IFAD
Investing in rural people

**Pakistan**

---

## Economic Transformation Initiative - Gilgit Baltistan

## Supervision Report

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-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 | Implementing Institutions: | not available yet |
| CD: | Fernanda Thomaz da Rocha | | |
| 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: | 31/12/2025 |
| Signing Date: | 26/10/2015 | Date of Last SIS Mission: | 19/06/2026 |
| Entry into Force Date: | 16/09/2015 | Number of SIS Missions: | 27 |
| Available for Disbursement Date: | 06/04/2016 | Number of extensions: | 2 |
| First Disbursement Date: | 11/04/2016 | Effectiveness lag: | 5 months |
| MTR Date: | 14/10/2019 | | |
| Original Completion Date: | 05/07/2027 | | |
| Current Completion Date: | 30/09/2027 | | |
| 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:** | | $140,150,000 |

### Current Mission

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Days in the field: | 10 |
| Mission composition: | Fernanda Thomaz Da Rocha (Country Director), Mission Leader; Ghulam Nabi Marri (Country Programme Coordinator), Co-Mission Leader;Qaim Shah (IFAD Consultant), Team Leader, Rural Development & Institutional; Lorna Grace (Lead Regional Technical Specialist, Rural Finance), Partial Credit Guarantee Scheme (PCGS); Sidra Zia (Country Programme Assistant), Knowledge Management; Ejaz Bajwa (IFAD Consultant), Monitoring and Evaluation; Taskeen Mansoor (IFAD Consultant), Gender and Nutrition; Fayaz Ahmad (IFAD Consultant), Value Chain; Abdul Hakeem (IFAD Consultant), SECAP and Infrastructure; Kayode Fagbemi (Regional Finance Officer), Financial Management; Naeem Abbas (IFAD Consultant), Procurement |
| Field sites visited: | Skardu, Shigar, Ganche, Kharmang, Astore, Hunza, Nagar and Gilgit districts. |

## B. Overall Assessment

| Key SIS Indicator #1 | ø Rating |
| --- | --- |
| Likelihood of Achieving the Development Objective | 4.88 |

| Key SIS Indicator #2 | ø Rating |
| --- | --- |
| Assessment of the Overall Implementation Performance | 4.67 |

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

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

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

| Financial Management and Execution | 4 |
| --- | --- |
| Acceptable Disbursement Rate | 4 |
| Quality of Financial Management | 4 |
| Quality and Timeliness of Audit | 5 |
| Counterparts Funds | 4 |
| Compliance with Loan Covenants | 5 |
| 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 a 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). The Project entered into force on 16 September 2015 with an initial completion date of 30 September 2022. IFAD in August 2022 approved a three years no-cost extension of the Project period to September 2025 for operationalization of the AICS co-financing, and to allow time for realization of benefits linked to the policy reforms and consolidation of investment in community institutions.
2. The Government of Pakistan submitted a request in January 2025 for an additional two-year no-cost extension of the IFAD Loan. The request was approved by IFAD subject to conditions of completion of all irrigation schemes; achieving a total disbursement of US$ 65 million and disbursement of at least US$ 4.5 million annually; delivery of 40 common asset grants for VACs under the value chain component; all three conditions to be met by September 2026. The new completion and closing dates are 30 September 2027 and 31 March 2028 respectively. In case of non-achievement of the extension conditions, the project completion date would be 31 December 2026.
3. 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.
4. The Supervision Mission was undertaken during 09-19 June 2026 with the main objective to ascertain the likelihood of attaining the development objective of the project, assess progress against the extension conditions and past missions' recommendations, identify gaps, and address the bottlenecks. The Mission also identified key challenges for a successful exit strategy and sustainability of the Project interventions and propose agreed solutions to overcome these challenges; assessed financial progress and coherence of the AWPB for the current financial and calendar year; and reviewed and assessed the quality of procurement both at PCU/RCU and community level.
5. The mission visited field activities in Skardu, Shigar, Ganche, Kharmang, Astore, Hunza,  Nagar and Gilgit districts and held discussions with project beneficiaries, staff of the Project, GBRSP, HBL MicroFinance Bank, and relevant government departments.
6. A wrap-up meeting was held with the Chief Secretary, Government of Gilgit Baltistan on 17 June 2026. A debrief meeting with Ministry of Economic Affairs, Economic Affairs Division was held on 24 June 2026.

