previous IFAD Missions have largely been achieved. Coordination mechanisms with government line departments and GBRSP are generally working well. However, coordination with the Agriculture Research and Extension department needs to be improved for provision of services to VACs and for planning/mapping of the land development under ILD.

Main issues

91. The project after completion of private service provider for value chain development (GBRSP_ recruited additional/non-PC-1 staff for provision of continuous support to VACs for value chain development and in some other sections of PCU and RCUs. The project after the approval of PSC also established camp offices in remote areas of the region, for facilitating implementation and

monitoring of project interventions particularly ILD.

92. The mission recommended to make a realistic assessment of the requirement of additional staff and the camp offices and strength of the staff and camp offices shall be rationalised.

Agreed Action	*Responsibility*	*Agreed Date*
Rationalise additional staff requirements and camp offices	PCU	07/2024

Knowledge Management **Rating: 5** **Previous rating: 5**

Justification of rating

93. Satisfactory. The ETI-GB M&E team is closely guided by Knowledge Management/ Communication strategies. The Communication team in close collaboration with M&E team have developed several thematic knowledge products which have been posted on various platforms including but are not limited to Facebook, WhatsApp, and YouTube. These knowledge products advocate for organizational learning. As a next step and in the remaining life of the project the Knowledge Management process should be institutionalized at the PMU, regions, districts/ sub-district and local levels by organizing learning events to be participated by the farmers and other stakeholders for "learning from experiences" and sharing of ideas/ innovative practices.

Main issues

94. A Knowledge Management (KM) plan has been developed to cater for the needs of collecting, developing and storing/ posting of knowledge products generated by the M&E and Communication teams. The Communication team, under the KM strategy, and in close collaboration with the M&E team, continuously engaged in developing thematic knowledge products which include high quality videos portraying impact of the programmatic interventions. The communication team has also developed various knowledge products including but not limited to Information leaflets, Brochures (Urdu an English), standees, capturing messages from events and field missions, and storing these products on electronic devices.

95. KM activities as per the workplan are implemented regularly as evident from the available knowledge products. Various knowledge products have been posted on digital media including Facebook, WhatsApp, and YouTube and Twitter (X). These knowledge products advocate for wider organizational learning at all levels. Though, while Knowledge products are widely viewed, due to the limited internet access in the project area, there is no evidence of its availability to the project beneficiaries.

96. To overcome the issue of internet coverage and access, the Mission recommends:

1. Organizing learning events to be participated by the farmers and other stakeholders for learning from experiences and sharing of innovative ideas.
2. Communication and KM strategies, already in place, need to be revisited to align them to the most recent requirements of the project and re-evaluated to ensure their validity and timely implementation.
3. A dedicated Knowledge Management system (KMS) portal must be integrated with the project MIS for instant accessing of the projects Knowledge products.

Agreed Action	*Responsibility*	*Agreed Date*
Design and launch awareness campaign Devise knowledge products and disseminate through school/college and VAC campaigns	PMU/GBRSP	12/2023
Revise KM Strategy for the consolidation phase of the project	PCU	07/2024
Disseminate knowledge products Use social, print and electronic media to disseminate knowledge products	PMU	
Learning Events Organise learning events for VAC members and other stakeholders like private sector - on a continuous basis	PCU/GBRSP	

Value for Money **Rating: 5** **Previous rating: 5**

Justification of rating

97. Satisfactory. Multiple interventions in the form of cost-effective physical infrastructure, value chain and capacity building add significantly to assets creation (new land), access roads, increased production, enhanced productivity and increased quality of produce. The Project has added value to collection, drying and packing of fruits attracting high prices, while milk and its products have grabbed a good portion of the regional market. The community led implementation approach has proved to be efficient and rewarding under both project components. The input to output ratio is around 1:2. The implementation arrangements have not only resulted in significant savings, local capacity building especially youth but also have injected around 30% of the investment

into local economy – mainly through sourcing of local material and labour.

Main issues

98. The value for money review for the project components is given below:

99. **Irrigation and land development schemes.** A total of 11,085 acres of land have been brought under cultivation so far. Various crops have been grown including wheat, maize, potato, fodder and vegetables. Under the schemes where cultivation has started, households have realised good return on investment (1:2.5). The ETI average estimate for per kilometre construction of irrigation channel is on the average PKR. 9.50 million compared to the government PKR. 12 million. Because of community involvement in planning and implementation and strong sense of ownership, the quality of work of the project infrastructure intervention was observed to be far better. The average return per acre from cultivation has been estimated to be Rs. 30,000 per acre which has increased to Rs. 50,000 in the second cycle, which can mainly be attributed to increased fertility of land. The payback of investment is estimated to be in less than 3 years. Farmers have harvested a very good wheat crop this year while the Mission has now emphasized to focus on land development in the completed and ongoing irrigation schemes for full realization of the expected economic and social benefits.

100. **Farm to market roads.** No compensation has been received by communities for the land provided to build rural roads – a saving of Rs. 1.5 billion is estimated in this regard. The average per km cost is also noted to be less than Rs. 4 million which is significantly lower than the average cost of similar roads developed under the Government regular programme, mainly due to compensation paid for land. Due to community led implementation, a saving of up to 15 percent has been realised in the per km cost compared to design estimates. The mission noted significant social and economic benefits of the roads including (i) a reduction in transportation cost – in most cases a reduction of more than 90%; (ii) road access enabling cultivation of lands especially diversification to high value crops – more than doubling the income; (iii) reduced risks to life while crossing streams thanks to construction of bridges; (iv) tourists travel now deeper into the valleys – source of enhancing income for local communities.

101. **Value chain development.** The project investment of Rs. 1.4 billion (US$ 7 million) in the cooperatives facilitate access to investment capital to be revolved. In the first cycle it has resulted in (i) increased quality of produce and thus enhancing prices in the range of 50% - 200% depending on the products; (ii) reducing losses by more than 50%; (iii) increasing productivity by 15-20%. In the case of vertical farming, the return on investment is 25% – 50%. In 22 cooperatives reinstatement of revolving fund has started.

102. In order to maximize return on investment, farmers should be encouraged to adopt innovation and go for high value crops like fruits and vegetables that have proved to be economically rewarding and climatically acceptable. Land levelling and terracing may not be needed everywhere while cultivation of alfalfa and orchards have also proved to be easily cultivated on slopes and uneven lands.

Agreed Action	***Responsibility***	***Agreed Date***
Undertake pilots of innovative irrigation technology Support one scheme per district demonstrating innovative irrigation technology such as responsive drip irrigation, hydroponics and sprinkler for high value vegetables and fruit tree plantation	PMU	06/2023
Comparative analysis of cost of infrastructure and benefits Carryout a case study of the cost efficiencies of project infrastructure activities and its impact.	PCU/GBRSP	03/2025

Coherence between AWPB and Implementation	**Rating: 3**	**Previous rating: 4**

Justification of rating

103. Moderately unsatisfactory. The project could not maintain coherence between planned and actual activities for the AWPB 2023-2024 since November 2023 due to change in the country's accounting system. As a result, the existing account ceased to operate and the project was not able to access IFAD disbursement to clear payables for completed and on-going activities. Against the outlay of USD 13.64 million, the project spent only USD 3.45 million (25%) till 31 May 2024. Lack of understanding and clear guidelines regarding opening of new assignment account resulted in this situation which was beyond the project and the provincial government control.

AWPB Inputs and Outputs Review and Implementation Progress

104. The State Bank of Pakistan/government directed all the projects including ETI-GB in November 2023 to open a new assignment account under revised revolving account procedures. The existing project account ceased to operate. The change is part of the government's agenda to implement a Treasury Single Account (TSA) to consolidate and control cash flows of public funds. The project could not open and operationalize this account till the end of the mission. As a result, an amount of USD 3.4 million that IFAD transferred through 2 tranches until the end of December 2023 is not accessible for payments. Payables amounting to USD 0.73 million have accumulated whereas the project is using government counterpart funds to pay IFAD's share of salaries of project staff since March 2024.

105. Cumulatively, the project has completed 77 ILD schemes against the total original target of 78 schemes. The completed schemes cover a command area of 41,551 acres (83% of the target of 50,000 acres). 71 FMRs with a total length of 385 km (96%) have been constructed against the original target of 400 km during 2016-22. Under the extension period (Sep 2022-Sep 2023), work on 24 new ILDs covering 14,149 acres of land is in progress and 4 approved schemes will be initiated soon. All the ILD schemes are expected to be completed by June 2025 and work is also in progress on additional 28 FMRs with a length of 193 km in the 10 districts. Under the Support for Value Chain Development component 257 VACs (116%) were created against the target of 220. Land development for the completed ILD is lagging behind as the project has only achieved 27% (11,085 acres) of the command area.

Agreed Action	*Responsibility*	*Agreed Date*
Finalise AWP&B 2024/25 Finalise and submit for IFAD no objection AWP&B 2024/25	PCU	04/2024
Open and operationalize new project account Immediately Coordinate with the relevant government departments/State Bank of Pakistan to open and operationalize new account	Project Coordinator and Director Finance	06/2024
Clear all pending payments for work done during AWPB 2023-2024	PCU	06/2024

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

Justification of rating

106. Moderately satisfactory. The project has a strong M&E system with elaborate mechanisms laid out between the project and the partner organisations' personnel. M&E system and procedures consists of intermediate to advanced level monitoring and data collection. The data collection and validation procedures are well defined, understood and adhered to. Data is regularly collected and updated on the basis of field visits. The M&E functions can trace the progress in ongoing activities and trigger an alert in case of delay. Each beneficiary is registered in the system on the basis of his/her unique identification document (national ID card number).

M&E System Review

107. The Project has put in place a project M&E system which consists of an elaborated M&E plan, Monitoring framework, Logical framework, a communication strategy and a excel based database-management system. The M&E team at PMU and in the regions conducts periodic data collection exercises for progress reporting at the output level. Various data collection, assessments tools are available for gauging progress, monitoring processes etc. The project M&E periodic reports comprise of monthly, quarterly, as well as annual reports. These reports cover progress and performance, case studies, best practices, and recommendations. In the case of Infrastructure schemes, the reports also reflect schemes' status at various stages/ processes. These reports were found to be well prepared, but the quality needs improvement in terms of content and structure so that data and information/ content are well documented and presented.

108. The M&E activities at VAC level are limited to data collection and recording on production and sales and incomes of the produce on seasonal basis, which is though encouraging. In addition, some success stories were found during the mission visits to various VACs. Formal M&E activities were not visible at this level.

109. The core M&E team at the PMU has also undertaken an impact assessment survey (internal, not third party), in addition to a few thematic assessments e.g., assessment of nurseries. These assessments and evaluative exercises have provided better insight of the project's performance in terms of the logframe indicators, though subject to validation through an independent impact evaluation, findings of which would be statistically representative. The M&E team should expand the scope of conducting small scale thematic assessments across all activities including institutional maturity of the VACs. The lessons learned, case studies, and other assessment exercises are contributing well to developing a knowledge management hub; several videos/ pictures documented success stories with revealing impact.

110. Since the project is in the last year of its life, unless otherwise extended, an independent/third party end-line survey including COI survey guidelines shall be conducted in preparation for project completion. The independent impact evaluation and outcome-based surveys will meet the requirements of the logframe higher level (impact and outcome) indicators and shall include IFAD COI survey which are mandatory for COI indicators.

111. The PMU maintains an excel based internal Database management system (DBMS), which provides detail data against the logframe indicators, disaggregated by sex and location; however, the training data collected cross all activities need to be disaggregated by sex and age groups and need to be validated periodically through data quality assessments exercises. GBRSP, ETI's Implementing partner, has been mandated to develop a comprehensive MIS encompassing several programmatic components. The PMU M&E team must ensure that data collection, entry, analysis, and presentation protocols, at every level, have been taken care of by the GBRSP ensuing MIS.

112. The M&E team must adhere to rational quarterly field monitoring plans and back to office reports (Note for record) which must be properly documented and findings disused with the management. M&E should be viewed as an important management tool and needs to be adopted by the management for taking informed decisions.

Agreed Action	*Responsibility*	*Agreed Date*
Independent/third party end-line survey following IFAD COI survey guidelines to be procured.	PMU/M&E	12/2024
Conduct Outcomes based / small scale internal thematic assessments across the project's interventions. on a regular basis	PMU/M&E	

Social, Environment, and Climate Standards requirements	**Rating: 4**	**Previous rating: 5**

Justification of rating

113. Moderately satisfactory. ETI-GB was designed prior to the current mandatory SECAP guidelines. However, the PDR had a note on environmental and social risks. The selection criteria and design robustness of the economic infrastructure schemes has a number of built in SECAP features and safeguards. The updated selection criteria consider climate change and environmental assessment before selection of schemes for adequately addressing protection and mitigation measures against climate change, environment, water rights, land distribution, use of local labour and materials. The project involves mostly youth (men and women) in most activities while the investments have greatly contributed to improved livelihoods and reduced poverty. Resultant increased incomes are used for better nutrition, education and use of better health facilities.

SECAP Review

114. Agriculture Extension and Research Departments and On-Farm Water Management (OFWM) and Irrigation Departments are the natural national partners for collaborative implementation of the Project. Agriculture Departments are providing technical support to the VACs and individual farmers on crops selection, provision of quality seeds and plants from authentic sources and training in IPM and conducting FFS. OFWM is responsible for design and quality check of civil works and support during implementation. The Agriculture Extension Department is also imparting training to VACs on IPM, is conducting FFS and advice on various issues when required.

115. The economic infrastructure sub-component is a community led and executed activity starting from identification to planning, implementation, management and operation and maintenance of the schemes. The selection criteria of schemes is based on "no" conflicts on water rights and land distribution, land acquisition, resettlements, deforestation, protected areas and no threat to wildlife. The revised selection criteria of schemes involve initial climate change and social and environmental assessment. The VAC is responsible for all activities under the irrigation, small bridges or FMR schemes. Mostly youth is involved in construction activities that not only provides better livelihood but is also an opportunity for training.

116. The source of water is usually a stream or river that supplies water to scheme without disrupting supplies or disturbing water rights of other schemes or communities. Most schemes are drawing run of the river or stream water with no interventions in the watersheds. The channels are completed first and linked to the source at the end to minimize water pollution. Water distribution among farmers is based on customary norms and mutual agreements. Any new scheme under the Extension Phase drawing water from glaciers ensures sustainability by taking into account shrinkage of glaciers due to climate change during the design stage.

117. Mostly, the channels are small in size and do not involve huge excavations or borrow material. The design is climate and environment resilient and has taken into consideration possible measures to protect against flash floods, GLOF and seismic movements. Being in mountainous terrain, usually channels are constructed with locally available stone. Where required, channels have been covered with concrete slabs against potential sliding together with drainage facilities. Most of the areas under this project are cultivated in spring and summer when enough water is available and when they are not affected by the current hydrological variabilities and climate change, unless in case of an unusual change in rain pattern and intensity. The construction of properly designed channels with proper controls would improve water management and efficiency of water for increased productivity and income of the users.

118. FMRs and bridges are selected in consultation with the concerned communities, taking into account potential social and environmental impacts. VACs are responsible for monitoring the construction and implementation of the schemes. Bridges being relatively big projects, seismicity and hydrology of the area have been taken into consideration during the design. It has been observed that some labour and staff working at site have not been using personnel protection equipment (PPEs) during work. It is strongly recommended to use PPEs to protect against incidents.

119. The Project shall nominate a SECAP focal person in the team and update the GRM and Stakeholders Engagement Plan (SEP) as per actual situation after the extension of the project and share with IFAD for review. The project will include the information and documents related to SECAP in the database to be accessible to IFAD concerned staff while the nomination of a focal person has also been agreed upon.

Agreed Action	*Responsibility*	*Agreed Date*
GRM and SEP CPU to update and revise the GRM and SEP and share with IFAD for review	PCU	07/2024
Nominate Focal Person for SECAP Include SECAP related data and documents in Project database	PCU	07/2024
Regular use of Personal Protective Equipment (PPE) in all infrastructure related activities should be ensured and reported in the progress reports. on continuous basis	PCU	

d. Financial Management & Execution

Acceptable Disbursement Rate	**Rating: 4.0**	**Previous rating: 3**

Justification of rating

120. The project has disbursed SDR 40.55 million (83.53%)—inclusive of initial advance against the total allocation of SDR 48.55 million of IFAD Loan by 30 April 2024. The project has disbursed only SDR 2.59 million in one year since the last supervision mission of May 2023. In terms of USD, the project has spent 52.19 (77.9%) of the IFAD Loan. With an amount of USD 6.4 million committed in contractual liabilities, the potential disbursement—as on 31 May 2024 works out to be USD 58.59 (87%) of IFAD Loan. The project has 16 months to fully utilize the remaining SDR 7.9 million (USD 14.8 million) in the remaining time that is still challenging.

Main issues

121. The government directed the project in November 2023 to open a new assignment account under revised revolving account procedures. The change is part of government's agenda to implement a Treasury Single Account (TSA) to consolidate and control cash flows of public funds. The project could not open and operationalize this account till the end of the mission. As a result, an amount of USD 3.4 million that IFAD transferred through 2 tranches until the end of December 2023 is not accessible for payments. Payables amounting to USD 0.73 million have accumulated whereas the project is using government counterpart funds to pay IFAD's share of salaries of project staff since March 2024.

122. The project's overall execution of AWPB 2023-24 at 25% (IFAD's performance at 38%) is mainly due to non-availability of IFAD funds to clear payables. The project could not make use of the AICS initial advance of USD 5.72 million transferred to the project in the first quarter of early 2023 as the money became available for payments in May 2024. The reason was delay in the opening of assignment account for AICS. Implementing partners have slowed down work due to the uncertainty resulting from non-availability of funds and delays in payment.

123. The project needs to revise the scope of work under its contract with the GBRSP to avert implementation delays that could decelerate disbursement. The contract is worth PKR 127 million for services and USD 2 million for the credit guarantee scheme.

124. The issue of allocating unallocated amount between different expenditure categories—focusing especially on the rationalization of operational cost is not resolved. The proposal that the project developed in response to IFAD's recommendation did not appropriately address the question of operational costs (currently very high at 19%).

Agreed Action	*Responsibility*	*Agreed Date*
Reallocation between Categories Reallocation between Categories Prepare financial projections until the project close date and formally request IFAD for allocation of unallocated amount and reallocations between categories.	Project Coordinator & Director Finance	12/2023
AWPB Implementation AWPB Implementation Practical and achievable AWPB should be prepared. Efforts should be made to ensure achievement of AWPB physical and financial targets. In case the targets are non-achievable, AWPB should be revised.	Project Coordinator & Director Finance	12/2023
Finalize proposal for reallocation of unallocated funds Revise proposal for allocating unallocated amount between different expenditure categories focusing on the rationalization of operational costs	Project Coordinator and Director Finance	07/2024
Revise contract with GBRSP Prepare an Addenda to the Contract covering all changes—as recommended by the Mission i.e. no new ILDs, VACs etc.	Project Coordinator and Director Finance	07/2024
Revision of PC-1 PC-1 to be revised and approved by the Government based on reallocations etc.	PSC/PC	09/2024

Fiduciary aspects

Quality of Financial Management **Rating: 3** **Previous rating: 3**

Justification of rating

125. The FM function at PCU has not been reorganized as needed for the project to manage FM function effectively under revised accounting procedures. The issue of salaries of project staff remains unresolved. The position of Director Finance is not filled. The last supervision mission recommended 13 actions of which the project implemented only 4 (2 substantially, and 2 partially). No progress noted on revising the PC-1 whereas PIM is under revision. Internal controls over expenditure incurred under MOUs are weak as reflected in instances of control weaknesses reported later. VACs continue to lack capacity in business and financial management. GBRSP has developed useful material to respond to this need.

Main issues

126. **Staffing: T**he FM function at PCU has not been reorganized under revised accounting procedures. FM workload analysis at PCU and RCUs should guide this effort. Staff salaries issue remains unresolved which makes recruiting/retaining staff difficult. The recruitment of Director Finance is not finalized for salary issue. Staff orientation to the new accounting procedures is required. Excessive staffing is in place which needs rationalization as part of PCU's reorganization.

127. **Accounting and Financial Reporting:** The project's accounting software (TOMPRO) does not meet its accounting and financial reporting needs. The decision to buy an upgraded TOMPRO or a different solution remains to be made. The project needs consider needs of AICS in this matter. PIM needs revision.