**Key Mission Agreements and Conclusions**

7. The project is making strong progress in outreach, irrigation infrastructure, land development (ILD), Farm to Market Roads (FMR) and bridges for rural communities' access to markets and social services, and value chain development. Village Agriculture Cooperatives (VACs) members have shown a clear improvement in capacity and attitudes, with encouraging progress in strengthening operations and expanding their role in local agribusiness development. The Partial Credit Guarantee Scheme (PCGS) received an overwhelming response from VAC member farmers during the first year of implementation. Project-supported policy initiative of the Gilgit Baltistan Water Policy, Road Master Plan, and Operation and Maintenance has been completed and is ready for submission to the cabinet for approval.
8. Despite relevant progress on Land Development initiatives under ILD component in the last year following the 2025 Supervision recommendations, it will require sustained long-term support which may extend beyond the Project life, given the several constraints faced: harsh climate and environmental/terrain conditions; the challenges posed by financial resources constraints of significant number of beneficiaries; proximity of some new lands from villages; beneficiaries are mainly engaged in their current livelihood/agriculture activities and could work on land development in their spare time only; and limited availability of planting stock, the land development under the Irrigation and Land Development initiatives will require sustained long-term support which may extend beyond the Project life.
9. Scheme Management Teams (SMT) of the ongoing irrigation schemes reported that because of Middle east conflict fuel shortages and price hike and inflation caused more than two fold increase in prices of material like cement and labour costs in March 2026. These costs have increased more than double of the original design costs (especially for cement, steel and labour).
10. The Project revised exit strategy incorporates post-project institutional arrangements for the operation and maintenance of Project infrastructure investment by the concerned line department and provides for continued support to SMTs and VACs by GBRSP, for the completion of land development activities, sustain the uninterrupted implementation of PCGS, and maintain support to VACs business/value chain development. The Gilgit-Baltistan Rural Support Programme (GBRSP) is currently party to a tripartite agreement with GoGB and HBL Microfinance Bank for the provision of PCGS-related services until 2031.
11. A recent Outcome Survey (report published in February 2026), of the Project reveals significant positive impacts on household incomes, agricultural productivity, market access, institutional development, and poverty reduction through its integrated approach combining ILD, FMRs, value chain development, and community institutions. Overall, the project is well placed to achieve its development objectives.
12. The Project has largely met, or is progressing satisfactorily toward meeting the conditions required for the completion date to be confirmed for September 2027. These include: (i) completion of the ongoing irrigation schemes; (ii) cumulative disbursement of at least US$ 65 million, with annual disbursements of no less than US$4.5 million; and (iii) delivery of 40 common asset grants to Village Agricultural Cooperatives (VACs) under the value chain component by September 2026. Most of the recommendations of IFAD supervision and implementation support missions have either been complied with or are in process of implementation.
13. IFAD financing has reached 96.4 percent disbursement, with XDR 46.8 million (equivalent to US$ 64.4 million) disbursed against a total allocation of XDR 48.6 million (equivalent to US$ 67 million). Reported expenditure stands at 94 percent, amounting to XDR 45.7 million (equivalent to US$ 62.8 million). The project is well positioned to fully utilize the IFAD loan allocation.
14. Following a mid-year revision of AWPB 2025-2026 to better reflect implementation realities, the overall AWPB implementation is at 84 percent, The IFAD-financed component has achieved 98 percent implementation. Cumulative physical achievements are substantial achieving between 76% and 100% of appraisal targets except land development. The AWPB needed to be revised because of implementation delays due to protest in the regions against the Middles conflict, general election and rather ambitious outlay and physical targets.
15. **Agreed Actions and Key Recommendations**
16. 1. **Exit Strategy:** The Project Steering Committee shall establish the requisite post Project institutional arrangements and allocate adequate financial resources as per the Project exit strategy by December 2026, to:
    - Enable the concerned line department in effective operation and maintenance of the project infrastructure facilities;
    - To ensure continuous support and facilitation by GBRSP, particularly for land development activities anticipated to continue beyond the current Project completion date and for sustained support to VACs following the closure of the IFAD project.
17. 2. The current contract with GBRSP expiring in September 2026 shall be revised and extended till the project completion of September 2027.
18. **3. Revision of Unit cost for material and labour for On-going Irrigation Schemes:** In view of the increased financial burden on the communities, the Project should establish a mechanism to counter price changes for the on-going infrastructure work based on current market prices.
19. **4. Land Development.** The project shall ensure provision of financial resources and demand based planting material. The PCU may consider toward advancing land development financial resources to GBRSP or community themselves in set timeline. Priority shall be given to the extremely poor, women headed household and orphans for which details are available at SMTs.
20. **5. Partial Credit Guarantee Scheme:** To increase the outreach of PCGS, the project has proposed funding under AICS financing. Additionally, the Mission recommends exploring the possibilities of topping up the PCGS from savings.
21. **6. Financial Management:** The project shall prepare and submit to IFAD a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs, by 15 July 2026.
22. **7. Counterpart Funds:** Ensure the required government counterpart financing to support the completion of critical irrigation, land development, and other priority investments.

## D. Overview and Project Progress

23. **The overall progress of the Project is rated as Satisfactory (5)** The current beneficiary household (HH) outreach is 104,482  against the target of 100,000 HH (104.5 percent). The project continues to demonstrate strong progress in outreach, the provision of economic infrastructure for irrigation, irrigated land development, rural communities' access to markets and social services, and value chain development. The recent Outcome Survey (2026) confirms tangible positive impacts on household income, gender and youth development, agricultural productivity, market access, institutional development, and poverty reduction.
24. **Component 1:     Economic Infrastructure  for  Value  Chain  Development**
25. **Irrigation and Land Development (ILD):** The Project completed 89 ILD schemes to date against the target of 102 schemes (87 percent) and work on 13 schemes (mostly extension phase schemes) is in progress. Of these, 11  ILDs were completed during 2025-2026 AWPB period. The total command area under the IFAD funded ILD  schemes is 53,912 acres benefiting 36,000 HHs, out of which about 42,409 acres is under the completed schemes ((30,607 HHs) and 11,503 acres under the 13 ongoing schemes (5,393 HHs). Out of the total command area of the completed ILD schemes, 18,000 acres (45 percent) of the land has been developed so far through agriculture, cultivation of alfalfa and plantation of about 130,000 fruit and forest trees. The ongoing channels are under various stages of completion mostly in the range of 80 to 90 percent completion.
26. As of May 2026, the cumulative land development (land preparation and crop cultivation/plantation) stood at 18,000 acres (45 percent of command area of completed schemes) where cereal

crops, fruits plants, alfalfa and forest plants are being grown. Of these, 2,000 acres of land was developed in the past year .. ETI-GB's support and collaboration with the Agriculture Department is likely to accelerate the land development process through enhanced provision of demand based fruit and forest plants.

27. The floods of 2022 and 2025 have damaged some completed irrigation schemes, some were repaired while13 ILDs covering about 7,143 acres of land and 7,913 HHs are either partially or fully non-functional. Important ones include Buner Daas Ahmadabad and Satil. The issue of rehabilitation of these schemes is pending for last couple of years mainly due to limited financial capacity of the communities and resource constraints of the government. The last IFAD Mission recommended rehabilitation through 30:70 ratio (SMTs: government), however little or no progress has been made so far. The GoGB is considering the rehabilitation of 10 damaged schemes within existing resources/Government counterpart and/or AICS funding, and the remaining 3 would need substantial resources which may be outside the scope of the program.