128. **Budgeting:** The project has not submitted the AWPB 2024-25 till 31 May 2024 for IFAD's NO. Against the AWPB (2023-24) of USD 13.64 million, the project spent USD 3.45 million (25%) till 30th April Actual average annual expenditure against AWPBs since 2016-17 has been about 60% reflecting weakness budgeting. The IFR-based disbursement enables monitoring of expenditure against budget.

129. **Flow of Funds.** The project's new assignment account is not operational causing payables to accumulate and decelerating disbursement. Project is paying IFAD's share of salaries from government's share which reflects bad management. The transactions are properly recorded and traceable to the end-beneficiaries.

130. **Internal controls:** Review of 95 transactions (SOEs) amounting to PKR 48.59 million and other activities, indicates following gaps:

131. An expenditure of PKR 33.8 million on camp offices not provided in PC-I/approved by PSC/IFAD;

132. IFAD's share of salaries (PKR 24.04 million) paid from the Government's funds;

133. Appointing 5 key officers without IFAD's approval and 6 officers against the value chain component now outsourced to GBRSP,

hiring process for (household profiling surveys) not properly documented;

134. Payments for items not included in the procurement plan (PKR 400,500);

135. Petty Cash for expenditure exceeding the maximum limit prescribed in PIM;

136. Payment for heating equipment (PK 29,330) to WMD though the salaries include hard and cold allowance;

137. Weak monitoring of expenditure under MOUs with government departments i.e. an advance of PKR 50 million to BOR not provided in the MOU; recurrent cost being very high in case of Agriculture Extension (74%), Provincial Land Commissioner (90%) etc. Excessive spend on workshops/refreshments. An amount of PKR 687608/- was spent on Iftar Dinner;

138. Advance salaries to the lower staff and advances for POL not provided in PIM

139. **Co-Financing:** An initial advance of € 5 million (USD 5.72 million) out of €20.5 million co-financing was received in the designated account in May 2024 after significant delays. No expenditure was reported against this advance. The requirement of AGP certifying the use of 50% advance before the project can receive more funds from AICS could hurt implementation.

140. **Cooperatives:** The Cooperative Department (CD) has conducted audit of 203 out of the total 226 VACs. This included all 160 VACs that got grants against business plans and most ILD VACs. In 23 cases (ILD VACs) audit could not be conducted because the cooperatives had no office, relevant officials, or record. Capacity gaps within VACs persist. The CD continues to have inadequate budget for oversight of VACs that is required for institutionalization of these nascent entities.

141. **Internal Audit:** The position of internal auditor is vacant since January 2022. The project initiated the process in December 2023, but no suitable candidate could be found. The project has not reinitiated the recruitment.

Agreed Action	***Responsibility***	***Agreed Date***
Submit recovery plan to IFAD	PCU	07/2022
Provide training for VAC staff in proper accounting, financial reporting, procurement, etc and for Board members in managing work transparently and accountably	PCU/VCTAT	08/2022
Strengthen internal controls at VACs level Including: i. Deploy Field Finance Controllers (FFCs) with VACs to strengthen capacity and speed up processes ii. Improve procurement guidelines—incorporating basic principles of fairness and transparency; iii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs; iv. Develop simple tools/guidance for accounting and financial reporting by VACs; v. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information; vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports.	PCU/VCTAT	08/2022
Re-evaluate the organisations structure Organisation Structure: Re-evaluate the organisations structure and team requirements considering extension of the Project, AICS financing and expansion to all districts of GB.	Programme Coordinator/Director Finance	08/2023
Evaluate existing accounting software Accounting Software: Evaluate existing accounting software for modification/customization or replacement considering current issues in the software, extension of the project, AICS financing and expansion to all districts of GB.	Director Finance	09/2023
Revise/update the PIM Revision of PIM Revise/update the PIM and get it approved from IFAD and PSC.	Director Finance	09/2023

Prepare financial projections Financial Projections Detailed Financial Projections (District, Component and Category wise) need to be prepared due to extension and co-financier and discussed and agreed with the financiers.	Director Finance	09/2023
Revise PC-1 Revision of PC-1 PC-1 to be revised and approved by the Government	Steering Committee Programme Coordinator Director Finance	09/2023
Review AICS disbursement mechanism Co-Financing Disbursement mechanism of AICS funding to be reviewed and discussed/modified to ensure uninterrupted fund flow.	Director Finance	09/2023
Complete hiring on 32 vacant positions Hiring: Complete hiring on 32 vacant positions including 6 finance positions urgently	Programme Coordinator/Director Finance	10/2023
Conduct training of finance team Training of Finance Team: Conduct training of finance team on advanced excel to ensure efficient work and reporting.	Director Finance	11/2023
Strengthen controls around cooperatives financial management Payment to Cooperatives to be supported by detailed calculations, copy of record of distribution of goods to the beneficiaries and record of procurement of goods / services. Further training and handholding of the management of the Cooperatives to be provided to ensure better financial management of the Cooperatives.	Director Finance	12/2023
Reorganize FM Staffing i. Carry out a proper workload analysis and reorganize FM function to manage centralized accounting and financial reporting system; ii. In the meanwhile, post 3 Additional Finance Assistants currently based in RCUs to PCU—each will handle work of the region at PCU. RCUs may be assigned one suitably qualified Admin/Finance Assistant each from out of the HR available in project iii. Orientate the project staff—especially those based in RCUs, to the new centralized payment process to avoid delays in payments.	Project Coordinator and Director Finance	07/2024
Resolve HR staffing irregularities i. Obtain IFAD's post-facto NO for the selection of 3 RCs, 1 VC specialist, and 1 Infrastructure Specialist. ii. Review staffing redundancies arising from camp offices, hiring of 6 officers under value chain component, etc. and submit a plan to phase out the redundant staff	Project Coordinator and Director Finance	07/2024

Strengthen internal controls i. Review the MOUs with implementing and establish ceiling/upper limits for certain expenditure (refreshment, workshop, training etc.). Identify wasteful expenditure and deduct from payments to be made under these MOUs; ii. Stop the practice of paying advances (POL, Salaries etc.) iii. Avoid "co-mingling of funds of financiers iv. Obtain IFAD's NO for selection of officers (3 Regional Coordinators, 1 Value Chain Specialist, and 1 Infrastructure Specialist). Adjust the six officers hired under Value Chain component as part of the HR rationalization effort, and gradually phase out all redundant positions; v. Ensure all camp offices are closed. vi. Ensure petty cash account is used strictly as per PIM vii. Adjust against government's fund the following ineligible expenditure: Voucher NO. Transactions (ineligible amounts) Value in USD Multiple An amount of PKR 33.8 million on camp offices 225,333 OIB2300387 Payment for heating equipment (PK 29,360) to WMD at the same time that salaries include hard and cold allowance 103.52 LTS2300005 an amount of PKR 687 608/- was spent on Iftar Dinner by BOR 3,127.02	Project Coordinator and Director Finance	07/2024
Strengthen controls around payments Internal Controls Copy of attendance record needs to be attached with Payroll payment vouchers. Quotations and Invoices to specify project name. Copy of Log Books to be attached with payment vouchers evidencing need for replacement of parts.	Director Finance	

Quality and Timeliness of Audit	**Rating: 5**	**Previous rating: 4**

Justification of rating

142. The audit report is fully informative and the audit has been conducted in accordance with the requirements of the IFAD Handbook on Audit and Financial Reporting. The audit opinion is unqualified in accordance with ISSA 7000 and the audit was conducted in accordance with INTOSAI standards.

Main issues

143. 1. The audit opinion is unqualified.
2. It was possible to reconcile the FS to IFAD records and to the Q4 2023 IFR. There is an exception in the expenditure amounts - PKR 3 589 603 (~$ 12 841) variance between the IFAD expenditure per IFR and AFS. Represented by PKR 2 526 146 and PKR 1 063 457 in equipment and materials and training and consultancies categories respectively. There was also a variance of PKR 304 114 ($ 1 088) in the Government expenditure. The amounts are immaterial to the overall FS but an explanation with possible adjustment (if required) would be demanded in the actions.
4. Accounting and auditing standards are disclosed and acceptable to IFAD.
5. All the minimum prescribed reports were included with additional disclosures that aid the understanding and analysis of the FS.
6. The management letters were fully informative including management responses and the considerations of the DAC. The auditors also provided an evaluation of the management and DAC responses and preliminary conclusions.

144. The management letter should in the next period show a follow-up on the implementation of previous year recommendations. There were no significant internal control issues reported.

Agreed Action	*Responsibility*	*Agreed Date*
Address audit finding and provide DAC clearance 1. Non recovery of advance payment from Non-Responsive VAC- Rs. 5.585 million 2. Un-authorized retention of Payback amount of ILD Schemes-Rs.9.002 million 3. Non-Handing over of Completed ILD Schemes to the Village Agriculture Cooperatives Rs.101.104 million 4. Non-Conducting of Internal Audit for the Financial Year 2022-23	ETIGB Management	06/2024
Address audit finding and provide DAC clearance 1. Non recovery of advance payment from Non-Responsive VAC- Rs. 5.585 million 2. Un-authorized retention of Payback amount of ILD Schemes-Rs.9.002 million 3. Non-Handing over of Completed ILD Schemes to the Village Agriculture Cooperatives Rs.101.104 million 4. Non-Conducting of Internal Audit for the Financial Year 2022-23	ETIGB Management	06/2024

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

Justification of rating

145. The government's share under the AWPB 2023-24 was estimated at PKR 853 million against which an amount of PKR 738 million—86.4% was provided in the budget of which PKR 218 million—30% of the allocation was released. Because of slow-down in implementation due to the switch-over to the new revolving fund accounting procedures issue, only PKR 170 million—78% of the released amount was utilized. The project did not face any difficulty on account of counterpart funding as sufficient budget is available and the project was not able to use even the amount release till date.

Main issues

146. The project has used an amount of PKR 1,420 million (equivalent to US$ 9.4 million)—39.9% of the committed amount under counterpart funding. Lower actual expenditure against the counterpart funding is explained by tax-free status of GB and the devaluation of Pakistani Rupee against the USD. There is need to increase the share of government under some categories of expenditure as part of the proposal to allocate unallocated amount. Currently, the government contribution ranges between 9% to 37% of various categories of expenditure.

147. **Beneficiaries' contributions:** The program is measuring beneficiaries' contribution-both in cash and in kind. An amount equivalent to USD 19.8 million with cash contribution at USD 12,932 has been contributed by the beneficiaries. In-kind contribution comprises value of land provided for ILDs, and FMRs at government rates. Only PKR 43.81 million has been recovered against the due amount of PKR 1.22 billion.

Agreed Action	*Responsibility*	*Agreed Date*
Adjusting government's share under different categories of expenditure Review government's existing share under different categories of expenditure and rationalize it to increase its actual contribution in line with the appraised amount.	Project Coordinator and Director Finance	07/2024

Compliance with Loan Covenants **Rating: 3** **Previous rating: 4**

Justification of rating

148. Compliance with the loan covenants is rated moderately unsatisfactory. The project has complied with some covenants but has either not complied with some covenants (internal audit, response to management letter) or has complied with delays (AWPB submission, interim financial reports).

Main issues

149. Significant delay in the opening of assignment account under new procedures halted project implementation as project could not make payments against dues;

150. The project has not yet appointed Director Finance, internal auditor, and nor has not submitted previous internal auditor's reports to IFAD as required. The project has also not submitted to IFAD, replies to the observations in the management letter of the external auditor.

151. AWPB for the year 2024-25 has not been submitted to IFAD till date. The project is required to submit AWPB at least 60 days (i.e. before 30 April) before the start of the financial year on 1 July.

152. 2 of the 4 Interim Financial Reports (IFRs)—due within 30 days after the quarter period to which each pertains, were submitted with some delay. For example, the IFR for Q-4 (April-June 2023) was submitted on 25th September, and the IFR for Q-1 (July-

Sep 2023) on 24th November 2023.

153. PIM is not being kept updated. Changes required following the availability of AICS funding, hiring of the GBRSP are still to be incorporated. Similarly, the issue around the choice of accounting software (buy new version of TOMPRO, or a different software) needs resolution immediately.

Agreed Action	*Responsibility*	*Agreed Date*
Internal Auditor Reports Submission of previous internal auditor reports to IFAD along with project responses	Director Finance	08/2023
internal auditor Recruitment of internal auditor on urgent basis	Programme Coordinator	09/2023
Timely Submission of AWPB AWPB to be submitted to IFAD for NO at least 60 days before the start of the financial year	Programme Coordinator Director Finance	04/2024
Timely Submission of Interim Financial Reports (IFR) Quarterly IFRs need to be submitted within 30 days of the end of each quarter.	Director Finance	

Procurement

Procurement	**Rating: 4**	**Previous rating: 4**

Justification of rating

154. Moderately Satisfactory. The project procurements are undertaken efficiently with a view to meet all requirements of the IFAD procurement framework. However, there is a room for improvement. The OPEN and CMT are updated. Most of the agreed actions during the previous supervision mission are complete except PIM updating. The procurement staff need to be engaged in the contract monitoring in liaison with the RCUs. The procurement assistant has developed his capacity and procurement competency through attending training organized by IFAD. The procurement officer is onboard.

Procurement Review

155. **Procurement Planning:** The approved procurement plan of 2023-24 included goods, non-consulting and consulting services amounting to US$ 3.04 million. The partial credit guarantee scheme (PCGS) for US$ 2 million is being procured by GBRSP. The procurement of goods and non-consulting services completed during the year is worth US$ 0.070 million. The pending procurement of goods is worth US$ 0.050 million. The OPEN and CMT are updated. The GBRSP contract of US$ 0.450 million was procured through NOTUS.

156. **Procurement Processes:** GBRSP contract has been signed in December 2023. The big-ticket contract of PCGS is under procurement following country procurement system by GBRSP. The EOIs shortlisting report of third-party supervision firm is pending addressing of comments. 19 laptops for the new staff have been procured. The position of internal auditor would be re-advertised due to lack of qualified applicants. The country procurement framework may be referred to when contracting with local entities, record keeping, processing payments and closing of contracts, as deemed appropriate.

157. **Contract Administration and Management:** There is still no mechanism in place for formal sharing of contract implementation status by RCUs with the procurement section. The mission notes that (a) GBRSP staff need training / guidance on procurement processes to further guide the VACs, and (b) PCU needs to ensure procurement/contract monitoring of community procurements. The remaining procurement transactions are simple and the procurement officer is onboard, the procurement staff need to prepare a procurement/contract monitoring plan for monthly random procurement/contract monitoring of community procurements. The procurement staff should liaise with GBRSP procurement focal for finalization of community procurement manual.

158. **Record Retention and Monitoring:** Appropriate documentation is being maintained for procurement transactions as per the IFAD procurement handbook. The checklists are placed in the files.

Agreed Action	*Responsibility*	*Agreed Date*
Enhanced procurement capacity of VACs The existing draft manual prepared by GBRSP needs revision. Procurement staff to coordinate with GBRSP for timely finalization and translation of procurement manual and conduct training at all VACs in 10 districts.	Program Coordinator (PC) /Procurement section (PS)	08/2024
Hiring of Internal Auditor PCU must immediately re-advertise and finalize the selection of Internal Auditor.	DFA/PS	08/2024
Monthly Random Contract Monitoring Procurement staff to conduct random contract monitoring of community procurement, identify gaps and provide necessary advice/training in liaison with GBRSP.	PC/PS	08/2024
Revision of PIM Procurement officer to ensure PIM revision with a view to ensure alignment with the country procurement framework.	DFA/PO	10/2024
PCGS Contract Procurement section to work closely with GBRSP to ensure efficiency in submissions to IFAD and finalization of the contract.	PC/PS	11/2024

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	**Rating: 4.27**	**Previous rating: 4.11**

Assessment of the Overall Implementation Performance	**Rating: 4.0**	**Previous rating: 4.08**

F. Relevance

Relevance	**Rating: 5**	**Previous rating: 5**

Justification of rating

159. Satisfactory. The Project's design, approach and interventions remain highly relevant. This was confirmed by the Chief Minster of the province during a meeting with the Mission. The project is addressing the high priority of food security through provision of arable land (about 64,000 acres) under ILD in an area where irrigated land is a major constraint in this highly mountainous region. The newly developed land and highly productive upper valleys have been provided road access through construction of 578 km of farm to market roads (385 km completed) and concrete and wooden bridges. The major challenge of distance, product volumes and quality and market linkages and the agriculture potential is being addressed through 4-P interventions and establishment of formal cooperatives/VACs with production and marketing business plans.

Main issues

160. While the project approach and interventions are highly relevant to the local context and beneficiary needs, long term sustainability is being secured through a consolidation phase of the project during its reaming period (subject to IFAD approval). Sustainability is also being reinforced through land titling policy which has been approved and under implementation and the on-going policy work on water policy, roads master plan and O&M of roads. The completed 385 km roads have already been handed over to PWD Department of O&M.

161. Access to finance is a critical need for the institutional, business and financial growth and sustainability of VACs. For this purpose the partial credit guarantee pilot foreseen in the project design is being rolled out which shall facilitate access to formal finance for cooperatives, agribusinesses and smallholder farmers.

G. Lessons Learned

Farmer Organizations need appropriate legal cover and professional management to become

viable and credible business organizations

162. 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

163. Projects like ETI that pursue innovative approached 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.

H. Agreed Actions

Agreed Action	***Responsibility***	***Agreed Date***
Overview and Project Progress		
Ensure the distribution of the land title on all completed irrigation schemes Provide the necessary support to the Revenue Department for the distribution of the land title to farmers on all completed schemes.	PMU	08/2022
Expedite Payback under all ILD schemes Develop implementation schedule for the payback under all ILD schemes through the regional coordination offices in association with engagement of GBRSP.	PMU	03/2023
Achieve Target of 50 000 acre cultivated land Reassess the target of 20,000 acres under new ILD schemes in order to achieve the overall target of 50,000 acres cultivable land. Share with IFAD and Italian cooperation the list of completed and potential schemes clearly showing the 50 000 acres achievement	PMU	04/2023
Reinstatement of the recovery of revolving fund under cooperatives A schedule shall be agreed with VAC by end of March 2023 with full recovery of revolving fund by March 2024.	PMU	04/2023
Competitive grants for Cooperatives Develop a concept and evaluation criteria for competitive grant (50:50) package for USD25 000 per cooperative (5 per districts open to all 233 cooperatives) to be awarded to cooperatives demonstrating; (i) legal compliance; (ii) have satisfactory recovery; and, (iii) have innovative ideas preferably value addition/processing.	PMU	04/2023
Complete audit, annual general body meeting and elections for all cooperatives Facilitate the fulfilment of the legal obligations of audit, annual general body meetings and elections of cooperatives for all 233 cooperatives, through Department of Cooperatives.	PMU/DoC	06/2023
Complete feasibility on reclamation of land from river Undertake 3 feasibility studies – one in each region where potential exist for reclamation of land from river clearly identifying the need for technical assistance under Italian Cooperation for its implementation.	PMU	09/2023

Competitive grants for Cooperatives 2 Initiate a Partial Credit Guarantee (PCG) scheme for an amount of US$2 million, concept to be finalised by Feb 2023 to enable extending credit to cooperatives by Sep 2023 in collaboration with GBRSP.	PMU	09/2023
priority: revise PC-1 Revise the Government owned design document (PC-1) and get administrative approval for 3 years extension and to reflect necessary amendments.	PMU	09/2023
priority: compliance Guideline to be developed and adopted for ensuring compliance with social inclusion, gender and nutrition requirements, as per the design report.	PMU	09/2023
priority: partial credit guarantee fund A partial credit guarantee fund should be established that facilitate access to finance for cooperatives and agribusinesses.	PMU	12/2023
No new ILD During the remaining period only the 4 approved ILDs will be initiated.	PCU/WMD	06/2024
Focus on Command Area Development GBRSP in consultation with SMT/VAC member and the department of Agriculture Extension, submit a proposal for land use planning/mapping and implementation	GBRSP/Agriculture Extension Department	06/2024
GBRSP to develop strategy paper for institutional strengthening of VACs Develop step by step process for organizational development of VACs, updating of their business plans and action plan for recovery of revolving fund with clear timeline.	GBRSP	06/2024
Complete consultancy firm hiring for land measurement and titling	BoR/PCU	08/2024
Develop business plan for potato seed production The Agriculture Research Department should develop business plan to utilize revolving fund allocated in PC-1, to scaling up potato seed production to the commercial level..	Agriculture Research Department/PCU	08/2024
Completion of ILD All ILDs shall be completed by June 2025	PCU/WMD/SMT	06/2025
Priority: environmental assessments Ensure all infrastructure schemes comply with IFAD's obligations regarding environmental assessments, as applicable.	PMU	
Additional FMR Based on the needs and demand of communities additional FMR could be considered. In view of concentration of infrastructure in core districts, focus of additional infrastructure shall be in the new districts - immediate and on a continuous basis	PCU/PWD Department	