28. The Water Management and Irrigation Department is a key partner in ILDs survey, design, implementation, bills processing and land development. However, it was observed that their field presence was limited and delays were reported in bills processing payments to SMT, impacting pace of implementation.

29. **Farm to Market Roads (FMR):** Out of a total target of 106 FMR schemes (527.8 km)(under IFAD financing) the project has completed 93 FMRs with a total length of 436 km (82.6 percent of the total target) and work on 13 roads (92 km) is in progress. During 2025-2026 13 FMR schemes (26KM) were completed. Majority of the ongoing schemes are about 80 percent or more complete and are expected to be completed by September 2026. So far, 73 schemes (77 percent) have been handed over to Communication and Works Department for regular operation and maintenance purposes. Procurement for maintenance machinery for these roads has been initiated.

30. The completed roads have immediately and greatly improved access of rural communities to economic and social services like markets, health and education.

31. **Bridges:** The project completed 13 bridges out of the target of 15 (87 percent) and work on 2 bridges is ongoing.

32. **Land Titling:** Increased land tenure security is one of ETI-GB's landmark achievements. As per PDR's sub-component 2.5: Land Titling System, Provincial Land Commissioner, the project aims at securing land titles for the beneficiaries of ILD through issuance of legally valid land titles by District land revenue agency. To initiate establishment of a proper land records and titling system in GB, the programme would adopt a two-pronged strategy whereby it would assist the provincial government to carry out the required legislative work for a provincial land titling framework but, at the same time, get an interim regulation promulgated that safeguards the interests of programme's beneficiaries for the newly developed irrigated areas. At the same time, ETI would assist the provincial government to start establishing the basics of a computerised land records system at provincial and district levels on the pattern and software design of systems being established in Punjab and Sindh provinces.

33. ETI-GB has successfully achieved the approval by the Government of GB's land reform policy, a landmark policy achievement. The policy ensures that the land ownerships are to be given to local beneficiary communities, particularly in the case of settled districts- Baltistan region, Astore District and now in Gilgit (in rest of the districts which are not settled, communities already own these land). The land demarcation and titling process has been initiated, yet the land tittles will be provided once the prerequisites are met –such as mapping, documentation, digitization and lastly issuance of legal titles. Meanwhile the policy and GB Cabinet decision legally acknowledged the ownership of the land to the community and in the legal documentation the name of the beneficiary of the assigned plot (as per land distribution following community customary practice) is recorded as owner. These initiatives have led to increased security of land tenure in the region.

34. **The GB's Board of Revenue/Land Titling**: The progress of the process of land records (mapping, documentation and digitization) preceding land titling has been slow due to its complex nature and prior-to-project lack of institutional framework and capacity. To date, manual land measurement in 9 ILDs covering about 5,193 acres was completed and the process being tedious and time consuming was discontinued. The Board of Revenue (BOR) GB signed an agreement with the Punjab Land Revenue Authority (PLRA) for land record digitization for ETI-GB schemes in December 2024.

35. Work on digitization and computerization of land records and titling has been initiated on 76 ILD schemes covering 41,088 acres of land. Drone survey has been completed for 52 schemes for 28,551 acres of land. Work on the remaining 24 schemes (12,537 acres) is in progress. Verification of 10 ILS schemes covering 8,491 acres) has been completed.

36. While achieving of the said target may be challenging during the project lifetime given the limited budget and complexity, the project should lay the groundwork—through demarcation, legal documentation, mapping, record development and digitisation—for future title issuance.

37. **Water Policy and Road Master Plan and O&M Policy** Final draft for GB Water Policy, Road Master Plan and O&M Policy have been completed and are ready for submission before the cabinet for approval.

38. **Component 2: Support Services/4Ps for Value Chain Development**

39. **Village Agriculture Cooperatives:** The project has established 162 VACs. The total membership of VACs is 50,256 farmers. In addition to this, the project has also established 54 VACs under the ILD schemes making a total of 214 VACs. The Cooperatives Department is successfully providing services to VACs for Annual General Body Meeting (AGM) and Audits. Following institutional strengthening activities conducted by GBRSP, a notable positive shift in the attitudes of VAC members has been observed, reflecting their improved understanding and alignment with the mission, objectives, and implementation processes of the VAC initiatives. The project activities have resulted in improved crop production, better access to markets and finance, increased income, and a growing emphasis on market-oriented, value-added product development.

40. **Common Asset Financing (CAF)**: In 2024, the Project has approved a comprehensive Grants Manual that outlined the types of grants (CAF and 4P Grants), selection criteria and terms and conditions for implementation.Common Asset Financing Grants have received an overwhelming response, 50 grants (8 for 4P and 42 CAF) sanctioned to VACs against the target of 40The procurement process for these grants is either completed or currently in progress. This strong uptake reflects the growing readiness of VACs to invest in productive infrastructure and shared assets. Importantly, these investments are expected to play a key role in enabling VACs to transition from primarily production-focused activities to more market-oriented operations, including value addition, processing, and improved post-harvest management.

41. The site and space selected for operating the machinery under CAF of one site visited by the Mission was inadequate and poorly suited for production activities. , The project need ensure suitable space for the machinery and hygienic operating conditions.

42. Sustained handholding support, complemented by capacity building across technical, operational, and market-oriented domains to effectively manage, maintain, and utilize common assets, will be critical to enhance the performance of VACs of CAF and ensure the achievement of sustainable and commercially viable outcomes.

43. **4P competitive grants:** Out of the 20 4P grants application, 8 have been approved and their implementation is currently underway. These grants are enabling the VACs to access more reliable markets and secure comparatively better prices for their products. At the same time, the grants will strengthen private entrepreneurs, allowing them to expand their business operations, thereby contributing to local economic development and improving livelihoods for farmers.

44. **Partial Credit Guarantee Scheme (PCGS):** The PCGS has been successfully implemented in collaboration with GBRSP and HBL Microfinance Bank. The scheme has received an overwhelming response from VAC member farmers. During the first year of implementation, a total of Rs. 1.5 billion (about US$ 5.4 million) was disbursed to 4,912 VAC farmers, exceeding the annual target of PKR 1,1 billion set for the scheme. Women and youth beneficiaries constitute 27 and 18 percent of the processed loans respectively. Rs. 1.15 billion are outstanding at end of April 2026. To date there has been no meaningful default in the portfolio and the management committee has extended the first interest rate subvention to borrowers upon successful loan completion. Awareness sessions for introduction of PCGS including loan products and terms and conditions were conducted for VAC members in all districts. A PCGS management committee consisting of the representatives of the Planning and Development Department, Department of Agriculture, Cooperatives Department, ETI-GB, GBRSP, and HBL Microfinance P have been constituted to oversee the PCSG operations.

45. **GBRSP**: GBRSP has been instrumental in institutional strengthening of VACs. Capacity-building sessions across key thematic areas, including bookkeeping, procurement management, and VAC governance, have been completed in 150 VACs. GBRSP has also provided continuous support to VACs and 4P partners in business plan development and implementation, including machinery procurement and installation. Under the PCGS initiative, GBRSP, in collaboration with HBL, has conducted awareness sessions on access to finance in 214 VACs, including ILD VACs, with loan disbursement currently in progress. Additionally, the MIS infrastructure for VACs has been developed with system installation in VAC, user orientation, and training on its effective utilization in progress in 160 VACs.

46. **Revolving Fund Recovery:** GBRSP has made efforts to strengthen the recovery of the revolving fund by VACs, resulting in a significant increase in collections from PKR 114.9 million reported during the last SV mission to PKR 193 million (16%) currently. This improvement reflects a positive and encouraging trend in the sustainability of VACs, indicating enhanced follow-up mechanisms and stronger engagement with the VACs' members.