Provision of Management and Operations Support tot VACs Provide financial support for organizational development of the VACs through the employment of recent graduates, in a phased manner starting from 70% in year 1, 50% in year 2 and 30% in year 3. immediate	PCU	
Revised Share of Competitive Grant VACs contribution in the matching grant will be reduced to 30:70 from the original 50:50 ratio; immediate	PCU	
Development Effectiveness		
Ensure inclusion of more poor households in the VACs (ILD+VC) Develop proposal for inclusion of more poor households in the VACs – Project shall pay membership fee on behalf of poor falling in the BISP PSC 0-26.	PMU	09/2023
Update Nutrition Strategy and Action Plan The project should develop nutrition strategy and action plan with appropriate nutrition sensitive interventions, and consider replacing the stunting indicator with the dietary diversity indicator.	PMU	09/2023
Nutrition indicators Replace the goal level multi-sectoral stunting indicator with the dietary diversity indicator and integrate in the project M&E plan	IFAD/PMU	09/2023
Rehabilitate Damaged Schemes through GBDMA MoU shall be signed for rehabilitation of the 4 damaged scheme through government funding	IFAD	09/2023
Strengthen nutrition Campaign as part of the project activities As part of the project train master trainers to roll out the Nutrition education covering project beneficiaries, including VPG and VAC following the project's nutrition training guideline		06/2024
Update Nutrition component of the module developed for newly hired graduates This component should clearly and simply convey key nutrition messages, emphasizing the following essential aspects: The vital role of nutrition in promoting and maintaining overall health and well-being; the importance of adopting healthy lifestyle choices and dietary habits; Hands-on practical sessions on nutrition gardening, a practical approach to understanding the concept of nutrition	PMU/GBRSP	06/2024
Submit Proposal for Rehabilitation of Damaged Schemes to IFAD Provide details with cost estimates to IFAD for consideration of funding	PCU	06/2024
Community Capacity building Trained Master Trainers to build community capacity, in processing and preserving local produce for off-season use and nutrient-preserving cooking techniques	GBRSP/Agriculture Extension Department	08/2024

Undertake nutrition, food security and gastronomy campaigns Hire experts to develop campaign, resource kit and engage 50 graduates/master trainers to run campaigns in cooperatives, schools, colleges regarding nutrition, food security gastronomy.	PMU/GBRSP	12/2024
Conduct Comparative Studies on Agriculture Productivity and Profitability Assess the increase in agriculture production and profits of project supported beneficiaries (VACs) in vegetables (peas, cucumber, tomato, capsicum etc.) and fruits (apricot, apple etc.) compared to the traditional system.	PMU	12/2024
Women leadership and membership in cooperatives Develop specific actions to increase membership in cooperatives especially women participation as shareholders as well as representation in the governing bodies – the project should reach the minimum target of 30%.	PMU/GBRSP	
Achieve women staffing requirements as per the PDR The 20% and 15% women staffing at PCU and RCU shall be adhered by taking into account gender parity in recruitment of remaining vacant positions. .	PMU	
Monitor cultivated land in each ILD to assess productivity under the project investments Use GIS for monitoring of land development and gauging cultivation level in new developed land.	PMU	
Sustainability and Scaling up		
Facilitate additional financing requirement of VACs Strengthen the existing partnerships with IFAD regional grant (APFP/FO4A/ARISE) & formalise partnership with GBRSP to provide additional support for VACs.	PMU	08/2022
Formal Institutional Arrangements for VACs and Eco-Friendly Tourism MoU/MoA shall be finalised with Department of cooperative and GBRSP. In addition, potential for collaboration with Rupani Foundation/Apex & Co investment (re eco-friendly tourism) shall be explored.	PMU	07/2023
Improve access to finance through PCGS and finalize the engagement with GBRSP Formalize institutional arrangement with GBRSP to structure and manage the PCGS for improving access to finance for VAC members and common asset financing at VAC level in the extension period and for capacity building and institutional strengthening of VACs through training modules and system development for governance, book-keeping, marketing, financial management, business development, HR, IT and audit.	PMU	07/2023
Build capacity of VACs by institutionalizing and formalizing the engagement with AKRSP The mission recommends that a formal institutional arrangement with AKRSP is materialized for leveraging AKRSP's thematic focus on nutrition, training on digital literacy and entrepreneurship for VACs and linkage to digital spooks for adoption of e-commerce.	PMU	07/2023

Develop MIS with complete data of VAC memberships (both component) and provide access to cooperative, agriculture and GBRSP Complete MIS with necessary details that facilitate access to all beneficiaries.	PMU/GBRSP/Cooperative/ Agri Department	12/2023
Preparation of Road Masterplan and Water Management Policy Evaluation of EOIs shall be completed and contract awarded so that policy is ready for approval by Mar 2024	PMU	03/2024
E-commerce platform and online accounting system made functional for VACs GBRSP to develop e-commerce platform and online accounting software and roll it out – 50 VACs brought on-board within 1 year.	PMU/GBRSP	06/2024
Hiring of firm for digitalization of land records and titling	PMU/SMBR	09/2024
Revise Exit Strategy In consultation with project implementation partners, develop a clear revised exit strategy including a road map/timeline for seamless exit and sustainability of infrastructure O&M and irrigation and value chain related VACs.	PCU/Line Departments/GBRSP	09/2024
Documentation of Successful and Innovative Experiences Develop KM products on the project's experiences and disseminate through policy level meetings and workshops for possible resource allocations for replication and scaling up in GB and other similar regions of the country	PCU	03/2025
Explore partnership with development partners in GB ETI should develop result-based partnership with different development partners in GB	PMU	
Ensure protection against slides during design and implementation of schemes to ensure water quality against contamination on a continuous basis	PCU	
Farmers trainings in biocontrol agents on a continuous basis	PCU/Agr. Dept	
Project Management		
Undertake pilots of innovative irrigation technology Support one scheme per district demonstrating innovative irrigation technology such as responsive drip irrigation, hydroponics and sprinkler for high value vegetables and fruit tree plantation	PMU	06/2023
Design and launch awareness campaign Devise knowledge products and disseminate through school/college and VAC campaigns	PMU/GBRSP	12/2023
Finalise AWP&B 2024/25 Finalise and submit for IFAD no objection AWP&B 2024/25	PCU	04/2024

Open and operationalize new project account Immediately Coordinate with the relevant government departments/State Bank of Pakistan to open and operationalize new account	Project Coordinator and Director Finance	06/2024
Clear all pending payments for work done during AWPB 2023-2024	PCU	06/2024
Rationalise additional staff requirements and camp offices	PCU	07/2024
Revise KM Strategy for the consolidation phase of the project	PCU	07/2024
GRM and SEP CPU to update and revise the GRM and SEP and share with IFAD for review	PCU	07/2024
Nominate Focal Person for SECAP Include SECAP related data and documents in Project database	PCU	07/2024
Independent/third party end-line survey following IFAD COI survey guidelines to be procured.	PMU/M&E	12/2024
Comparative analysis of cost of infrastructure and benefits Carryout a case study of the cost efficiencies of project infrastructure activities and its impact.	PCU/GBRSP	03/2025
Disseminate knowledge products Use social, print and electronic media to disseminate knowledge products	PMU	
Learning Events Organise learning events for VAC members and other stakeholders like private sector - on a continuous basis	PCU/GBRSP	
Conduct Outcomes based / small scale internal thematic assessments across the project's interventions. on a regular basis	PMU/M&E	
Regular use of Personal Protective Equipment (PPE) in all infrastructure related activities should be ensured and reported in the progress reports. on continuous basis	PCU	
Financial Management & Execution		
Submit recovery plan to IFAD	PCU	07/2022
Provide training for VAC staff in proper accounting, financial reporting, procurement, etc and for Board members in managing work transparently and accountably	PCU/VCTAT	08/2022

Strengthen internal controls at VACs level Including: i. Deploy Field Finance Controllers (FFCs) with VACs to strengthen capacity and speed up processes ii. Improve procurement guidelines—incorporating basic principles of fairness and transparency; iii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs; iv. Develop simple tools/guidance for accounting and financial reporting by VACs; v. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information; vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports.	PCU/VCTAT	08/2022
Internal Auditor Reports Submission of previous internal auditor reports to IFAD along with project responses	Director Finance	08/2023
Re-evaluate the organisations structure Organisation Structure: Re-evaluate the organisations structure and team requirements considering extension of the Project, AICS financing and expansion to all districts of GB.	Programme Coordinator/Director Finance	08/2023
internal auditor Recruitment of internal auditor on urgent basis	Programme Coordinator	09/2023
Evaluate existing accounting software Accounting Software: Evaluate existing accounting software for modification/customization or replacement considering current issues in the software, extension of the project, AICS financing and expansion to all districts of GB.	Director Finance	09/2023
Revise/update the PIM Revision of PIM Revise/update the PIM and get it approved from IFAD and PSC.	Director Finance	09/2023
Prepare financial projections Financial Projections Detailed Financial Projections (District, Component and Category wise) need to be prepared due to extension and co-financier and discussed and agreed with the financiers.	Director Finance	09/2023
Revise PC-1 Revision of PC-1 PC-1 to be revised and approved by the Government	Steering Committee Programme Coordinator Director Finance	09/2023
Review AICS disbursement mechanism Co-Financing Disbursement mechanism of AICS funding to be reviewed and discussed/modified to ensure uninterrupted fund flow.	Director Finance	09/2023

Complete hiring on 32 vacant positions Hiring: Complete hiring on 32 vacant positions including 6 finance positions urgently	Programme Coordinator/Director Finance	10/2023
Conduct training of finance team Training of Finance Team: Conduct training of finance team on advanced excel to ensure efficient work and reporting.	Director Finance	11/2023
Reallocation between Categories Reallocation between Categories Prepare financial projections until the project close date and formally request IFAD for allocation of unallocated amount and reallocations between categories.	Project Coordinator & Director Finance	12/2023
AWPB Implementation AWPB Implementation Practical and achievable AWPB should be prepared. Efforts should be made to ensure achievement of AWPB physical and financial targets. In case the targets are non-achievable, AWPB should be revised.	Project Coordinator & Director Finance	12/2023
Strengthen controls around cooperatives financial management Payment to Cooperatives to be supported by detailed calculations, copy of record of distribution of goods to the beneficiaries and record of procurement of goods / services. Further training and handholding of the management of the Cooperatives to be provided to ensure better financial management of the Cooperatives.	Director Finance	12/2023
Timely Submission of AWPB AWPB to be submitted to IFAD for NO at least 60 days before the start of the financial year	Programme Coordinator Director Finance	04/2024
Address audit finding and provide DAC clearance 1. Non recovery of advance payment from Non-Responsive VAC- Rs. 5.585 million 2. Un-authorized retention of Payback amount of ILD Schemes-Rs.9.002 million 3. Non-Handing over of Completed ILD Schemes to the Village Agriculture Cooperatives Rs.101.104 million 4. Non-Conducting of Internal Audit for the Financial Year 2022-23	ETIGB Management	06/2024
Address audit finding and provide DAC clearance 1. Non recovery of advance payment from Non-Responsive VAC- Rs. 5.585 million 2. Un-authorized retention of Payback amount of ILD Schemes-Rs.9.002 million 3. Non-Handing over of Completed ILD Schemes to the Village Agriculture Cooperatives Rs.101.104 million 4. Non-Conducting of Internal Audit for the Financial Year 2022-23	ETIGB Management	06/2024
Finalize proposal for reallocation of unallocated funds Revise proposal for allocating unallocated amount between different expenditure categories focusing on the rationalization of operational costs	Project Coordinator and Director Finance	07/2024

Revise contract with GBRSP Prepare an Addenda to the Contract covering all changes—as recommended by the Mission i.e. no new ILDs, VACs etc.	Project Coordinator and Director Finance	07/2024
Adjusting government's share under different categories of expenditure Review government's existing share under different categories of expenditure and rationalize it to increase its actual contribution in line with the appraised amount.	Project Coordinator and Director Finance	07/2024
Reorganize FM Staffing i. Carry out a proper workload analysis and reorganize FM function to manage centralized accounting and financial reporting system; ii. In the meanwhile, post 3 Additional Finance Assistants currently based in RCUs to PCU—each will handle work of the region at PCU. RCUs may be assigned one suitably qualified Admin/Finance Assistant each from out of the HR available in project iii. Orientate the project staff—especially those based in RCUs, to the new centralized payment process to avoid delays in payments.	Project Coordinator and Director Finance	07/2024
Resolve HR staffing irregularities i. Obtain IFAD's post-facto NO for the selection of 3 RCs, 1 VC specialist, and 1 Infrastructure Specialist. ii. Review staffing redundancies arising from camp offices, hiring of 6 officers under value chain component, etc. and submit a plan to phase out the redundant staff	Project Coordinator and Director Finance	07/2024
Strengthen internal controls i. Review the MOUs with implementing and establish ceiling/upper limits for certain expenditure (refreshment, workshop, training etc.). Identify wasteful expenditure and deduct from payments to be made under these MOUs; ii. Stop the practice of paying advances (POL, Salaries etc.) iii. Avoid "co-mingling of funds of financiers iv. Obtain IFAD's NO for selection of officers (3 Regional Coordinators, 1 Value Chain Specialist, and 1 Infrastructure Specialist). Adjust the six officers hired under Value Chain component as part of the HR rationalization effort, and gradually phase out all redundant positions; v. Ensure all camp offices are closed. vi. Ensure petty cash account is used strictly as per PIM vii. Adjust against government's fund the following ineligible expenditure: Voucher NO. Transactions (ineligible amounts) Value in USD Multiple An amount of PKR 33.8 million on camp offices 225,333 OIB2300387 Payment for heating equipment (PK 29,360) to WMD at the same time that salaries include hard and cold allowance 103.52 LTS2300005 an amount of PKR 687 608/- was spent on Iftar Dinner by BOR 3,127.02	Project Coordinator and Director Finance	07/2024
Enhanced procurement capacity of VACs The existing draft manual prepared by GBRSP needs revision. Procurement staff to coordinate with GBRSP for timely finalization and translation of procurement manual and conduct training at all VACs in 10 districts.	Program Coordinator (PC) /Procurement section (PS)	08/2024
Hiring of Internal Auditor PCU must immediately re-advertise and finalize the selection of Internal Auditor.	DFA/PS	08/2024

Monthly Random Contract Monitoring Procurement staff to conduct random contract monitoring of community procurement, identify gaps and provide necessary advice/training in liaison with GBRSP.	PC/PS	08/2024
Revision of PC-1 PC-1 to be revised and approved by the Government based on reallocations etc.	PSC/PC	09/2024
Revision of PIM Procurement officer to ensure PIM revision with a view to ensure alignment with the country procurement framework.	DFA/PO	10/2024
PCGS Contract Procurement section to work closely with GBRSP to ensure efficiency in submissions to IFAD and finalization of the contract.	PC/PS	11/2024
Strengthen controls around payments Internal Controls Copy of attendance record needs to be attached with Payroll payment vouchers. Quotations and Invoices to specify project name. Copy of Log Books to be attached with payment vouchers evidencing need for replacement of parts.	Director Finance	
Timely Submission of Interim Financial Reports (IFR) Quarterly IFRs need to be submitted within 30 days of the end of each quarter.	Director Finance	

Investing in rural people

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

: Logical Framework

Mission Dates:	12 May to 19 June 2024
Document Date:	22/07/2024
Project No.	2000000836
Report No.	6929-PK

Asia and the Pacific Division
Programme Management Department

Economic Transformation Initiative - Gilgit Baltistan

Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project										
	Males			250 000	**3 149**	**383 905**	**153.562**				
	Females			250 000	**33 751**	**399 575**	**159.83**				
	Total number of persons receiving services			500 000	**36 900**	**783 480**	**156.696**				
	1.a Corresponding number of households reached										
	Women-headed households			10 000	**119**	**11 684**	**116.8**				
	Non-women-headed households			90 000	**4 801**	**92 780**	**103.1**				
	Households			100 000	**4 920**	**104 464**	**104.5**				
	1.b Estimated corresponding total number of households members										
	Household members			750 000	**36 898**	**783 480**	**104.5**				
Project Goal 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							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Development Objective 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	**0**	**65**	**108.333**				
	1.2.4 Households reporting an increase in production										
	Total number of household members				**0**	**388 969**					
	Households			90	**0**	**63**	**70**				
Outcome Outcome 1: 100,000 farm households increase production , productivity and sales in prioritized agricultural commodities	1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes										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.
	Rendement d'oignon (T/ha)			50 000							
	Women-headed households				**207**	**1 582**					
	Total no. of households reporting improved access to land			50 000	**4 920**	**54 208**	**108.416**				
	Households increase sales							Farmers' organizations' records.			
	Households			60	**0**	**73**	**121.7**				
Output Outputs 1	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated							Progress Reports	annual		
	Hectares of land			20 000	**0**	**22 355.4**	**111.777**				
	water channels/ irrigation schemes constructed, rehabilitated'							Progress Reports	annual		
	kilometres			400	**7**	**465**	**116.3**				
	2.1.5 Roads constructed, rehabilitated or upgraded							Progress Reports			
	Length of roads			400	**27**	**412**	**103**				
	Other productive infrastructure constructed/rehabilitated							Progress Reports	annual		
	Plastic tunnels			100	**0**	**100**	**100**				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
	Groups managing productive infrastructure formed/strengthened							Progress Reports	annual		
	Groups SMT			107	**15**	**195**	**182.2**				
Outcome Outcome 2: Sustained and community driven development approach established that is pro- poor and youth/gender- and nutrition-sensitive	Funds recovered against estimated cost recovery for irrigation development										Youth have preference for working in village if economic opportunities are same or better than in towns and cities offering low-skill employment.
	Percentage of funds recovered			50							
	Vulnerable and women-headed target households provided with land titles										
	vulnerable and women-headed hh			100	**0**	**100**	**100**				
Output Outputs 2	2.1.2 Persons trained in income-generating activities or business management										
	Males			900	**0**	**34 864**	**3 873.778**				
	Females			650	**0**	**15 392**	**2 368**				
	Young				**0**	**14 478**					
	Persons trained in IGAs or BM (total)			1 550	**0**	**50 256**	**3 242.323**				
	1.1.8 Households provided with targeted support to improve their nutrition										
	Total persons participating			50 000	**0**	**6 111**	**12.2**				
	Males			10 000	**0**	**1 151**	**11.5**				
	Females			40 000	**0**	**4 960**	**12.4**				
	Households			50 000	**0**	**6 111**	**12.2**				
	Household members benefitted			250 000	**0**	**42 777**	**17.1**				
	Village/community plans formulated										
	Plan			50	**0**	**38**	**76**				

Results Hierarchy	Indicators: Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Means of Verification: Source	Frequency	Responsibility	Assumptions
Outcome Outcome 3: Agri-business actors invest in local processing and value addition to improve marketing of local food products	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities										Sufficient quantity, quality and seedling reliability of agricultural products available to sustain PPPP.
	Number of POs				**0**	**257**					
Output Outputs 3	2.1.1 Rural enterprises accessing business development services										
	Size of enterprises			60 000	**0**	**60 218**	**100.363**				
	Rural enterprises			220	**0**	**257**	**116.818**				
	Women in leadership position			30	**0**	**351**	**1 170**				
	2.1.6 Market, processing or storage facilities constructed or rehabilitated										
	Total number of facilities			107	**0**	**114**	**106.5**				
	Processing facilities constructed/rehabilitated			100	**0**	**8**	**8**				
	Storage facilities constructed/rehabilitated			7	**0**	**106**	**1 514.3**				
Outcome Outcome 4: Government and private agricultural services are sustainably improved	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices							Client satisfaction survey and DOA service delivery records.			All GB agricultural households will be able to access improved agricultural service provision, including women.
	Households			50 000	**0**	**50 256**	**100.512**				
Output Outputs 4	Staff of service providers trained							RIMS			
	Males			213	**0**	**247**	**115.962**				
	Females			212	**0**	**24**	**11.321**				
	Government Officials and staff trained							RIMS			
	Males			426	**0**	**280**	**65.7**				
	Females				**0**	**32**					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2024)	Cumulative Result (2024)	Cumulative Result % (2024)	Source	Frequency	Responsibility	
Outcome Outcome 5: Government formulates and enforces pro-poor agricultural policies covering water, land titling, road O&M and products and certification regime.	Provincial Land Records and Titling Law promulgated							Public land registry records, PO contracts and records with farmers.			Farmers using/producing improved seeds are able to increase productivity and sales.
	Number of Titling Law promulgated			1	**0**	**1**	**100**				
	Land titles provided for newly irrigated lands							Public land registry records, PO contracts and records with farmers.			
	Number of land titles provided			50 000	**0**	**424**	**0.8**				
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment										
	Number				**0**	**1**					

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

Mission Dates:	12 May to 19 June 2024
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Appendix 1: Financial: Actual performance by financier; by component and disbursements by category as of 30th April 2024

Table 1A: Financial performance by financier

Financier	**Appraisal (USD '000)**	**Disbursements (USD '000)**	**Balance**	**Per Cent disbursed**
IFAD Loan	67,000	55,963	11,037	83.50%
AICS	21,115	5,721	15,394	27.10%
Government	23,630	9,427	14,203	39.90%
Beneficiaries	6,540	19,900	-13,290	303.20%
Total	**118,285**	**91,011**	**27,344**	**76.9%**

Notes:

1- The initial advances of IFAD (USD 3817293.9) and AICS (USD 5721295.2) are included in disbursement.