47. **Agriculture Extension and Research:** Based on the recommendation of 2025 SV mission, the project, in collaboration with the Agriculture Extension Department, has strengthened 11 government fruit plant nurseries across GB and successfully produced approximately 1 million quality fruit plants to meet the planting material requirements of land development under ILD schemes and VAC interventions. Under the capacity building component, 15 trainings on pre- and post-harvest technologies were conducted, benefiting 327 participants (101 male and 226 female) in 2025-2026. In addition, 30 Farmer Field Schools (FFS) were conducted, engaging farmers in improved practices such as Integrated Pest Management (IPM), while three technical training sessions were delivered to 60 field staff on modern agriculture technologies in the last year. Cumulatively, 13,116 persons have been trained various agriculture technologies including FFS.

48. Under the agriculture research subcomponent, 51,970 G1 potato mini-tubers were produced to date. A total of 703 bags (17.57 MT) of seed potatoes of approved varieties were produced and distributed to farmers for further production and multiplication.– Based on the recommendation of the 2025 SV, business plan for scaling up of potato seed production has been prepared and two agreements with private sectors have been implemented.

49. **Component 3: Programme Management and Policy Support**

50. Project management is functioning well, with most key PCU and RCU positions filled, regular PSC oversight, and follow-up on IFAD SV and Implementation support recommendations. Due to effective coordination arrangement, the public and private implementation partners are performing satisfactorily and have provided additional support to ETI-GB, including seed distribution to VAC members. However, continuous technical assistance is needed for VACs and ILD beneficiaries, especially in crop and tree selection, water-efficient technologies, and access to planting material. The process of proposals from GBRSP and release of funds particularly for land development need to be streamlined for timely implementation of activities.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Expedite Payback under all ILD schemes**<br><br>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**<br><br>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**<br><br>A schedule shall be agreed with VAC by end of March 2023 with full recovery of revolving fund by March 2024. | PMU | 04/2023 |
| **Complete feasibility on reclamation of land from river**<br><br>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 |
| **Focus on Command Area Development**<br><br>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 |
| **Completion of ILD**<br><br>All ILDs shall be completed by June 2025 | PCU/WMD/SMT | 06/2025 |
| **Completion of ILDs and FMRs**<br><br>All the target ILD and FMR shall be completed | PCU/RCUs/VACs | 06/2025 |
| **Command Area Development**<br><br>Chalk out a comprehensive road map for completing land development by GBRSP in completed schemes and in new schemes under Extension phase. The strategy and action plan shall be shared IFAD country team for review | PCU/GBRSP | 06/2025 |
| **Complete and ensure quality deliverables on water policy and Roads Master Plan and O&M Policy Provision of Management and Operations Support to VACs**<br><br>Provide financial support for organizational development of the remaining 100 VACs through the employment of recent graduates | PCU/GBRSP | 06/2025 |
| **Strengthening of business plans for 4Ps Competitive grants**<br><br>Review and strengthen business plans by validating key assumptions, incorporating all relevant cost components, strengthening the economic analysis and developing a realistic and actionable implementation plan | PCU/GBRSP | 06/2025 |
| **Improved Coordination**<br><br>An effective and regular coordination mechanism shall be put in place between PCU, GBRSP and Agriculture Extension for land development and strengthening of VACs. PCU to provide leadership | PCU | 06/2025 |
| **MIS Development**<br><br>Complete MIS development, covering key areas such as farmer database, VAC governance, accounting and finance, revolving fund and credit, inventory management, monitoring and evaluation and savings. | PCU/GBRSP | 08/2025 |
| **Land Development**<br><br>Recognizing that land development is a long term process, the PCU and GBRSP shall come up with a realistic and implementable targeted plan for land development by the Project completion date of September 2027 and beyond. | PCU/GBRSP | 08/2026 |
| **Ensuring regulatory compliance and Food Safety Standards for VAC/4P Processing business**<br><br>Engage the relevant regulatory authorities (such as the food safety authority) to ensure that VAC/4P operations comply with established food safety standards and regulations. This involves coordination for registration/licensing, periodic inspections, and adherence to hygiene, processing, packaging, and storage requirements. | PCU | 08/2026 |
| **Rehabilitate Damaged Schemes**<br><br>Prepare a realistic priority list based proposal on least rehabilitation including cost estimates for consideration of IFAD. | PCU | 09/2026 |
| **Conduct Institutional Maturity Assessment of VACs**<br><br>Develop a maturity assessment tool/framework to assess VACs. Complete the institutional maturity assessment of all 162 and use the results to prioritize high-performing VACs for targeted resource allocation, including structured coaching, mentoring, and institutional strengthening, to enhance their capacity in business record keeping, financial management, adherence to procurement guidelines and governance practices. | PCU | 09/2026 |
| **Expedite implementation of VAC/4P approved Grants**<br><br>Complete technical and operational capacity building for VACs under common asset financing, and ensure timely procurement and installation of machinery, and strengthen production and market linkages. | PCU/GBRSP | 09/2026 |
| **Tailor MIS to VAC Institutional Capacity and Infrastructure**<br><br>Conduct a capacity and infrastructure readiness assessment of VACs and tailor the MIS design, deployment, and training accordingly to ensure seamless integration and sustainable operationalization. | PCU/GBRSP | 09/2026 |
| **Review and update VAC.4P Business Plans**<br><br>Review and update the VAC/4P business plans with structured mechanism to systematically allocate a portion of revenues as saving for timely repair and maintenance and replacement of the asset for sustainable operation of the business. | PCU/GBRSP | 09/2026 |