2- The AICS appraised amount in PDR/PC-1 is USD 22,98 million, however in Financing Agreement of AICS the overall financing is EURO 20.5 million equivalent to USD 21.1 million.

Table 1 B: Financial performance by financier by component (in 000's USD) as of 30th April 2024

Component	IFAD Loan			Government			Co-Financier			Beneficiaries			Total		
	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%
Economic Infrastructure for Value Chain Development	36,950	29,360	80%	15,540	3,640	23%	12,139	-	0%	6,500	15,000	231%	71,129	48,000	68%
Support Services/PPPP for Value Chain Development	24,870	16,760	67%	4,980	2,710	54%	7,040	-	0%	-	4,900	-	36,890	24,370	66%
Programme Management and Policy Support	5,180	6,070	117%	3,110	3,080	99%	1,937	-	0%	-		-	10,227	9,150	90%
Total	**67,000**	**52,190**	**78%**	**23,630**	**9,430**	**40%**	**21,116**	**-**	**0%**	**6,500**	**19,900**	**306%**	**118,246**	**81,520.0**	**69%**

Table 1 C: Financial performance by financier by category (in 000s USD) as of 30th April 2024

Category	IFAD Loan			Government			Co-Financier			Beneficiaries		
	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%	Appraised	Actual	%
Civil Works	31,533.0	28,300.0	89.7%	14,260.0	2,760.0	19.4%	11,424.0	-	0.0%	6,500.00	15,000.0	230.8%
Equipment & Material	1,252.0	730.0	58.3%	530.0	590.0	111.3%	239.0	-	0.0%	-	-	-
Grants & subsidies	14,656.0	11,850.0	80.9%	-	-	-	3,820.6	-	0.0%	-	4900.00	-
Training & Consultancies	4,334.0	3,520.0	81.2%	2,810.0	2,090.0	74.4%	1,815.7	-	0.0%	-	-	-
Salaries & Allowance	5,865.0	5,380.0	91.7%	3,830.0	3,340.0	87.2%	2,427.0	-	0.0%	-	-	-
Operating Cost	3,353.0	2,400.0	71.6%	2,190.0	640.0	29.2%	1,390.0	-	0.0%	-	-	-
Unallocated	6,007.0	-	0.0%	-			-	-	0.0%	-	-	-
Total	**67,000.0**	**52,180.0**	**77.9%**	**23,620.00**	**9,420.0**	**39.9%**	**21,116.4**	**-**	0.0%	**6,500.0**	**19,900.0**	**306.2%**

ECONOMIC TRANSFORMATION INITIATIVE GB

Table 1 D: IFAD loan disbursements (in SDR) as of 30th April 2024

Code	CATEGORY	ALLOCATED	DISBURSED	DISBURSED	AVAILABLE
200003	*CIVIL WORKS*	22,850,000.00	20,539,599.49	89.89%	2,310,400.51
200011	EQUIPMENT AND MATERIALS	907,246.38	529,118.32	58.32%	378,128.06
200012	GRANTS AND SUBSIDIES	10,620,000.00	8,847,706.78	83.31%	1,772,293.22
200016	OPERATING COSTS	2,430,000.00	1,744,147.52	71.78%	685,852.48
200018	SALARIES AND ALLOWANCES	4,250,000.00	3,939,739.69	92.70%	310,260.31
200019	TRAINING & CONSULTANTS	3,140,000.00	2,506,160.53	79.81%	633,839.47
270001	AUTHORISED ALLOCATION	0	2,447,149.69	0.00%	-2,447,149.69
290001	UNALLOCATED	4,352,753.62	0	0.00%	4,352,753.62
		48,550,000.00	**40,553,622.02**	**83.53%**	**7,996,377.98**

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

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Appendix 2: Physical progress measured against AWP&B

Mission Dates:	12 May to 19 June 2024
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Appendix 2: Physical progress measured against AWP&B

Component/Outcome *Sub-component or Output*	Indicator	Unit	Period: 1-July 2023 to 30th April 2024			Cumulative Actual	Appraisal Target	%
			AWP&B	Actual	%			
Component 1 /Outcome								
Output 1.1.2	water channels/ irrigation schemes constructed, rehabilitated	Km	78	41	53%	466	400	116%
	Land levelling/ De-stoning etc.	Acres	5255	982	18%	11085	50000	22%
Output 1.2.1	Roads constructed, rehabilitated or upgraded	Km	156	26	16%	412	400	103%
Component 2 / Outcome								
Output 2.1.1. On-Farm Grants	Increase in production & productivity of priority value chain	Grants	75	0	0%	6510	2950	220%
Output 2.1.2. Off-Farm Grants	Households reporting adoption of new/improved inputs, technologies or practices	Grants	75	0	0%	226	500	45%
Output 2.1.4 &2.3.2. Trainings	Persons trained in income-generating activities or business management	Persons	1355	820	60%	50783	60000	84%
Output 2.2.1	Rural producers' organizations supported	*Rural PO Supported (No.)*	*50*	*0*	*0%*	*257*	220	116%
	Rural enterprises accessing business development services	Size of enterprises				60,218	60,000	100%
Component 3 / Outcome								
Output 3.1.2.	Persons trained in income-generating activities or business management	P/day	244	20	8%	278	300	92%

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Appendix 3: Compliance with legal covenants: status of implementation

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Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B.6 **Section B.7**	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 were operational. Under new Treasury Single Account (TSA) system, the government instructed the project to open a new assignment account in November 2023. The new account is now opened with effect from 27t May 2024.
Section B.8	Provision of counterpart financing of approx. USD 24 million from the GoGB	Throughout program implementation	Done	The overall disbursement represents 39.9 percent. The lower counterpart funding can be attributed to the tax exemption in GB and devaluation of Pakistani Rupee against the US dollar. The government's actual expenditure can be aligned with its original commitment by increasing its share under different categories of expenditure.
Section E.1 (i)	Appointment of Program Coordinator and Finance Manager	Condition precedent to withdrawal	Done	The positions of three Program Coordinators are filled and Director Finance (interim arrangement) was working until the end of the mission. The recruitment process for Director Finance is complete but the appointment letter has not been issued.
Section E.1 (ii)	No objection from IFAD on the draft Program Implementation Manual	Condition precedent to withdrawal	Done	PIM was initially prepared and approved at the start of the Project. Thereafter it was revised and approved again in 2019. With the extension of the Project, AICS funding, need to cover community procurement/VAC aspects properly, there is a need to revise/update the PIM
Section E. 2	Installation and operationalization at the PCU of a computerized accounting system, acceptable to IFAD	3 months after entry into force of FA	Done	Software is installed and operational. It, however, does not meet the project's financial reporting needs fully. As financing from AICS has become available, the project may face additional challenges. It is important to understand the reporting requirement of AICS and decide on whether to (a) upgrade TOMPRO or (b) buy new accounting software.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Schedule 1 – II.8	Establishment of a Program Steering Committee at GB provincial level, headed by the Chief Secretary	At program start	Done	
Schedule 1 – II.9 and 10	Establishment of a Program Coordination Unit and 3 Regional Coordination Units (for Diamer, Gilgit and Baltistan regions)	At program start	Done	
Schedule 1 – II.12	Conduct of a Mid-Term Review jointly by the Borrower and IFAD.	By end of 2018	Done	
GC-Section 7.01 (b) (ii)	Submission of AWPB to IFAD for its review and comments	30 April each year	Not done	AWPB 2024-25 is in progress, during June 2024 AWPB will be submitted for IFAD NO.
GC-Section 7.05 (a)	Procurement of goods, works and services carried out in accordance with the applicable rules and procedures	Throughout program implementation	Complied	VACs need to have a procedural manual covering procurement, FM, HR, monitoring etc. and training to implement these procedures to fully comply with this requirement. The government has hired the GBRSP that will—among other things, respond to these needs.
GC-Section 7.08 (a)	Insurance of program assets in accordance with sound commercial practice	Throughout program implementation	Not done	Initially Vehicles were insured. However, after five years, the insurance companies have declined to provide insurance as the vehicles are old and fully depreciated as per the insurance companies.
GC-Section 7.11	Health & accident insurance for project staff	Throughout program implementation	Not	Health and Life insurance of staff have been obtained
GC-Section 8.03 (a)	Submission of progress reports to IFAD	Quarterly	Not Complied	Semi-annual reports are being submitted to IFAD as per change in the requirement.
GC-Section 8.04	Submission of a project completion report	Before loan closing date	Not yet due	
GC-Section 9.02	Submission of program financial statements for each fiscal year	31 October each year	Not yet due	The statements are ready to be submitted.
GC-Section 9.03	Submission to IFAD of audit report and reply to management letter	31 December each year	Done	Audit report for FY 2022-23 were submitted on time but the replies to management letter were not conveyed to IFAD till date.
GC-Section 11.01 (c)	Taxes not to be paid from IFAD financing	Throughout the program implementation		Gilgit Baltistan is exempt from taxation
LTB - A - 8	Withdrawal application to be submitted at the earliest of elapse of 90 days or disbursement of 30% of the initial advance.	Throughout the program implementation	Complied	Project has switched over to IFR based disbursement.
LTB - B - 11	Statement of Expenditure Threshold USD 50,000	Throughout the program implementation	Complied	
LTB - F - 28	Contracts to be listed in Register of Contracts and submitted to IFAD CPM on a monthly basis.	Throughout the program implementation	Complied	All contracts have been incorporated in IFAD ICP CM. It is kept updated.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
LTB - G - 30	Summary Interim Financial Reports (IFR) to be submitted to IFAD on Quarterly Basis within 45 days	Within 45 days of each quarter end	Partially Complied	Indicate the dates IFRs submitted to IFAD since May 2023 till May 2024 Q-4 April-June 2023 25th Sep 2023 Q1 July-Sep 2023 24th Nov 2023 Q2 Oct-Dec 2023 27th Jan 2024 Q3 Jan-March 2023 25th April 2024
LTB - G - 31	Appointment of Independent Auditors within 120 days after the beginning of each year	30 Oct 2016 30 Oct 2017	Complied	External Audit is carried out by the Auditor General of Pakistan annually and acceptable to IFAD
LTB - G - 34	Appointment of Internal Audit Firm after No Objection by IFAD.	Immediate	Not Complied	Instead of Internal Audit Firm, an Internal Auditor was hired who resigned in January 2022. New hiring has not been done as yet.
LTB - G - 34	Submission of Internal Audit Report to IFAD	Immediate	Not Complied	Internal Audits were conducted till the last incumbent did not leave office. However, the Internal Audit Reports have not been submitted to IFAD.

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Appendix 4: Technical background analysis

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Appendix 4: Technical background analysis

NUTRITION STRATEGIES FOR ETI-GB

1. Gilgit-Baltistan (GB) is facing numerous socio-economic, cultural, and environmental challenges. Lack of access to quality healthcare services and education is another potential hindrance. Food insecurity is one of the significant challenges in the region, leading to all forms of malnutrition, including undernutrition, hidden hunger (micronutrients deficiencies), and overnutrition. According to the National Nutrition Survey 2018, the nutritional status of children under five in GB is alarming and needs to be addressed as soon as possible. 46.6% of children under five are stunted, 12.2% suffer from wasting, and 9.4% are overweight. The nutritional status of women in GB, Pakistan, is a concern, with the National Nutrition Survey (NNS 2018) indicating that 10.1% of women of reproductive age are underweight, while 19.6% are overweight. This prevalence varies by region and other socioeconomic categories. Other nutrition-related issues, such as anemia, vitamin A and D deficiencies, are also common, particularly among women of reproductive age.
2. In 2015, the ETI-GB project was launched in the Gilgit Baltistan (GB) region of Pakistan, with the overarching goal of improving the livelihoods of local communities. The project aimed to alleviate poverty and malnutrition. To address these challenges, the project focused on enhancing agricultural practices and productivity, enabling farmers to increase their yields and incomes. Additionally, the project sought to sensitize the community about the importance of health, hygiene, and nutrition, promoting behaviors that would help reduce the prevalence of malnutrition and related health problems. Through a combination of agricultural development and community education, the ETI-GB project sought to create a more food-secure and healthy population in the GB region.
3. The project has multiple workable pathways to mainstream nutrition-sensitive interventions in the target population, particularly women, adolescent girls, and school children. Based on the reports of supervision missions and the findings of previous impact studies, the following nutrition-sensitive strategies are recommended for implementation to achieve the project's goal.

Nutrition Sensitive Activity	**Beneficiaries**	**Prospective pathways**	**Expected outcomes**
Nutrition awareness & knowledge (school children)	School children (boys and girls from 100 government schools of class 6, 7 and 8)	1. Fifty agricultural graduates will serve as facilitators, teaching school students about the vital role of nutrition in promoting and maintaining good health. Through interactive sessions, they will aim to enhance students' knowledge, attitudes, and practices related to nutrition, encouraging healthy dietary choices and lifestyle habits such as personal hygiene, adequate sleep, regular physical activity and responsible digital behavior. 2. After each session, students will receive key nutrition messages in ***Urdu***. empowering them to share valuable information with their parents & caregivers and inspire healthy dietary practices at home.	Capacity building in nutrition is crucial for: 1. promoting healthy behaviors, lifestyle, and nutrition status 2. preventing malnutrition, 3. improving children scholastic performance 4. motivating the parents for adopting nutritious dietary practices through home-take key messages of nutrition in Urdu
Capacity building in Nutrition gardening (school children)	School children (boys and girls from 100 government schools of class 6, 7 and 8)	1. Graduates will deliver gardening skills training to students through bi-monthly practical sessions, with a frequency of two sessions per month. This hands-on approach will enable students to acquire proficiency in gardening techniques, promoting experiential learning and fostering a comprehensive understanding of horticultural practices."	Nutrition gardening leads to: 1. Improved nutrition knowledge and practices as students will understand the importance of nutritious food, how to grow their own fruits and vegetables, and make informed choices about their diet. 2. Enhanced academic performance because gardening activities have a positive impact on students' academic performance, enhancing their skills in science, math, and literacy, while also fostering critical thinking, problem-solving, and creativity, leading to a more well-rounded education 3. Increased environmental awareness as the students will understand the impact of their food choices on the environment, fostering a sense of stewardship and encouraging sustainable practices
Community Nutrition awareness campaigns	Community (Men, WRA, youth & adolescent girls)	GBRSP will implement a Training of Trainers (ToTs) program aimed at capacity-building for 10-15 staff members (representing both genders), equipping them with the necessary expertise to serve as facilitators in community nutrition. This initiative will enable the trained facilitators to deliver gender-specific training sessions (with a frequency of two sessions per month for each gender group) to the target community, ensuring a standardized and effective knowledge transfer process. Additionally, this program will enhance the organization's community outreach and	Community nutrition awareness initiatives lead to: 1. Elucidation of food group concepts and their role in balanced diets 2. Promotion of diversified food consumption for optimal nutrition 3. Adoption of healthy lifestyle choices 4. Improvement of breastfeeding practices, enhancing maternal and child health outcomes

		engagement capabilities, fostering a more comprehensive approach to community development."	
Community Capacity building	Community (Men, WRA, youth & adolescent girls)	GBRSP facilitators will conduct regular training and demonstration sessions (minimum of one per month) to equip participants with the skills to process and preserve locally grown fruits and vegetables, develop value-added byproducts for household consumption, and apply nutrient-preserving cooking techniques to maximize retention of essential vitamins and minerals in home-cooked meals.	The capacity building initiative in processing fruits and vegetables and cooking techniques is anticipated to yield the following outcomes: 1. Dietary diversification among vulnerable groups, leading to improved nutritional intake and reduced micronutrient deficiencies. 2. Enhanced household nutrition during the off-season, ensuring consistent access to nutrient-dense foods. 3. Improved household food security, self-sufficiency, and food safety, through increased availability and utilization of processed fruits and vegetables. 4. Cost-effectiveness, as households reduce food waste and optimize food resources. 5. Empowerment of women, as they gain confidence and independence in food preparation and management decision-making. 6. Reduction in post-harvest losses of fruits and vegetables, contributing to improved food availability and reduced food insecurity

TECHNICAL NOTE
MODULE – AGRICULTURAL EDUCATION, TECHNOLOGY INNOVATION IN SCHOOLS OF GB (NUTRITION & FOOD SECURITY)

1. Malnutrition is a significant public health concern in Gilgit Baltistan, Pakistan. The ETI-GB project was launched in 2015 in Pakistan's Gilgit Baltistan region to improve local communities' livelihoods. The project aimed to reduce poverty and malnutrition by enhancing agricultural practices, increasing farmers' yields and incomes, and promoting health, hygiene, and nutrition education. By combining agricultural development and community education, the project sought to create a more food-secure and healthy population in the region.
2. Currently, the prevalence of stunting and micronutrient deficiencies is high, and unhealthy dietary choices and poor dietary habits exacerbate the issue particularly among pre-early adolescent school children (ages 10-14). School children often opt for energy-dense, junk, or fast foods, which provide little to no essential nutrients, leading to the triple burden of malnutrition (under-nutrition, over-nutrition, and hidden hunger or micronutrient deficiencies). This scenario necessitates a nutritional awareness program to promote healthy dietary habits and lifestyle among these children.
3. Keeping in view the strong links between agricultural productivity, health, and nutrition, the project aimed to integrate nutrition-sensitive initiatives into the target population, specifically pre-early adolescent school children of both genders. One effective approach was to educate and sensitize them to healthy eating habits through nutrition education, promoting positive dietary attitudes and practices. To achieve this, a comprehensive module was developed for school children in the GB region, covering various aspects of agriculture, productivity, food processing, preservation techniques, and nutrition.
4. The existing nutrition content in the module is only partially suitable for the age group, primarily emphasizing theoretical aspects and incorporating technical terms and intricate nutritional and physiological processes. Moreover, certain outdated concepts and approaches, such as the food pyramid, need to be updated and replaced with more contemporary methods like MyPlate, which should be prioritized.
5. To effectively meet the nutritional needs of the target beneficiaries i.e. pre-early adolescents in classes 6, 7, and 8 - the nutrition section of the module needs to be revised and updated to ensure the content is tailored to their specific age group, making it more engaging, relatable, and impactful in promoting healthy habits and nutritional well-being among this critical age group.
6. **Recommendations and suggestions to improve nutrition chapter in the module**

a. The proposed recommendations seek to foster healthy eating habits and lifestyle practices among pre-early adolescent school children in Gilgit Baltistan, Pakistan, tackling the pressing nutrition-related health concerns, such as stunted growth, micronutrient deficiencies, and unhealthy food choices, to promote overall well-being and optimal health among this vulnerable age group.

b. The nutrition relevant recommendations aim to achieve the following key objectives:

i. Educate students on fundamental nutrition principles and their impact on overall health and well-being

ii. Encourage healthy lifestyle habits, including adequate sleep, regular physical activity, responsible screen time management

iii. To provide practical exposure in nutrition gardening at schools and its significance in health promotion

iv. Disseminate key nutrition messages in ***Urdu*** to students, enabling them to share vital information with parents and caregivers, promoting the adoption and implementation of healthy nutrition practices within their households.

c. To accomplish the objectives, the nutrition chapter needs to be organized into three comprehensive domains or categories, focusing on distinct aspects of nutrition:

i. <u>Domain 1: Nutrition: Brief introduction & its role in health</u> (50% of module – Nutrition content): It provides a concise and straightforward overview of nutrition, emphasizing its crucial role in promoting and maintaining overall health. The importance of nutrition in health promotion is simplified and highlighted through the following key message:

1. "Fuel for the Brain": How nutrition affects learning and concentration
2. "Strong Bodies, Strong Minds": The connection between nutrition and physical activity
3. "Healthy Snacking": Making smart choices for healthy growth and energy.
4. "Eat a Rainbow": Understanding the importance of colorful fruits and vegetables.
5. "Hydrate, Hydrate, Hydrate": The importance of drinking enough water.
6. "Breakfast: The Most Important Meal": Why starting the day with a nutritious meal matters.
7. "Nutrition Superheroes": Learning about essential nutrients and their benefits
8. "Healthy Plate, Healthy Me": Understanding balanced eating and portion control.
9. "Nutrition and Emotions": How food can affect our mood and feelings
10. "Be a Nutrition Explorer": Discovering new nutritious foods and flavors. List of healthy nutritious foods as well as empty caloric foods or beverages is provided for preferences.

ii. <u>Domain 2: Healthy Lifestyle</u> (30% of module – Nutrition content): this emphasizes the essential characteristics of a healthy lifestyle, which primarily encompass:

1. Regular physical activity
2. Getting optimal sleep
3. Prioritizing personal safety and hygiene

4. Managing screen time effectively

iii. Domain 3: Nutrition Gardening (20% of module – Nutrition content): This initiative seeks to actively involve students in hands-on experiences, fostering their excitement and interest in nutrition and healthy living. To achieve this, it is recommended to conduct regular practical sessions on nutrition gardening at school, with a minimum frequency of once a month. These interactive sessions will empower students to develop a deeper understanding and appreciation of healthy habits and sustainable food production.

d. Following general key considerations:

i. Use simple, non-technical language and visual aids

ii. Engage children in interactive activities, and discussions; also engage the teachers and parents occasionally

iii. Ensure module content is age-appropriate and culturally sensitive

iv. Monitor and evaluate module effectiveness in promoting healthy dietary habits and lifestyle

Technical Note
Value Chain Development
Economic Transformation Initiative-GB

This technical note provides an update on the status of various activities, consultant observation and offers guidance to the project team for the effective implementation of the proposed activities under component 2 (Support Services for Value Chain Development). Each section concludes with a set of recommendations aimed at enabling the Project Management Unit (PMU) to enhance the project's execution.

A. Village Agriculture Cooperatives (VACs):

- The Village Agriculture Cooperatives lack a clear understanding of their objectives and vision. Specifically, they struggle to define and articulate their purpose, goals and long-term vision. In addition to this, the institutional capacities of the cooperatives, including their organizational structure, management skills and governance systems, remains underdeveloped. This lack of institutional strength poses significant challenges for the VACs. It hinders their ability to manage their cooperatives professionally and efficiently, ensure member participation to foster ownership, provide strategic direction, manage risks and make informed decisions about operations and investment, ultimately limits their potential for growth and sustainability. In addition to this, it is noteworthy to mention that the management staff hired through project support are no longer available at nearly all VACS, which potentially impact the sustainability of these initiatives and has resulted in discrepancies in their financial transactions, inefficient inventory management and irregularities in procurement process.

Recommendations

- Adhering to the principal of participatory approach, GBRSP should developed a comprehensive strategic plan for the VACs strengthening, that outline detailed approach and step by step action plan for its implementation. The plan should include mechanism and plan for the recovery of revolving fund and its management for all VACs and closely monitor its implementation.

- GBRSP should provide handholding support to the cooperatives in:
  a. Cooperative management (day to day operations, documenting meeting minutes, resolutions, correspondence with departments, maintaining farmer's record, progress sharing with the members at the end of each cropping season, collective marketing, managing inventory and logistics, organizing annual general body meetings etc.).
  b. Record keeping (organizational, financial and procurement)
  c. Monitoring VAC record and provide advisory services to identify and correct inconsistencies.

B. Business Plans of Village Agriculture Cooperatives

- All the VACs have developed business plans for the initial grant support (revolving fund) provided for the functioning of these VACs. These business plans focused on production of vegetable and fruits, well suited to the agro-climatic condition of their regions. In the first phase of implementation, nearly all visited VACs have successfully executed their plans, that primarily focused on purchase of inputs, installation of vertical structures for vegetable production, provision of wooden trays to the VACs for apricot drying and capacity building of the farmers. In addition to this, the organizational development support extended to the cooperative has been utilized for the establishment of their offices.

- The current business plans developed for VACs are primarily supply driven, focusing on increasing production and supply without considering market dynamics and quality requirements. Furthermore, it lacks clear marketing strategy, that limits the ability of the VACs to fully conceptualize these plans. This approach neglects the crucial market understanding, leading to shrinking revenue streams and posing significant threats to the long-term financial sustainability of the VACs.

Recommendations

- GBRSP should update the current business plans of the VACs using participatory principles, embarking a fair representation of BoD, general body and management staff. The plans should be developed in simple, easy to use templates using local language to ensure clarity and understanding. These business plans must be aligned with the current market trends and opportunities to ensure their relevance, feasibility and effectiveness in achieving VAC goals and succeeding in competitive markets.

- The finalized business plans must be shared with the general body to foster ownership and demonstrates a commitment to openness and accountability.

- AGM should be convened at the end of each cropping cycle for providing updates on proceedings, discuss challenges and way forward for the next cropping season. This engagement will further motivate members' participation, fostering ownership and collaboration.

C. Gilgit Baltistan Rural Support Program (GBRSP) – Capacity Assessment

- The project has signed agreement with GBRSP in December 2023 for institutional strengthening of cooperatives (VACs), manage partial credit guarantee scheme, mobilization and development of business development service providers, recovery of revolving fund, competitive grants and mainstreaming agriculture education.

- GBRSP top management is well experienced in the field of enterprise and value chain development, which is a great strength. However, the field teams require additional support and technical assistance to fully comprehend and implement the activities as desired by the project.

Recommendation

- Comprehensive Training of Trainer (ToT) program together with ongoing mentoring and handholding support are essential to better equip field teams with the necessary knowledge and skills to successfully manage and train VAC members. Additionally, a robust monitoring and evaluation mechanism is necessary at both GBRSP and project PMU/RCU level to ensure the quality

and impact
of deliverables and take corrective measures where required.

D. Institutional Strengthening Support - GBRSP

- GBRSP has conducted preliminary meetings with the VACs in all the regions to understand their governance structure, business plans and their capacities. Based on the initial assessment, GBRSP has developed several training modules for the institutional strengthening of VACs. These models include: financial planning and management, accounting system and book keeping, business plan development, business plan implementation, E-commerce and digital marketing, credit management, procurement and VC governance. Specific observations on these manuals are given below;

- Manual on Business Plan Development: The manual is unnecessarily complex includes excessive generic content, making it difficult to comprehend and apply. It lacks concise, practical and participatory approaches to developing a business plan jointly with VACs.

- Manual on Business Plan Implementation: The manual requires revision to better serve the purpose. Currently it lacks clear and actionable instructions on the actual business plan execution, instead featuring redundant and generic content. While it provides information on procurement and financial management, these topics are already addressed in separate manuals. Furthermore, the manual includes the process for the business plan development and its implementation for new VACS, which is no more required.

- Manual on VACs Governance: The manual, while addressing some crucial aspects, omits essential topics such as recording meeting minutes, decision making matrix, responsibilities of the Board of Directors (BoD) and special committees formed for procurement and audit and terms of reference of the staff (management). Furthermore, the manual includes unnecessary information on the process of VAC formation, which is irrelevant.

Recommendations
All the manuals should be revised as per the following recommendations.

Manual on Business Plan Development: The manual on business plan development should provide clear, step by step, participatory approach that engages VACs in the planning process, accompanied by user friendly templates that facilitates the creation of practical and effective business plans.

Manual on Business Plan Implementation: Business plan implementation is an ongoing process that necessitates continuous capacity building and coaching support. To ensure effective implementation, a comprehensive Checklist outlining essential activities and tasks should be included to guide uses through the process.

Manual on E-commerce & Digital Marketing: Training on E-commerce & digital marketing is not required for each VAC. VACs who produces high quality product should be prioritized and linked with successful regional and national E-commerce platforms to market their products online. These VACs should be provided with hands-on support until they successfully integrate and market their products online.

Manual on Governance of VACs: The manual should serve as a guide for VAC member to adhere to the protocols outlined in the cooperative By-Laws, covering essential procedures such as recording meeting minutes, conducting AGM, passing resolution before taking any decision, define roles and responsibilities of the BoD and sub committees, and clear terms of reference for the management staff.

E. Competitive Grant Support and Grants Management Manual

- The project has planned to provide support to the promising VACs in processing sector and 4Ps in the upgradation of their existing infrastructure, packaging and marketing. Advertisement has been made by the project for applications/EOI. 55 applications have been received for 4P at the time of enquiry, while application window for VACs is still open.
- During the field visits, the processed products presented by the VACs were in very poor condition, highlighting the challenges of processing. It is evident that processing is a complex and challenging task that demands meticulous attention to compliance with various standards including food safety protocols, quality control measures and regulatory requirement. In addition to this, producing high quality end product requires a thorough understanding of the entire value chain from sourcing to processing, packaging and marketing, which may not be an easy task for VACs.

Recommendations

4P proposals:
- The mission recommends proceeding with the 4P proposals, but suggest revising the evaluation criteria for selection to ensure a fair and transparent process. The project needs to define objectively verifiable indicators (OVI) and measurable evaluation criteria for evaluating the submitted proposals. Annex 1 describes an illustrative selection criterion that can be contextualized keeping in view the local business environment and industry types.

50 Competitive Grants for VAC:

- The project recommends to revise the proposed 50 competitive grants for VACs. The grants for VACs may be extended in pre-processing, production to tap niche market opportunities, marketing, cool chain development, packaging for agriculture produce and or any innovative but workable ideas.

- It is recommended to pre-qualify the most promising VACs to optimize the grant support and impact and reduce the time spent on processing. The pre-qualified VACs should be trained in business idea generation, narrating feasible business plans and its successful implementation.

- The project should conduct multiple rounds of competitive grant proposal to minimize the risk of failure and maximize success ratio., This will enable the project to;
    a. Pilot test the effectiveness of the grants
    b. Select the most promising ideas
    c. Communicate to the VACs that these are genuine competitive grants that demands serious consideration.

  This approach will foster a competitive environment, encouraging VACs to submit high-quality proposals and increasing the likelihood of successful project outcomes.

F. Grants Management Manual

- GBRSP has developed Grants Management Manual. There are several deficiencies in the Grants Manual that include;

  a. Lack standard grant implementation cycle and work flow. The steps and processes are repeated under each grant type leading to complicated and inefficient process.
  b. There are several grant types mentioned in the manual that are no more applicable in the project context.
  c. The manual contains unnecessary repetitions, making it difficult to navigate.
  d. The manual lacks objective and rationale evaluation and selection criteria for various types of grants making it difficult to assess grant applications. This lack of clear and specific criteria may lead to subjective decision making.
  e. Furthermore, formation of evaluation and approval forums, its roles and process of evaluation and approval is not covered in the manual.
  f. Some of the most critical post grant award steps has not been covered. For instance, award negotiations, award modifications, award termination and conflict resolution mechanisms are missing in the manual.

Recommendations

- Improve grants management manual by incorporating the following aspects
  a. Standard grant award process for all types of grants. Delete all types of grants that does not fall under the domain of the project. The project will focus only on two types of grants namely 4P grants and grants for the existing VACs. .
  b. Formation of technical review and approval committees and their ToRs. Technical review committee is meant for initial screening and scrutiny of applications/proposals in line with the eligibility criteria. This will reduce the work burden of the approval committee and will streamline the final approval process.
  c. Incorporate quantifiable evaluation and selection criteria for each grant type in the manual.
  d. The manual should outline the critical steps such as award negotiation, modification, termination and conflict resolution.
  e. Post grant monitoring and reporting, templates and responsibilities should be clearly outlined in the grants management manual.

G. Potato Seed Production in Gilgit Baltistan – Agriculture Research Department

- Agriculture Research Department has made considerable efforts in the registration of four potato seed varieties through Seed Council GB and its certification through Federal Seed Certification and Registration Department. Additionally, seven IPR varieties have also been registered. Tissue culture labs are fully functional in producing invitro plants for further multiplication into pre-basic seeds, which are transformed into basic seeds at research farms. Currently Agriculture department has involved a private seed company namely “Gravity” for multiplication of 10 MT of basic seed on farmers land for certified seed production. While, the activities mentioned demonstrate positive signs towards developing a sustainable seed system in the region, it’s important to mention that these efforts are still in the early stages of development and more work has to be done to achieve long term objectives. Relying on a single company, with limited production capacity, raises serious concerns for long-term sustainability. Agriculture Research Department has the potential and capacity to produce basic seed on large scale. However, the current seed production in the research system is insufficient to meet the demand of both private sector and farming community, posing a significant challenge to GB's self-sufficiency in quality seed availability and commercialization aspect of the intervention. Figure 1 shows the current business model of potato seed production through a private company, while Figure 2 is the suggested model for commercialization of seed potato production in the region.

Recommendation

- The current practices highlight the need for the Agriculture Research Department to scale up the commercialization aspect of potato seed production. This involves engaging more actors from the private sector and maximizing seed production capacity to bridge the gap and ensure a stable and sustainable seed system. However, all these efforts need to be strategized and a comprehensive business plan for utilization of the revolving fund allocated to the department should be developed for achieving success.
- In order to ensure availability of quality seed in the local area, it may go for contractual arrangement with contract growers and buying back the certified seed for further distribution to the farming communities in the active season.
- Alternatively, the project should focus on direct seed production for potato seed companies through contract farming, involving VACs. This will help in improving farmers income and productivity and ensure availability of quality seed in the area.

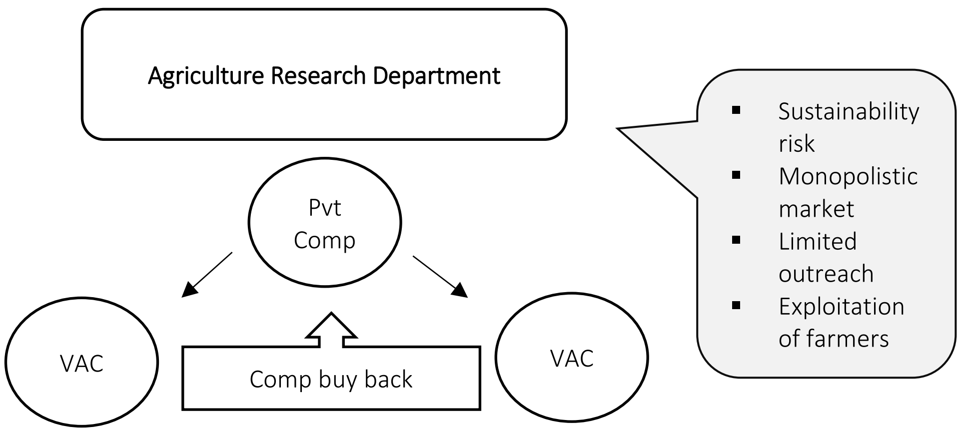

Figure 1 – Current Business Model

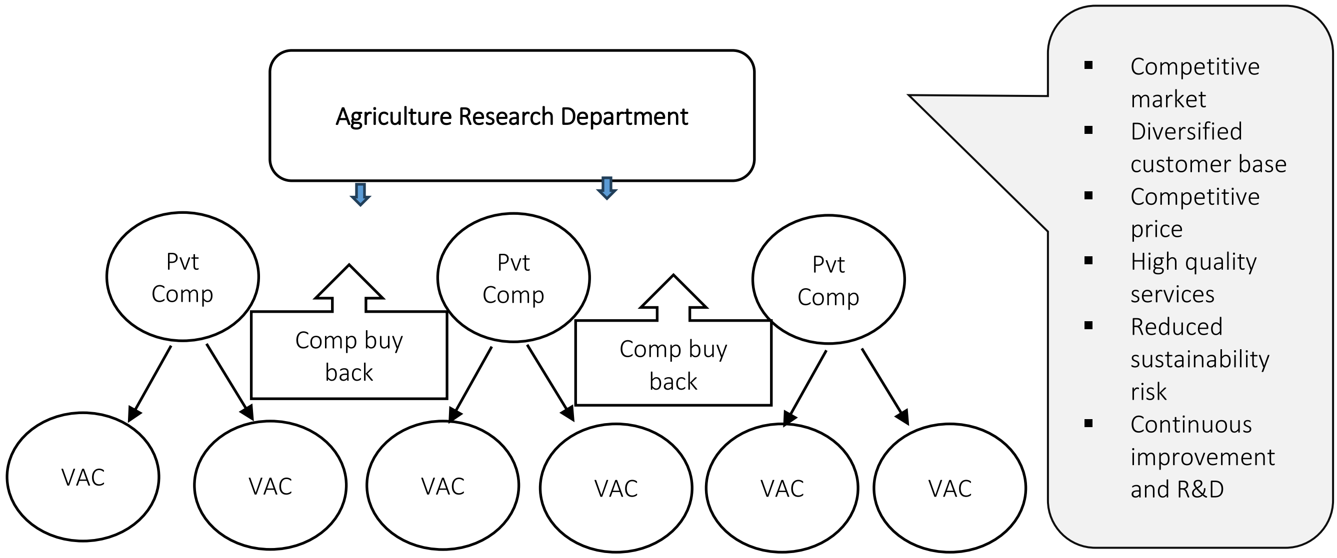

Figure 2 – Proposed Business Model

Annex 1 – Illustrative Criteria for 4P Grants

The proposals will be evaluated against the following criteria and the minimum percentage for an application to be selected for grant support is 50%.

Criteria for Application Evaluation	Points
1. Applicant Experience, Capabilities and Expertise	**30**
1.1. **Relevant Past Experience** Minimum 5 years of relevant past experience in agriculture production and processing, value addition and marketing etc. Preference will be given to the experience of similar nature activities as proposed in the grant proposal. Five (5) years is the minimum requirement, and each additional year of relevant experience (above 5 years) will be allotted 3 points with maximum points not exceeding ***15 Points***. *The applicant must provide valid proof / evidence of past experience*.	15
1.2. **Applicant In-House Capacities and Strengths** The applicant should provide brief details of, • Organization / management structure • Management & technical team details • Record keeping practices • Current/previous business achievements • Access to market and networking with market agents • Unique characteristics and competitive advantages etc. *The applicant must provide documentary evidence where applicable* ***-15 Points***	15
2. Proposed Business Idea	**30**
2.1. **Proposed Business Idea** The applicant must provide brief and concise details of the proposed idea/activity. Marks will be allotted on the basis of key parameters, • Relevancy to ETI-GB objectives and outcomes – 5 points • The proposed activity is technically feasible in target region - 5 points • The financial & economic viability of proposed activity- 5 points • Realistic and workable implementation plan – 5 points • Innovation and value addition to be introduced- 5 Points • Types of market to be accessed (local, regional, national) -***5 Points***	30
3. Post Grant Impact	**20**
3.1. **Increase in Annual Sales Revenue** Increase in annual sales revenue or expected annual sales revenue after implementation of grant support. This must be justified through proper revenue calculations for the next 2 years after receiving ETI-GB grant support along with realistic assumptions.	10

3.2. **Financial & Economic Benefits to Member Farmers** How much financial and economic benefits will be received by the member/target farmers as a result of this activity. The applicant must provide realistic assumptions and proper calculation.	10
4. Applicant Financial Strengths and Available Investment	**20**
4.1. **Applicant Current Annual Turnover / Sales Revenue** The applicant’s current annual sales revenue from business / farming activities. Points will be allotted as follows, • More than PKR. 25 million – 10 points • Between PKR. 20 – 25 million – 7.5 points • Between PKR 15- 20 million - 5 points **Note:** The applicant must provide valid proof such as copies of contracts, sales invoices, purchase receipts, bank statement, audited financial statements, tax returns etc.	10
4.2. **Applicant Own Contribution** Applicant’s co-investment / contribution in proposed activity (in Cash). Points will be allotted as follows, • More than 50% contribution – 10 points • Equivalent to requested grant amount - 5 points	10
Total:	**100**

Annex 2 – Illustrative Criteria for VACs Grants

The proposals will be evaluated against the following criteria and the minimum percentage for an application to be selected for grant support is 70%.