| | | |
|---|---|---|
| **Strengthening Asset Inventory Management and Monitoring Systems**<br><br>The project should develop and maintain a comprehensive inventory of all common assets, along with a robust mechanism for regular record-keeping and monitoring of asset utilization and operational status during the remaining project period to ensure effective and optimal use of resources. | PCU/GBRSP | 09/2026 |
| **Support Value Chain–Driven District/Regional Models for VACs**<br><br>Support VACs in scaling aggregation and production through a district/regional model, with targeted efforts to strengthen market linkages and collective sales, tailored to value-chain-specific return potential. | PCU/GBRSP | 03/2027 |
| **Additional FMR**<br><br>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**<br><br>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**<br><br>VACs contribution in the matching grant will be reduced to 30:70 from the original 50:50 ratio; immediate | PCU | |
| **Expedite land measurement and titling - on a continuous basis** | BoR/PCU | |
| **MoA with Cooperative Department**<br><br>The Memorandum of Agreement (MoA) with the Cooperative Department shall be expedited to ensure continued regulatory and oversight support for the VACs - on a continuous basis | PCU | |
| **Potato Seed production with Agriculture Research**<br><br>Collaborate with Agriculture Research system to ensure production of certified potato seed through contract farming, engaging private firms - on a continuous basis | PCU | |

## E. Project implementation

### a. Development Effectiveness

| Effectiveness and Developmental Focus | | |
|---|---|---|
| **Effectiveness** | **Rating: 5** | **Previous rating: 5** |

**Justification of rating**

51. Rated as Satisfactory (5). Development effectiveness is evidenced by strong and measurable progress across productivity, income, and market integration outcomes, driven by an effective integrated approach combining ILD, FMRs, value chain development, and community institutions. The recent Outcome survey (2026) confirms that expansion of productive assets through irrigation and land development served as the foundation for increased production, which subsequently translated into higher incomes and improved wellbeing. Farm-to-market roads and value chain interventions complemented these gains by improving commercialization and market access. Community institutions such as VACs enhanced sustainability and participatory governance. Project impacts extended beyond economic indicators. Improvements in women's dietary diversity, food hygiene practices, nutrition knowledge, and healthcare access demonstrate that income and production gains translated into broader wellbeing improvements. Overall, the project is well placed to achieve its development objectives.