Criteria for Application Evaluation	Points
1. VAC Past Relevant Business Experience and Progress	**30**
1.1. **Relevant Past Experience** The VAC relevant past experience in similar and related nature activities such as inputs provision, agriculture farming, production, processing, value addition and marketing. Points will be allotted as follows, • Direct relevant experience of VAC – 15 points • Partial relevant experience of VAC – 10 points *The applicant must* provide *valid proof / evidence of past experience*.	15
1.2. **VAC Past Performance and Progress** The VAC must demonstrate successful past performance and progress made after registration. Points will be allotted as follows, • Progress on recovery of revolving funds – 5 • business plan implementation - 5 points • Business transactions on aggregation model – 5 points *The applicant must provide documentary evidence where applicable **-15 Points***	15
2. Proposed Business Idea	**30**
The applicant must provide brief and concise details of the proposed idea/activity. Marks will be allotted on the basis of key parameters, • Relevancy to ETI-GB objectives and outcomes – ***5 points*** • The proposed activity is technically feasible in target region - ***5 points*** • The financial & economic viability of proposed activity- ***5 points*** • Realistic and workable implementation plan – ***5 points*** • Innovation and value addition to be introduced- ***5 Points*** • Types of market to be accessed (local, regional, national) -***5 Points***	30
3. Post Grant Impact	**20**
3.1. **Increase in Annual Sales Revenue** Increase in annual sales revenue or expected annual sales revenue after implementation of grant support. This must be justified through proper revenue calculations for the next 2 years after receiving ETI-GB grant support along with realistic assumptions.	10
3.2. **Financial & Economic Benefits to Member Farmers** How much financial and economic benefits will be received by the member/target farmer as a result of this activity. The applicant must provide realistic assumptions and proper calculation.	10

4. Applicant Financial Strengths and Available Investment	**20**
4.1. **Applicant Own Contribution** Applicant's co-investment / contribution in proposed activity (Cash, in-kind & other contribution with sufficient details). Points will be allotted as follows, • More than 30% contribution – 20 points • Equivalent to requested grant amount - 10 points	20
Total:	**100**

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Appendix 5: Mission preparation and planning, TORs, schedules, people met

Mission Dates:	12 May to 19 June 2024
Document Date:	22/07/2024
Project No.	2000000836
Report No.	6929-PK

Asia and the Pacific Division
Programme Management Department

Appendix 5: Mission preparation and planning, TORs, schedules, people met.

Terms of Reference ETI GB Supervision Mission

COUNTRY OF ASSIGNMENT/LOCATION: Pakistan

MISSION NAME: Economic Transformation Initiative in Gilgit-Baltistan (ETI-GB) Supervision Mission

MISSIONSTART AND END DATES: 12 May to 24 May 2024

REPORT TO: **Fernanda Thomaz Da Rocha,** Country Director, APR/PMD

I. MISSION COMPOSITION:

In-country:

Fernanda Thomaz Da Rocha, Mission Leader, Country Director Pakistan
Arnoud Hameleers, Country Director Bangladesh
Qaim Shah, Team Leader, Project Management and Policy
Sumaira, Country Programme Analyst, (Remote)
Fayaz Ahmad, Value Chain Specialist
DR Zia Uddin, Nutrition Specialist
Abdul Hakeem Khan, SECAP and Infrastructure Specialist
Arsalan Haneef, Financial Management
Naeem Abbas, Procurement Specialist
Abdul Hamid Khan, M&E

II. BACKGROUND:

A highly concessional loan of SDR 48.55 million was approved by IFAD's Executive board in April 2015 for the Economic Transformation Initiative in Gilgit-Baltistan, a USD 120 million programme. It entered into force on 16 September 2015 with a completion date of 30 September 2022. The project is co-financed for an amount equivalent to USD 23 million by the Italian Cooperation. The completion date has been extended for 3 years on the request of the Government of Pakistan.

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% of the population is engaged in agriculture. The project focuses on: (i) increasing agricultural production by organizing farmers, developing value chains for high-value cash crops and linking farmers to local markets and private sector; (ii) developing support infrastructure including new irrigated land and rural roads; and (ii) developing support systems for smallholder farmers including land titling systems and improving access to financing. The project components are: (i) Economic infrastructure (comprising of two sub-components; irrigation and land development and farm-to-market roads); (ii) Support Services/PPPP for Value Chain Development; and (iii) project management and policy support.

A Project Coordination Unit under the Planning and Development Department of the Provincial Government of Gilgit-Baltistan is responsible for project implementation through three regional coordination units. The annual supervision mission of the project is planned during 12-24 June 2024.

III. MISSION OBJECTIVES AND OUTPUTS:

Covering the period since the last supervision mission and the extension period of the project, the main objective of the Mission will be to ascertain the likeliness of attaining of development objective of the project, identify gaps if any, and the extent to which additional outreach could be achieved. The specific objectives are the following:

- Assess the progress made, since last SM and ISM, in terms of project outputs and outcomes;
- Assess the progress of the project activities, particularly under component 2 in the extended areas (all districts of Gilgit-Baltistan),
- Assess the implementation capacities within the project and engagements with implementing partners;
- Review the financing proportions and identify variations in financing structure agreed under IFAD financing agreement and among the financiers (IFAD, AICS and Government of GB);
- Assess the status of implementation of recommendations of the previous supervision missions and ISM;
- Assess the procurement plan and coherence of the AWP/B for the new fiscal year;
- Review together with Planning and Development Department, Gilgit-Baltistan progress on the timeline as well as quality of progress pertaining to the staff recruitment, onboarding partners and rollout of access to finance (Credit Guarantee);
- Review progress on land titling and initiation of the remaining policy reforms i.e. sustainable water management policy and provincial road master-plan;
- Review and assess the procurement quality both at PMU and community level;
- Assess the financial progress of the project in light of project completion (2025);
- Identify actual and potential/emerging operational problems; and,
- Propose solutions, corrective measures or improvements required.

In preparation for the supervision mission, the PCU is expected to prepare and submit an updated and revised progress report, in the format of the standard IFAD Supervision Mission Report template – reflecting the latest physical (or preparatory activity) and financial progress, performance data and M&E data (outreach, targeting and other key indicators contained in the log frame). The PCU will also prepare other documentation required including those required for the review of fiduciary and procurement issues ahead of the mission (including procurement records, contracts etc.). In addition, the PCU will prepare the draft field itinerary for the mission.

IV. INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES

Ms Fernanda Thomaz Da Rocha, CD Pakistan (Mission Leader)

The mission leader will assume the overall coordination of the supervision mission, provide the necessary support to the team, review the aide memoire, supervision report and management letter, prior to their finalization.

Following are the specific task;

(i) Responsible for leading on the key mission's activities, leading the discussions including with the Lead Programme Agency and concerned government counterparts;
(ii) Provide clarity to team members on the priority areas, identified together with Government and co-finance partners (AICS);
(iii) Assess the proposal by the project on reallocation of unallocated, discuss with GoGB, identify variations in financing structure and agree on variation to IFAD financing;
(iv) Lead the discussions during the wrap-up meeting;
(v) Review the final Aid Memoir and ORMS SV report; and,
(vi) Any other task that is referred by the mission team for guidance and concurrence.

Mr Arnoud Hameleers, CD Bangladesh

To participate in the mission and co-lead on the key discussions with stakeholders and provide necessary guidance to the mission team during the mission and review of the final report. In particular, following tasks will be performed:

(i) Provide strategic guidance and assess exit strategy;
(ii) Assess the level of implementation of the different policies (water, land and road master planning/O&M;

(iii) Support Team leader in undertaking review of cross cutting issues in terms of lesson learned and as means to effective policy dialogue for mainstreaming gender, climate change and youth;
(iv) Assess the project's overall performance in targeting, social inclusion, community empowerment and beneficiary participation;
(v) Review the status of gender mainstreaming, gender equality, women's empowerment and participation in the project activities;
(vi) Review project strategy to promote women's and youth participation, including the gender strategy; provide
recommendations to improve the approach/ strategy;
(vii) Assess the long-term viability and legal ownership of the grant funding provided to cooperatives (under both components) and suggest a viable way forward ensuring due ownership and governance model of the Government of GB; and,
(vii) Any other task requested by the CD and that is referred by the mission team for guidance and concurrence.

<u>Deliverable(s):</u>

(viii) Provide input for Aid Memoir and ORMS SV report; and,
(ix) Any other task that is referred to mission team for guidance and concurrence.

Mr Qaim Shah: Team Leader/Component 3

The Team leader will facilitate coordination of the supervision mission, draft the aide memoire, and supervision report. Following are the specific task;

(i) Responsible for coordinating the mission's activities, assignment of responsibilities among mission team members, leading the discussions, liaising with the Lead Programme Agency and concerned implementing agencies and private sector partners;
(ii) Assign the detailed tasks contributing to the various parts of the Mission's Aide Memoire and full mission Report among the mission members;
(iii) Make assessment of the overall project performance and quality of implementation in line with the defined result objectives, legal and financial agreements;
(iv) Ensure collaboration / discussion with national counterparts and other donors in accordance with mission schedules;
(v) Assess effectiveness of the coordination between social mobilization partner, project and other stakeholders with regards to sharing lessons learnt;
(vi) Assess the targeting strategy of the project and its social mobilization partners and how BISP beneficiaries/ the poorest are being taken into account and benefitted in the process; as well assess efficacy and impact of project's pro-poor investments, in particular for women-headed households and ultra-poor;
(vii) assess the quality of the staffing of PMU, partners and cooperatives/private sector partners – also assess the institutional arrangement, capacity for effective management and the systems in place for grant management;
(viii) Assess relevance and effectiveness of Project's consultation and communication approach and actions;
(ix) Review the implementation progress related to component 3; identify actual and potential/emerging operational problems, propose solutions for corrective measures or improvements to be made and provide guidance on priorities;
(x) Review and update all the aspects with respect to implementation arrangement and assess progress of the line departments with respect to its relevance and overall contribution to the project's development objectives;
(xi) Assess the level of implementation of the different policies (water, land and road master planning/O&M);
(xii) Appraise the viability of the strengthening of the SMBR for land tenure management in the region;
(xiii) Assess the progress of SMBR on digitisation of land records management;
(xiv) Review and update the overall physical progress of the project and anticipate the overall achievement or overachievement by the project;
(xv) Update the IRPM, if needed;
(xvi) Review of cross cutting issues in terms of lesson learned and as means to effective policy dialogue for mainstreaming gender, nutrition, climate change and youth; and,
(xvii) Any other task requested by the CD.

<u>Deliverable(s):</u>

- Consolidate and Finalize the ORMS Supervision Mission Report
- Finalize a draft Aide Memoire for presentation at the wrap-up meeting.

Mr Abdul Hakeem Khan: Component 1 and SECAP

In support of the Mission leader, you will review the implementation progress under component 1. The following tasks will be undertaken:

(i) Review implementation progress related to sub component 1; you will identify actual and potential/emerging operational problems, propose solutions for corrective measures or improvements to be made and provide guidance on priorities to be pursued for finalization of the land development and ensuring the cultivation;
(ii) Review the Gilgit-Baltistan Map with all the current and planned sites to assess their spread in terms of equity, needs and potential for development and also in light of no-cost extension memo and provide course correction as applicable;
(iii) Review and assess the scheme section process and prioritisation measures in place and adherence to the set criteria;
(iv) Assess the quality of irrigation infrastructure;
(v) Undertaken value for money/cost efficiencies analysis in designing and implementation of irrigation and road infrastructure and adequacy and timeliness of flow of fund arrangements between project, regional offices and beneficiary SMTs and propose improvements wherever warranted;
(vi) Assess the status of transformation of SMTs into cooperatives and status of payback;
(vii) Assess the level of land development in pre and post extension scenario;

SECAP

(i) Assess the progress of project activities related to the Environment and NRM.
(ii) Assess progress and issues in project activities related to climate change adaptation and devise new interventions/demonstrations within the objectives of the project. Collaborate with mission members to provide technical guidance to overcome implementation hurdles.
(iii) Document best practices, lessons learned, and innovations in environmental and NRM aspects. Assess the capacity of actors to scale up techniques and information acquired in natural resource management.
(iv) Document best practices, lessons learned, and innovations in climate change adaptation within the project.
(v) Follow up and Report on agreed actions mentioned in ISM June 2023: on Environment and Natural Resource Management (Page 16: Para 60); Social and Environment (Page 20: Para 83-87)
(vi) Based on the above agreed actions, support the mission on issues related to Environment and Climate change, including ECC related aspect of SECAP
(vii) Report on how Environment, Social Inclusion and Climate change aspects and risks are being incorporated in the project activities.
(viii) Status on Monitoring of Grievance Redress Mechanisms (GRM) and Stakeholder Engagement Plans (SEP) being incorporated into the monitoring and project activities. Assess Stakeholder Engagement in the project.
(ix) Review/ update the existing climate risk assessment specific to the target areas and relevant to the project intervention activities including analysis on the overall project risk from extreme events due to climate change.
(x) Identify progress, challenges and solutions in the area of SECAP implementation.
(xi) Any other task requested by the CD

Support the preparation of the mission report under the guidance of the mission leader.

Deliverable(s):

- Contribution to ORMS Mission Report in line with IFAD's Template following Guidelines for Rating
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (Technical Notes: 1. Report on Agreed Actions from ISM 2023; 2. Report on monitoring on SECAP requirements (Environment, Social Inclusion and Climate Change, GRM and SEP)

Fayaz Ahmed: Value Chain and 4P Specialist

In support of the Mission leader, you will review the implementation progress under component 2. The following tasks will be undertaken:

(i) Identify actual and potential/emerging operational problems, propose solutions for corrective measures or improvements to be made and provide guidance on priorities to be pursued for component 2 achievement of its objectives;

(ii) Assess the level of attainment of cooperatives strengthening, identify the bottlenecks and provide recommendations;

(iii) Assess the level of implementation of the 4Ps proposals, identify the bottlenecks and provide recommendations for the pending 4Ps targets;

(iv) Evaluate the PMU capacities for implementation of the component (cooperatives and development of 4Ps, business planning and provision of Business Development Services;

(v) Assess the quality of the business plans prepared and the institutional framework proposed for cooperatives and 4Ps;

(vi) Assess the viability of the business plans in the context of local and down-country market and make recommendation with regard to market access for output and market development for inputs;

(vii) Evaluate the current practices of cooperative management;

(viii) Assess the performance of the GBRSP in relation to its support to cooperatives, enhancing access to finance and role out of partial credit guarantee scheme;

(ix) Review findings of the audit and elections of the cooperatives by Department of Cooperatives to identify critical areas for support for inclusion in the programme of work for component 2 in the remaining project period;

(x) Assess/review the current roles of RCUs, PCU, and line departments in terms of organizing of farmer groups, the underlying coordination mechanisms and effectiveness of their individual and collective engagement with the farmers groups; identify strengths and weaknesses and make concrete recommendations for improved quality of farmer organizations; and,

(xi) Any other task requested by the CD.

Deliverable(s):

- Contribution to the ORMS Mission Report in line with IFAD’s Template following Guidelines for the Rating
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (as applicable)

Abdul Hamid Khan: Monitoring and Evaluation, Logframe, KM Specialist

In support of the Mission leader, you will review the M&E system. The specific following tasks will be undertaken:

(i) Assess the programme’s M&E system including MIS;

(ii) Assess M&E arrangement between PMU and implementing partners;

(iii) Assess M&E plan;

(iv) Assess potential areas of improvement in M&E system (including responsibilities, arrangements, compliance across project actors), especially its effectiveness in capturing bottom-up information/ data for reporting and as a management tool;

(v) Review the quality of the M&E with respect to capturing and analysing data, the link between M&E and KM, progress report, identify gaps and suggest remedial measures;

(vi) Assess the project’s progress in developing knowledge and lessons learned, the knowledge management strategy/action plan of the project and assess capacity of the project and its implementing partners in this respect;

(vii) Identify promising, innovative knowledge product generated by the project - provide recommendations for improvement for better packaging, presentation and dissemination;

(viii) Assess the utilisation of M&E system as key tool to improvise project implementation by project management as per the lessons generated by M&E;

(ix) Assess the Grievance monitoring and Address Mechanism;

(x) Assess Feedback and Complain Response Mechanism within the Project is in line with established procedures;

(xi) Assess the quality of reports and knowledge products received by the project;

(xii) Assess the mechanism of stakeholder engagement and knowledge dissemination framework in the project;

(xiii) Review the logframe; and

(xiv) Any other task requested by the CD.

Deliverable(s):

- Contribution to ORMS Mission Report in line with IFAD’s Template following Guidelines for Rating
- Contribution to the Aide Memoire
- Technical note(s)/Annex (as applicable)

Dr Zia Uddin: Nutrition Expert

In support of the Mission leader, you will review and assess reviewing the mainstreaming nutrition aspects of the project. The specific following tasks will be undertaken:

(i) Review project documentation- progress reports, baselines and Aide-Memoire of previous supervision missions to see if recommendations related to nutrition were followed up;
(ii) Assess the existing nutrition strategy/action plan;
(iii) Assess the progress of implementation of planned nutrition activities;
(iv) Assess quality of implementation (e.g training materials, tools);
(v) Verify how the nutrition-related activities are coordinated with other sectors and stakeholders, including with existing coordination platforms;
(vi) Assess if other project activities pose any undesired effects on the nutritional status of the target population;
(vii) Assess if nutrition-related actions/interventions are included in the annual workplan and budget
(viii) Assess if the AWP/B has allocated adequate financial and human resources for implementation of nutrition- sensitive activities;
(ix) Assess if nutrition indicators are integrated into the project M&E and learning system and that they are routinely tracked and reported (including reporting in the ORMS);
(x) Assess if the project's interventions are reaching the intended target group(s);
(xi) Identify implementation challenges and provide technical support and practical guidance to the nutrition Focal Point as appropriate to ensure, among others, that nutrition is mainstreamed in all aspects of the project, including good agricultural practices, choice of value chain commodities and policy engagement as needed;
(xii) Identify opportunities and make recommendations on how to improve project performance and where necessary re-design and resource the nutrition mainstreaming sub-component of the project with a view to provide for more substantive mainstreaming activities than was provided for in the design document, (e.g. nutrition knowledge, food processing, storage and utilization); and
(xiii) Any other task requested by the CD.

Deliverable(s):

- Contribution to ORMS Mission Report in line with IFAD's Template following Guidelines for Rating
- Contribution to the Aide Memoire
- Technical note(s)/Annex (as applicable)

Arsalan Haneef: Financial Management Specialist

Re-assess the quality of FM arrangements and update residual risk assessment.

(i) Perform Financial Management Performance Assessment, guided by the FMAQ template (annex 6)[1], to assess the strengths and weaknesses of the project's financial management systems. This will include the review of documents and reports indicated in the FMAQ questionnaire.
(ii) Review and assess the adequacy of LPA's fraud and anti-corruption policy, including procedures for fraud reporting, whistle-blower protection handling, and safeguarding assets from fraud, waste, and abuse. Assess the need for anti-corruption awareness training for the finance staff.
(iii) Based on the results of the FMAQ, re-assess the project residual risk under the six FMAQ pillars (risk AS IS at the time of the SM) before factoring the mitigation measures you have agreed with the project team. The proposed mitigation measures must be specific, clear, realistic, attainable and time-bound.
(iv) Assess the overall country FM context and confirm whether there are any changes that may affect/improve the Inherent Risk[2].
(v) Review FM recommendations/findings from the latest supervision mission (if applicable) and confirm that the project is timely implementing the agreed action plan. *Critically review the unimplemented mitigating measures and consider whether they were suitable and they can still be implemented, or you may need to propose alternative mitigating measures if the issues are still prevailing.*
(vi) Confirm that the project complies with all the FM covenants to the Financing Agreement (FA) and conditions set out in the FMFCL. In case of joint or parallel financing, review and confirm the adherence to fiduciary requirements of co- financiers.
(vii) **Flow of funds.** Review the flow of fund arrangements as spelt in the FMFCL and assess the adequacy of the current system based on inter-alia, funds are made timely available to the implementing entities, traceability of IFAD financing, timely submission of funds requisitions,

[1] A self-evaluation by Project staff of agreed actions may be conducted as a first review. Where evidence provided is not deemed sufficient, the actions status should not be updated in FMDB.
[2] Refer to Enhanced Risk Framework; gather information from external sources, other projects and partners.

management of advances[3], timely preparation of expenditures reports and monthly bank reconciliations. Refer to FMAQ section 3.

(viii) **Counterpart funding.** Review the status of counterpart funding from government, beneficiaries, and other co-financiers (as relevant). Confirm that government co-financing is traceable, and a separate project account/ledger is maintained where this is provided in cash. Confirm whether the project has developed and consistently uses practical guidelines to define, measure, monitor and report all forms of in-kind contributions (IKC).

(ix) **Accounting.** Review the project's accounting processes, identify accounting standards used and reporting differences with IFRS/IPSAS. Assess timeliness for recording transactions, budget posting and reconciliations. Comment as required on the suitability of chart of accounts and expenditure classification. Refer to FMAQ section 5.

(x) **Information system.** Using the "accounting software" checklist (annex 5), review and assess the functionality of the project's accounting software/ government system where the project is embedded within the government system. Review the FMDB 'Systems' tab on Accounting Software and note any discrepancies or updates in final report to the Finance Officer.

(xi) **Internal controls.** Perform a virtual walkthrough of the project's internal controls and financial administration of funds and confirm the adequacy of payment processes, segregation of duties, and management of assets. Provide recommendations on any internal control weakness noted and concretely support the project with any needed revision of the PIM. Refer to FMAQ section 4.

(xii) Review the internal-audit (IA) arrangements and status/follow up on past recommendations; review IA reports if available, describe findings and identify areas which need to be strengthened in the PIM[4].

(xiii) **Oversight of Implementing Partners (IPs).** Review the MoUs/contracts signed with the project's main implementing partners (IPs) and the adequacy of fiduciary provisions (audit requirements, disbursement of funds, accounting and financial reporting); confirm that PMU carries out regular oversight activities. Perform the checks indicated in FMAQ section 4.

(xiv) **Project Implementation Manual.** Assess project's compliance with the PIM, including procedures related to travel, staff allowances, vehicles/fuel and IT.

(xv) Perform visits to project's decentralized offices and perform standard FM checks (from FMAQ), as agreed with the Team Leader and FO.

(xvi) **Follow-up on ineligible expenditures.** Review and discuss with the project financial controller the status of the declared ineligible expenditures emerging from audit reports and/or communicated by IFAD, or any pending legal cases, which may imply ineligible expenditures.

(xvii) Consider changes in project design or implementation arrangements that have been implemented or are being considered by Project Delivery Team. Assess the impact of these on financial management arrangements and if any changes in the FM arrangements are required.

(xviii) **Expenditures review.** Review Withdrawal Applications (WAs) and IFRs submitted to IFAD after the previous supervision mission and perform the expenditures review exercise as per the "Annex 3". The size of the sample to be tested should be at least 20% of transaction values. Identify potential ineligible expenditures and update the FMDB "Mission" tab section.

Review of Interim Financial Reports (IFRs): project's financial performance and funds forecast.

(xix) Review the overall financial performance by expenditure category and component against appraisal targets and the approved AWPB.

(xx) Provide technical guidance to the project on the preparation of the IFRs by performing the following tasks:

a. Complete Pillar 2 checklist and file this in FMDB.
b. Estimate the need for category reallocations.
c. Ensure that the financial data reported in the sources and uses of funds report are accurate and it is well reflected in the IFRs; reconcile with IFAD data (Status of Funds and Historical Transaction Report);
d. Reconcile the IFR data with the Trial Balance of the accounting system.
e. Review and guide the project in filling correctly all the statements contained in the report.
f. If needed, propose changes to the template to facilitate the project and to adapt the template to specific needs of the project.Ensure the project is aware of the submission timelines (45 days after the quarter end) and review whether this were met in the last submission, understand the challenges, and seek to help the project where practical to address this.
g. Prepare a brief report on your findings, on the work done. Include your recommendations for IFAD and for the project and evaluate the quality of the report.
h. After the above steps, complete Pillar 2 checklist and file this in FMDB; and

(xxi) any other task requested by the CD/Regional FM

Officer Deliverable(s):

- Contribution to ORMS Mission Report in line with IFAD's Template following Guidelines for Rating
- Contribution to the Aide Memoire
- Technical note(s)/Annex (as applicable)

Mr Naeem Abbas: Procurement

In line with Chapter V of the IFAD Procurement Manual, the Consultant should carry out the following tasks:

(i) Conduct a desk review of the project's contract portfolio in the Contract Monitoring tool before the start of the mission to identify delays, big ticket and/or problematic contracts.

(ii) Review the current Procurement Plan in order to assess it has been fully updated and upgraded in the correct IFAD template or appropriate IFAD procurement system, ascertain its completeness, its concurrence with the AWPB, Financing Agreement, Project Procurement Arrangements (PPA) and Project Procurement Strategy (especially concerning packaging and value for money) and its consistency with the country systems and/or IFAD Procurement Guidelines and Handbook.

(iii) Conduct a review of any significant changes in the borrower/recipient's procurement system and practices,

and ensure project procurement procedures and systems are updated accordingly.

(iv) Review/update the Procurement Risk Assessment, using the IFAD Procurement Risk Matrix (Chapter I of the IFAD Procurement Manual);

(v) Provide support, advice, and recommendations on the following:
   a) Amendments to the proposed methods of procurement, thresholds, ceilings, contract types, contractual arrangements and preferences listed in the PPA.
   b) The related IFAD review procedures and provide suggestions to improve the overall quality of the procurement processes.

(vi) Based on the desk review of contract data, review a minimum sample of 10% of all post-review contracts and high risk prior review contracts during the mission for compliance with:
   a) the applicable procurement framework: i.e.: national procurement laws and regulations consistent with the IFAD Project Procurement Guidelines and Procurement Handbook.
   b) The approved AWPB and Procurement Plan, in terms of quality and quantities.
   c) IFAD or national Procurement Bidding and Contract Templates (as applicable); and
   d) IFAD's SECAP and other IFAD policies concerning anti-corruption, anti-money laundering and prevention of SH and SEA.

(vii) Review the procurement, contracting and implementation processes (prequalification/shortlisting, receipt of bids/proposals, bid/proposal evaluation and contract award) and timeliness and appropriateness of procurement actions.

(viii) Review the management capacity and appropriateness of addressing SECAP risks through procurement (with specific focus on big ticket contracts and SECAP-related management at bidding stage and contract implementation stage), as outlined in the PIM;

(ix) Assess contract administration and management procedures and review the completeness and updated nature of contract data in the Contract Monitoring Tool.

(x) Assess the procurement capacity of all entities to be reviewed in terms of manpower, levels of training of procurement staff, work environments, absence of conflict of interest with other PMU functions and the parent IA's departments and independence of procurement staff to carry out their statutory assignments.

(xi) Conduct specific analysis of value for money (VFM) at all levels and the reasonableness of prices for:
   a. Goods, equipment, etc. using available price indicators.
   b. Civil Works, compared to locally accepted standards and prices; and
   c. Services compare quality-output to international standards and prices.

(xii) Determine whether adequate systems are in place for procurement planning, implementation and monitoring, and whether procurement documentation and records (including securities) are maintained as per required standards and can be relied upon;

(xiii) Verify to the extent possible, whether goods, works and consulting services contracted were supplied/completed according to the required specifications and technical standards.

(xiv) Review issues identified in the previous procurement review and aide-mémoire and procurement related issues identified in project audit reports.

(xv) Identify deficiencies and make recommendations for improvements and control mechanisms in the procurement procedures and processes.

viii. Bring to the attention of the SPO any instance of non-compliance deemed connected with malpractice or fraudulent and corrupt activities on the part of the borrower's or bidders' staff,

including potential cases of mis procurement or ineligible expenditures.

ix. Assess further procurement staff training needs and ensure relevant training is planned and provided to project management and procurement staff in a timely manner.

x. Assess the procurement performance of the project with respect to five designated parameters: procurement strategy & planning process, processes and procedures from prequalification to bidding, process and procedures for bid evaluation and contract award, contract management and administration, CMT data accuracy and timeliness and record retention.

xi. List needed improvements in relation to performance and define the actions, timeline, and responsibilities (agreed with either the Borrower/Recipient or IFAD) for implementation of the recommendations resulting from this review.

xii. Submit an assignment report (as per the IFAD standard format of the Procurement Review/Implementation Support Appendix, Annex 1, 3 and 6 of Chapter V of the IFAD Procurement Manual), and any other relevant ancillary documents.

xiii. Carry out any other activity, as required by the Senior Procurement Specialist/CD. Deliverable(s):

- Contribution to ORMS Mission Report in line with IFAD's Template following Guidelines for Rating
- Contribution to the Aide Memoire
- Technical note(s)/Annex (as applicable)

V. DOCUMENTATION

The following documentation will be made available to consultants prior to the assignment:

- Financing Agreement and LTB
- ETI-GB PDR and annexes
- Updated ETI-GB progress report and financial progress report (including progress reports from implementing partners) as well as any knowledge being produced;
- Mid-Term Review mission report
- Recent ISM report
- PIM
- Action tracker and log frame to update

All mission members will be expected to provide their full draft written input into the aide memoire 48 hours in advance of the final wrap-up meeting. The draft aide memoire will be provided to the lead programme agency 24 hours prior to the wrap-up meeting.

Mission Itinerary:

Date	Activity
12 May 2024	Mission Arrives in Skardu
13 May 2024	Detailed Meeting with PMU and Partners – Review Progress, Issues and Challenges
	Finalise last minute adjustments in field Team composition
13 – 20 May 2024	Meeting with Regional PCUs, communities, Cooperatives and 4Ps and field visits to schemes in the three regions
21 - 22 May 2023	Additional meeting with stakeholders, prepare AM, SV report and
23 May 2024	Debrief with PMU and finalise AM
24 May 2024	Debrief with Government of GB
25 May 2024	Mission Travel back to Islamabad
10 June 2024	Wrap up meeting with MoEA

*The mission will travel in the field in three teams (each team covering one region).

VI. IMPORTANT NOTE:

IFAD will accept only reports that follow the template, which will be provided separately. The team leader is responsible for preparing the main report and annexes in the required format and ensuring that the working papers submitted by the individual team members are consolidated in one single document and in the correct format. He will compile the full report, including his own contributions and those of all the mission members into one consistent final and complete Report and submit it to IFAD on or before the agreed deadline.

LIST OF PERSONS MET - MEETING

S.No	Date	Meeting Title	Participants	Location
1	12 May 2024	ETI-GB Program Briefing	ETI-GB Senior Management & Staff Khadim Hussain Saleem (PC) Barkat Ali (DPC) Muhammad Ali Baig (DF) Shahid Hussain (Infrastructure Specialist) Ghulam Abbas (Lead VC) Rizwan Latif (Acting Manger Gender and Poverty) Iqtidar Hussain (RPC-G) Abdullah Khan (RPC-D) Zeeshan Karim (RPC-BLN) Asad Ullah Baig (Manager HR &Admin) Amin Salman (BDO) Other staff	Skardu
2	20 May 2024	Meeting with Line Departments	• Water Management & Irrigation Department ○ Sher Jahan (Director) ○ Naveed (Deputy Director) • Agriculture Research & Extension ○ Asghar (Director Research) ○ Ghulam Mustafa (Director Ext Glt) ○ Dr Zakir (DD Extension BLN) ○ Abdul Khabir (Director Ext DMR) • GB Board of Revenue ○ Zaid (Secretary BOR) • GBRSP ○ Ashfaque Ahmed(GM) ○ Amjad Wali (PM Enterprise Development) ○ Usman Zaib Gandapoor (PM Admin Procurement and HR) ○ Masood Mir (Advisor/Lead) ○ Asfar Ali (PM institutional Development) ○ Muhammad Hussain (Deputy Lead) ○ Jamil Ahmed (PCGS Expert) • Cooperative Department GB ○ Amin Mir (Registrar CD) ○ Rehmat Shah (Inspector Cooperatives)	Gilgit
3	21 May 2024	ISM Meeting with Consultant Water Policy, Road Master Plan & O&M	ETI-GB Engineering Team • Shahid Hussain (IS) • Nasir Hussain (RE) • Ayaz (RE) • Najeeb (RE) Consulting Firm Reps • Khuram Farid Bargatt (MD) Imran Ashraf (AICS) MW&ID • Sher Jahan (Director WMD) • Naveed (DD WMID)	Gilgit

4	21 May 2024	ISM Meeting with M&E/C&KM	DPC, ETI-GB, M&E/ C& KM Staff • Barkat Ali (DPC) • Nizar Ali (M&EO PCU) • Amna Wali (M&EO RCU-G) • Ali Rehman (M&E RCU-D) • Shujaat Ali (Comm Officer) • Abdul Ghaffar (MIS/IT Administrator)	Gilgit
5	21 May 2024	Wrap-up	AICS Country Head and Technical Advisor ETI-GB Senior Management • Khadim Hussain Saleem (PC) • Barkat Ali (DPC) • Muhammad Ali Baig (DF) • Shahid Hussain (Infrastructure Specialist) • Ghulam Abbas (Lead VC) • Rizwan Latif (Acting Manger Gender and Poverty) • Iqtidar Hussain (RPC-G) • Abdullah Khan (RPC-D) • Zeeshan Karim (RPC-BLN) • Asad Ullah Baig (Manager HR &Admin) • Amin Salman (BDO)	Gilgit
6	22 May 2024	Meeting with GBRSP	ISM, ETI Senior Management, GBRSP • Ashfaque Ahmed(GM) • Amjad Wali (PM Enterprise Development) • Usman Zaib Gandapoor (PM Admin Procurement and HR) • Masood Mir (Advisor/Lead) • Asfar Ali (PM institutional Development) • Muhammad Hussain (Deputy Lead) • Jamil Ahmed (PCGS Expert) Ghulam Abbas (Lead VC ETI) Amin Salman (BDO PCU)	Gilgit
7	23 May 2024	Meeting with Additional Chief Secretary(ACS), Planning and Development Department and PSC members GB	ACS, Provincial Secretaries, ETI, AICS & ISM • Mushtaque Ahmed (ACS -Dev-P&DD, GB) • Sabtain Ahmed (Secretary C&W-former GBPWD) • Rehman Shah (Secretary Coop, Excise, Zakat &Usher) • Muhammad Azam Khan (Secretary WM&ID) • Wali Ahmed (SMBR) • Mansoor Alam (Secretary Agriculture) • Mir Nazeem Khan (Deputy Chief P&DD)	Gilgit
8	23 May 2024	Meeting with Chief Minister (CM), GB	ISM and ETI Senior Management Haji Gulbar Khan (CM GB) Mr. Abdul Jabar (Deputy Chief P&DD)	Gilgit
9	24 May 2024	Debriefing	ETI-GB Senior Management & Staff • Khadim Hussain Saleem (PC) • Barkat Ali (DPC) • Muhammad Ali Baig (DF) • Shahid Hussain (Infrastructure Specialist) • Ghulam Abbas (Lead VC)	Gilgit

			• Rizwan Latif (Acting Manger Gender and Poverty) • Iqtidar Hussain (RPC-G) • Abdullah Khan (RPC-D) • Zeeshan Karim (RPC-BLN) • Asad Ullah Baig (Manager HR &Admin) • Amin Salman (BDO) • Pervaiz Alam (Manager Finance) • Fahad Dar (Procurement Officer)	

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates:	12 May to 19 June 2024
Document Date:	22/07/2024
Project No.	2000000836
Report No.	6929-PK

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	**Moderate**	**Moderate**
Fragility and Security	*Moderate*	*Moderate*
Macroeconomic	*Substantial*	*Moderate*
Governance	*Moderate*	*Low*
Political Commitment	*Moderate*	*Low*
Sector Strategies and Policies	**Moderate**	**Moderate**
Policy Development and Implementation	*Moderate*	*Moderate*
Policy alignment	*Moderate*	*Moderate*
Environment and Climate Context	**Substantial**	**Moderate**
Project vulnerability to climate change impacts	*Substantial*	*Moderate*
Project vulnerability to environmental conditions	*Moderate*	*Moderate*
Project Scope	**Moderate**	**Low**
Technical Soundness	*Moderate*	*Low*
Project Relevance	*Moderate*	*Low*
Institutional Capacity for Implementation and Sustainability	**Moderate**	**Low**
Monitoring and Evaluation Arrangements	*Moderate*	*Low*
Implementation Arrangements	*Moderate*	*Low*
Project Financial Management	**High**	**Substantial**
Project External Audit	*High*	*Substantial*
Project Accounting and Financial Reporting	*High*	*Substantial*
Project Internal Controls	*High*	*Substantial*
Project Funds Flow/Disbursement Arrangements	*High*	*Substantial*
Project Budgeting	*Substantial*	*Moderate*
Project Organization and Staffing	*High*	*Substantial*
Project Procurement	**Substantial**	**Substantial**
A.1 Legal, Regulatory and Policy Framework	*Moderate*	*Moderate*
A.2 Institutional Framework and Management Capacity	*Moderate*	*Moderate*
A.3 Accountability, Integrity and Transparency of the Public Procurement System	*Moderate*	*Moderate*
A.4 Public Procurement Operations and Market Practices.	*Substantial*	*Substantial*
B.1 Assessment of Project Complexity	*Moderate*	*Moderate*
B.2 Assesment of Implementing Agency Capacity	*Low*	*Low*
Project Procurement Overall	*Substantial*	*Substantial*
Environment, Social and Climate Impact	**Moderate**	**Low**
Vulnerability of target populations and ecosystems to climate variability and hazards	*Low*	*Low*
Greenhouse Gas Emissions	*Moderate*	*Low*
Physical and Economic Resettlement		*No risk envisaged - not applicable*
Community health, safety and security	*Low*	*Low*
Labour and Working Conditions	*Low*	*Low*

Risk Category / Subcategory	Inherent risk	Residual risk
Indigenous People		*No risk envisaged - not applicable*
Cultural Heritage		*No risk envisaged - not applicable*
Resource Efficiency and Pollution Prevention	*Moderate*	*Low*
Biodiversity Conservation	*Moderate*	*Low*
Stakeholders	**Low**	**Low**
Stakeholder Grievances	*Low*	*Low*
Stakeholder Engagement/Coordination	*Low*	*Low*
Overall	**Moderate**	**Moderate**

Country Context	**Moderate**	**Moderate**
Fragility and Security	***Moderate***	***Moderate***
Risk: Pakistan's security environment has improved since 2014 as a result of concerted counter terrorist and counter militant operations. The security situation in the province is generally stable. The socio-cultural environment in the region is positive for development interventions and many foreign assisted projects are implemented in the region since 1980. International staff of UN agencies and diplomates are allowed to travel to the province.	Moderate	Moderate
Mitigations: The situation will be continuously monitored and appropriate mitigation measures will be put in place if deterioration of security should emerge in any district. The project have presence in all the geographical areas and have strong acceptability while engaging with strong community organisations and cooperatives.		
Macroeconomic	***Substantial***	***Moderate***
Risk: The country's macroeconomic situation has worsened since 2018, due to high fiscal and current account deficits and low levels of reserves. The medium-term growth outlook was impacted by COVID- 19. High inflation, energy shortages and devaluation of currency are the major concerns.	Substantial	Moderate
Mitigations: Adoptive project management especially adjusting the cost per unit of intervention fall in the purview of the project steering committee and while community participation in the project activities has resulted in saving, the impact of macroeconomic situation is likely to be moderate.		
Governance	***Moderate***	***Low***
Risk: The GB province is not fully autonomous and the challenges remain in the development of a strong system for the delivery of development priorities in an efficient, equitable and transparent manner and through participatory development approaches. There are striking differences in resource allocation and management, availability of services and local government systems, leading to disparities in the pace and level of development across the districts.	Moderate	Low

Mitigations: The planning and development Department is generally well placed in terms of human resources, technical and delivery capacity. However, financial constraints often result in sub-optimal performance. The project will assist the Government in addressing management and technical capacity gaps for improved and demand based service delivery with focus on shifting service delivery and support system to the community and the private sector. The project will particularly enhance capacity to respond to climate change and risk reduction and to respond to the changing demand for technologies for high value agriculture, value chain development and market demand and investment in land development and irrigation. The existence of a network of community organisations and engagement with line departments (inhouse development approach) of the project will provide opportunities for inclusiveness, equity and transparency.		
Political Commitment	***Moderate***	***Low***
Risk: Pakistan was one of the first countries to endorse SDG in 2015 when the Parliament approved SDGs as the national development agenda. The budgetary allocations for BISP have been increasing consistently since the start of the programme despite fiscal constraints. The 18th Amendment to the Constitution of Pakistan provides autonomy to the provinces thus budgeting and management of provincial projects are solely in the domain of provinces. The political situation in the country is evolving and while a different political party is having Government in GB and the federal level, provision of necessary budgetary support may be challenging. Economic transformation is nevertheless priority of the provinces as envisaged in the existing policies.	Moderate	Low
Mitigations: To mitigate, the IFAD country team will continue to support the government's efforts and pre-finance delayed counterpart financing.		
Sector Strategies and Policies	**Moderate**	**Moderate**
Policy Development and Implementation	***Moderate***	***Moderate***
Risk: The agriculture policy is cognizant of the unique and diverse agro-climatic conditions of the province which provides great potential for the development of high value crops as well as the development of the livestock sector through the value chain approach and private sector involvement. Youth development policies, strategies and programmes gained focus during the last 10 years. However, a key challenge in Pakistan has been the execution of policies including concrete actions, associating reforms and strategies and regulatory frameworks etc.	Moderate	Moderate
Mitigations: The project will continue to provide support for effective implementation of the relevant parts of the policies including the associating strategies, frameworks and capacity building. The strategic interests of smallholder farmers and livestock holders, women, and youth will be addressed by promoting their visibility through recognizing the critical role that they play in the value chains and addressing their needs and priorities. The project shall focus on generating new, simple, and replicable approaches for policy implementation—working collaboratively with all key stakeholders. This will ensure that the successful approaches become visible and generate a strong traction for a wider adoption and implementation by the provincial government.		
Policy alignment	***Moderate***	***Moderate***

Risk: The project is well aligned with the federal and provincial government policies and priorities and relevant SDGs. Project design and outcomes respond to the Government's poverty reduction strategy as announced in the National Poverty Graduation Initiative called "Ehsaas" in 2019 and the National Youth Development Framework (NYDF) of 2020. The project also responds to the provincial government priorities for high value agriculture development through value chain approach and youth and women development as articulated in relevant policies. The project is also well-aligned to the Agriculture and Livestock Policies/Strategies of the Government. There is, however, a notable risk of delayed implementation of the policy reforms notably secure land tenure, water policy and road master plan development. This could prevent the project achieving targets in terms of cultivable land under the irrigation schemes.	Moderate	Moderate
Mitigations: IFAD's past and on-going projects and programmes have supported and will support government priorities notably for poverty reduction and agriculture development. ETIGB being a major investment will also contribute to policy reforms and will actively pursue policy development.		
Environment and Climate Context	**Substantial**	**Moderate**
Project vulnerability to climate change impacts	***Substantial***	***Moderate***
Risk: The main climate change related challenges in the project area are extreme weather events, change in rain and snowfall patterns and intensity, flash-floods, temperature spikes, fluctuating water flows, soil erosion and loss due to heavy rains and winds etc.	Substantial	Moderate
Mitigations: ETI-GB has ensured that the design of infrastructure schemes is climate resilient with features and protection against flash floods, soil erosion and slides. The project has introduced vertical tunnel farming in the project area to enable the farmers to control production cycles, using the same for off-season and weather-safe processing and drying of products. Where possible, intakes of irrigation channels have been provided with gates to cater against fluctuations. Similarly, provisions have been made in FMRs against sliding and flooding.		
Project vulnerability to environmental conditions	***Moderate***	***Moderate***
Risk: GB is a highly mountainous area having some of the largest glaciers outside polar regions. Its is prone to periodic flash floods, landslides, GLOF threat and seismic movements. More area under irrigation without improved water efficiencies may result in increased water and soil run-offs.	Moderate	Moderate
Mitigations: Within project interventions, precautions have been taken to guard against landslides, erosion and floods. Noise pollution is not usually an issue, as there is limited use of heavy machinery, work shift adjustment are practiced to avoid traffic disruption and minimising noise where necessary. Most of the infrastructure works are using predetermined or existing alignment that does not cause any harm to nature, wildlife or fauna etc. The irrigation schemes will actually result in improved water conveyance and water use efficiency. The use of agrochemicals under VACs is guided through focused training programmes which are under implementation.		
Project Scope	**Moderate**	**Low**
Technical Soundness	***Moderate***	***Low***

Risk: The project is technically robust and is based on lessons learnt. Component 1 benefited from the the Sri-Lanka (NADEP/SAP) and the Asian Pacific Farmer Programme (APFP Laos, Cambodia and Mongolia in particular). . One of the potential risks that can be foreseen is that the innovative aspects of the project i.e. improving the agriculture sector productivity and competitiveness through the development of value chains and responding to climate change challenges and community-centric service delivery, are hindered due to skills and capacity gaps within the service providers and beneficiaries.	Moderate	Low
Mitigations: The project design has been kept simple in terms of number, type and range of activities as well as the implementation arrangements. The project will invest in capacity building of beneficiaries and extension services. The project will create an enabling environment for private sector involvement through farmers organisations, improving the quantity and quality of crops and livestock and developing better linkages with markets and value chain actors.		
Project Relevance	***Moderate***	***Low***
Risk: The main risk related to project scope are: weak capacities and business orientation of farmer, limited access to finance for better technologies for the production and the promotion of value added agri-processed products, weak services, absence of facilitation for public private producer partnerships (4Ps). In addition institutional sustainability of cooperatives will require handholding and institutional anchorage.	Moderate	Low
Mitigations: The project scope, approach and proposed activities were identified in consultation with the federal and provincial governments and with reference to their development priorities and are highly relevant to the context of GB. The project builds on evidence based lessons from IFAD and other donor-financed projects and programmes in the region. In line with the priorities of the provincial government and IFAD, the transformation potential of agriculture for enhanced incomes and employment will be pursued by addressing the critical issues through farmer organisation and market oriented farmer organizations, private sector engagement and access to financial services.		
Institutional Capacity for Implementation and Sustainability	**Moderate**	**Low**
Monitoring and Evaluation Arrangements	***Moderate***	***Low***
Risk: Owing to skills and capacity constraints, the M&E systems may not be well-positioned to track performance in terms of outputs and instead focus on inputs, thereby contributing to the project delivery risk.	Moderate	Low
Mitigations: An M&E system provides project management, the Government and IFAD with reliable and timely information on project execution performance and results and to ensure efficient and effective project implementation. Impact level studies will be outsourced to third party to bridge the gap of capacity.		
Implementation Arrangements	***Moderate***	***Low***

Risk: Inherent institutional capacity risks are moderate in the province. The planning and development department and line departments are reasonable well placed in terms of management capacities and exposure to participatory development approaches. However, start up delays are common and technical capacity and the skills level of public service delivery institutions may pose a challenge for the implementation of the projects approaches and interventions.	Moderate	Low
Mitigations: As per IFAD experience, the project is well placed under the Planning and Development Department which has a long history of planning and implementation of multi-sectoral participatory development projects. A Project Steering Committee headed by the Additional Chief Secretary of P&D Department, will provide the policy level guidance, oversight, coordination and will take corrective actions where warranted. The project management staff will be recruited on a competitive basis from the public and private sector.		
Project Financial Management	**High**	**Substantial**
Project External Audit	***High***	***Substantial***
Risk: • The Audit Report for financial year 2022-23 included 4 audit findings amounting to PKR 115.69 million whereas previous year un-settled audit findings were 22 amounting to Rs. 2358.9 million making a total of 26 audit findings amounting to PKR 2474.6 million (USD 10 million approx.)	High	Substantial
Mitigations: • Follow up with the field audit office concerned for an early Departmental Accounts Committee (SDAC) meeting to discuss and resolve audit findings. Provide appropriate replies to the audit findings reported in the audit report of FY 2022-23 • Implement the recommendations made by the DAC before the next DAC meeting.		
Project Accounting and Financial Reporting	***High***	***Substantial***
Risk: • The Accounting Software was procured seven years ago and there are some issues in consolidation and currency conversion. With the AICS funding and additional districts, it needs to be evaluated whether the software needs to be further customised/modified or a newer version is needed. • Following the last SM, the Project has submitted four IFRs, some of which were delayed. The delays were primarily due to understaffing in the PCU Finance section, where three positions remain vacant. This resulted in an overwhelming workload, causing the late submission of reports.	High	Substantial
Mitigations: • Project to evaluate the accounting software and discuss with the software provider either modification/ customisation or procurement of new version of the accounting software. • Submission of IFRs within 30 days of the end of the quarter.		
Project Internal Controls	***High***	***Substantial***

Risk: • PIM was initially prepared and approved at the start of the Project and thereafter revised and approved again in 2019.With the extension of the Project, AICS funding and Community Procurement, there is a need to revise/update the PIM. Rivision of PIM is in process, concerned sections have finalized their respective chapters and comiliation is in process, the final version will be submitted till June 2024 • Internal Auditor has not been hired after the previous internal auditor left in January 2022, hiring process was initiated on Dec 21 2023, but due to some embiguities in RFP, no any candidate was shortlisted and procurement process was canceled. The new process of hiring of IA will soon be initiated • Internal Audit reports have not been submitted to IFAD. Response of the Project on the Internal Audit reports also needs to be submitted to IFAD.	High	Substantial
Mitigations: • Revise/update the PIM and get it approved from IFAD and PSC. • Recruitment of Internal Auditor. • Submission of Internal Audit reports of previous internal auditor to IFAD. • Submission of Project response to Internal Auditor reports.		
Project Funds Flow/Disbursement Arrangements	***High***	***Substantial***
Risk: • AICS funding agreement has been signed and first disbursement of USD 5 million have been released. However, second disbursement of AICS is dependent on 50% spending of the first disbursement audited by the AGP. This condition of audit of AGP before disbursement of second disbursement might potentially create funding issues. Same as above	High	Substantial
Mitigations: • The disbursement mechanism of AICS funding needs to be reviewed and discussed/modified to ensure uninterrupted fund flow. • Copy of attendance records should be attached with Payroll payment vouchers. • Quotations and Invoices should be obtained in the name of ETI. Copy of Log Books of vehicles should be attached to evidence that old parts need replacement.		
Project Budgeting	***Substantial***	***Moderate***
Risk: • Preparation of AWPB 2024-25 is under process and during June AWPB will be submitted to IFAD for NO.	Substantial	Moderate
Mitigations: • Preparation of AWPB should be planned in such a way that it is submitted to IFAD before 30 April of each year.		
Project Organization and Staffing	***High***	***Substantial***
Risk: • With the extention of the Project, Italian Financing and expansion to all districts, there is a need to reevaluate the organisation structure and team requirement. • 19 vacant positions have been filled through competitive process, out of them 3 positions are pertaining to Finance Positions, 2 Finance Assitatns have joined ETI however Director Finance is awaited for IFAD NO.The current FM team need training in Advanced Excel.	High	Substantial

Mitigations: • Reevaluate the organisations structure and team requirements considering extension of the Project, Italian Financing, expansion to all districts of GB and the need to comply with the requirement of centralized payment process under new revolving account procedures. • Provide Advanced Excel training to FM team		
Project Procurement	**Substantial**	**Substantial**
A.1 Legal, Regulatory and Policy Framework	***Moderate***	***Moderate***
Risk: To some extent, the public procurement legal framework encapsulates the agreed principles and ensure compliance with applicable obligations. Implementing regulations notified so far support the legal framework. The country procurement system is just 2 decades old. There are some international best practices incorporated in the procurement legal framework. There are no supporting User Guides for the procurement practitioners. There is no downstream procurement procedural manual /guideline for the PAs to effectively ensure efficiency, economy and transparency during the procurement process. There is no procurement monitoring mechanism and Guide on contract management. Recent amendments relating to engagement of state-owned entities under direct contracting does not seem in line with promoting competition and transparency.	Moderate	Moderate
Mitigations: PPRA should focus on meeting the development of missing standard procurement documents to complete the procurement regulatory framework at the federal level. Subsequently, PPRA should activate the National Institute of Procurement (NIP), take lead in designing of an annual calendar of a series of capacity building training programs. .		
A.2 Institutional Framework and Management Capacity	***Moderate***	***Moderate***
Risk: The institutional framework and management capacity may be treated as average. The procurement planning is aligned with annual budgeting exercise. However, there is no mechanism for detailed planning and updating of procurement plans during the year. PPRA is managed by its Board albeit some potential conflict of interest in terms of financial and administrative autonomy. The country procurement system is just 20 years old and it has to go a long way to achieve the desired institutional maturity and proper functioning. The public procurement system has a capacity to develop and improve. The progress is very slow but it is in the right direction. The ingredients required for introducing and operating e-public procurement system are being brought together.	Moderate	Moderate
Mitigations: The main challenge is ensuring the development of desired capacity in the areas of procurement regulations, planning, transactions, monitoring, audit and contract management. The government must recognize procurement as a profession and do the needful as soon as possible. It should focus on promoting public procurement as a promising career stream with the introduction of necessary certification/accreditation.		
A.3 Accountability, Integrity and Transparency of the Public Procurement System	***Moderate***	***Moderate***

Risk: Capacity constraints lead to poor procurement planning and weak contract management. PPRA to take lead and coordinate with PEC and other professional bodies of Constructors and Consultants; design an annual calendar of training programs for the PAs on frequent issues relating to effective contract management. There is a communication gap between the public sector and private sector. There are representative professional bodies of suppliers, constructors and consultants in the country. Market knowledge for the PAs of critical sectors (energy, transport, irrigation etc.) may be updated through interaction with these bodies on a working relationship basis.	Moderate	Moderate
Mitigations: There is a communication gap between the public sector and private sector which should be bridged through mutually agreed actions. These actions may include capacity building of both sides of the equation. The training activity should be coordinated by PPRA with PEC and these bodies.		
A.4 Public Procurement Operations and Market Practices.	***Substantial***	***Substantial***
Risk: The country procurement system is fairly new in performance of its operations. The country has ethics and anti-corruption measures in place. The components required for ensuring accountability, integrity and transparency of the public procurement system are somewhat present. The country has effective control and audit systems. There is always room for improvement and with the passage of time, the Authority will attain required level of operational maturity. Procurement is a cross-cutting function, one aspect is the audit activity. The country has a sound legal framework and institutional arrangements for external audit—though the practice of performance audit and procurement audit (as a sector) is not established. It is not clear whether the offices of Chief Internal Auditors will enhance the procurement efficiency or otherwise.	Substantial	Substantial
Mitigations: PPRA to prepare a bucket list based on following. Plan an awareness campaign to sensitize the stakeholders on the functions and powers of the authority; coordinate with AGP office to start the practice of sector audit; liaise with NAB and FIA and discourage investigation of cases by them; prepare a case for establishment of office of the procurement ombudsman as highest procurement appellate authority.		
B.1 Assessment of Project Complexity	***Moderate***	***Moderate***
Risk: The project started in 2015 and the community-driven modality is relatively new to the new recipients.	Moderate	Moderate
Mitigations: An independent project coordination unit (PCU) staffed with sector specialists is already in place. Ensure simplified procurement methodologies and strong hand-holding during the procurement activity to be conducted by the PCU.		
B.2 Assesment of Implementing Agency Capacity	***Low***	***Low***
Risk: The Implementing agency is PCU based in Planning and Development Department (P&DD) a core government department. The project will be implemented through PCU at Gilgit. A PSC will oversee and supervise the implementation progress of the project. The P&DD is not allowed to have a separate procurement legal framework.	Low	Low
Mitigations:		

Project Procurement Overall	***Substantial***	***Substantial***
Risk: The overall risk is established as substantial given the workload and the limited experience and capacity of the newly hired procurement staff.	Substantial	Substantial
Mitigations: Project procurement will be ring fenced within the Project PCU with adequate technical support both from IFAD and Government. Oversight mechanism through internal and external audits and IFAD PPA and supervision would ensure adequate controls with the PCU		
Environment, Social and Climate Impact	**Moderate**	**Low**
Vulnerability of target populations and ecosystems to climate variability and hazards	***Low***	***Low***
Risk: Rural populations in the province are faced with inherent vulnerability to weather related environmental conditions such as increased variability of snow/precipitation, impact of receding glaciers on the river systems, decreased capacity of existing water reservoirs, and extreme events including flash floods and land/mountain slides. The provincial government has a climate change policy and most climate-sensitive sectors have climate-compatible medium term plans and budget—which also include performance indicators and targets. Climate actions have been mainstreamed into policy landscape largely with assistance from donors. However, the relevant line departments i.e. agriculture, industry, livestock, etc. continue to lack technical capacity to implement provincial government's climate change agenda. Hence, there is material risk that the line departments and other parties would not effectively mainstream climate aspects in implementing project activities.	Low	Low
Mitigations: The project will facilitate the provincial government in improving resilience of farmers to the climate change. Some proposed adaptation and mitigation actions include the appropriate screening for climate smart agriculture, food and fruit processing facilities and other subprojects where village agriculture cooperatives will be engaged. The promotion of sustainable land and water management practices, and the capacity building of government staff and beneficiaries for risk reduction and for building resilience is part of the intervention related to economic infrastructure.		
Greenhouse Gas Emissions	***Moderate***	***Low***
Risk: The risk of any significant increase of greenhouse gas (GHG) emissions and thereby of contributing to anthropogenic climate change is minimal.	Moderate	Low
Mitigations: No specific mitigation measures are required.		
Physical and Economic Resettlement		***No risk envisaged - not applicable***
No risk pertain to this project.		
Community health, safety and security	***Low***	***Low***

Risk: There are no envisaged risks of significant negative impacts on community health and safety. In fact, the project expects to have several positive impacts through climate smart and sustainable agriculture technologies, including the promotion of IPM and reduced use of pesticides. The project interventions are also expected to result in greater availability of high nutrition value foods in households and communities, which are a key driver of health. Exposure to pandemic may pose a minor risk.	Low	Low
Mitigations: Mitigation measures will include awareness creation and sensitisation is planned.		
Labour and Working Conditions	***Low***	***Low***
Risk: The risk that the project may cause exploitative labour practices like in-kind community contributions of labour left to the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) at the expense of their wage earning opportunities.	Low	Low
Mitigations: The risk will be mitigated, as practiced in other IFAD financed project, through exempting the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) from any cash or in kind contributions.		
Indigenous People		***No risk envisaged - not applicable***
No indigenous people are involved		
Cultural Heritage		***No risk envisaged - not applicable***
No risk envisaged		
Resource Efficiency and Pollution Prevention	***Moderate***	***Low***
Risk: There is a low risk of causing pollution to air, water, and land, and of inefficient use of natural resources that may threaten people, ecosystem services and the environment.	Moderate	Low
Mitigations: To mitigate any risk, the project plans to invest in various measures that will promote resource efficiency. These include efficient water use technologies for agriculture production, sustainable livestock production systems and climate and social risks mitigation actions.		
Biodiversity Conservation	***Moderate***	***Low***
Risk: There is a moderate risk of, or threat to the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, or the unsustainable use/production of natural resources.	Moderate	Low

Mitigations: The project is unlikely to have any adverse impact on biodiversity in the project area. The project will invest in eco-friendly infrastructure and support the introduction of climate smart and sustainable technologies for agriculture and livestock. Communities will be consulted and sensitised on the need to conserve biodiversity and will be engaged in all such efforts.		
Stakeholders	**Low**	**Low**
Stakeholder Grievances	***Low***	***Low***
Risk: There is a no or minimum risk related to the selection of the target group and the participation of poor, smallholder farmers, women and youth in the project activities.	Low	Low
Mitigations: The selection of the target group and households, particularly the extreme, chronically and vulnerable poor, will be guided by the BISP Poverty Scorecard. A national Poverty Score Card based on Proxy Mean Testing was developed for the identification of poor households eligible for unconditional cash transfer. IFAD introduced this accurate and reliable targeting tool in the country which has a hallmark for targeting strategies for poverty reduction and smallholder agriculture development and is being adopted across the country by government and donors. For the small farmers the definition of the Government will be used.		
Stakeholder Engagement/Coordination	***Low***	***Low***
Risk: Stakeholder engagement and coordination risks are low as the project will use the successfully tried and tested institutional arrangements for stakeholder consultation and coordination among and between implementation agencies and stakeholders. The province has long history of implementation of donor funded participatory integrated development projects	Low	Low
Mitigations: The project design and its institutional arrangements are based on extensive discussions with government and on lessons learnt. Key stakeholders include the government planning and development and line departments, services providers, existing community organisations/groups and private sector engaged in agriculture value chains. The Project Steering Committee will facilitate the provincial level coordination and mechanisms have been put in place at operational/field level for inter departmental, civil society, private sector and community level coordination.		