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

52. Logframe Analysis revealed that project performance up to June 2026 is satisfactory. Project has surpassed the outreach targets. Against the endpoint target of 100,000 HHs, the current outreach of the Project is 104,482 HHs (104.5 percent). Similarly, against a target beneficiary of 500,0000, project reached 783,615 beneficiaries, which is 57% more than the estimated target beneficiaries. The Project Development Objectives are showing satisfactory results: 87% of Target HHs and Value Chain Operators have shown at least 25% increase in their Agriculture income and 60.9% targeted HHs have reported increase in production, which will significantly contribute to the project goal of improving incomes and reducing rural poverty and malnutrition in project area i.e. Gilgit- Baltistan region (Outcome Survey 2026).

53. The Project has largely produced the desired outcomes: achievement of outcome -1 (100,000 farm households increase production , productivity and sales in prioritized agricultural commodities) is reported at 86% against the target of 60%, and under outcome - 2 (Sustained and community driven development approach established that is pro- poor and youth/gender- and nutrition- sensitive) 100% women headed HHs have received the land titles. Under outcome - 3 (Agri-business actors invest in local processing and value addition to improve marketing of local food products) has surpassed the numbers. Outcome -4 (Government and private agricultural services are sustainably improved) has also increased beyond the set targets. Outcome - 5 (Government formulates and enforces pro-poor agricultural policies covering water, land titling, road O&M and products and certification regime) is also achieved. The project has by and large achieved its intended development outcomes. Results achieved are largely consistent with design objectives, as the outcome indicators show substantial progress.

54. The project achievement of physical targets is on track under almost all components. There is discernible improvements in beneficiaries' livelihoods, market infrastructure, policy support, household income, adoption of new technologies, strengthening of producer' organizations and increased productivity. At output level, progress against each indicator is tracked from outreach to output level in the Logframe.

55. During the mission, the project logframe was reviewed to assess its continued relevance and alignment with the PDR, revised PC-I and implementation progress. The review found that some indicators still lack defined targets. For example, the second indicator under the Development Objective does not include a target for household members, while Outcome 3 (Indicator 2.2.3) reports progress on Producer Organizations (POs) without a corresponding target. In addition, some output indicators would benefit from clarification to ensure that targets and reported achievements are measured against consistent units. For example, under Output 2.1.2, a total of 50,256, individuals have been trained in income-generating activities, far exceeding the original target of 1,550. This positive overachievement is attributed to evolved implementation approaches and an expanded training scope, which now includes various aspects of business management. Similarly, the number of households supported to enhance nutrition (Indicator 1.1.8) stands at 42,777, against a target of 250,000. The target has been set with the contributions of other components (such as value chains and infrastructure) in mind, while currently only persons targeted with nutrition-specific activities are reported under 1.1.8. That is, this figure reflects only those beneficiaries who participated in nutrition sensitization and training.

56. The 2025 SV noted that other components, such as value chains and infrastructure, have also contributed to dietary improvements, as expected.

57. Project has updated the Nutrition Strategy , drafted a list of nutrition sensitive activities, but faced problem in reporting , as there is no output in the logframe with clear indicators. It will be taken up during restructuring exercise of the LF.

58. The review also identified opportunities to further refine the logframe, including aligning selected targets with the PDR and revised PC-I, clarifying and updating selected indicators and targets, and incorporating additional indicators, where appropriate, to better capture project achievements, particularly under the land development component.

59. Given that the project is scheduled to close in**September 2027**, IFAD and the PCU should assess whether a Level 2 restructuring of the logframe is warranted at this stage or whether the existing logframe should be retained, with any discrepancies and adjustments appropriately explained and reflected in the Project Completion Report (PCR).

60. **Outcome Survey (2026):** The assessment concludes that ETI-GB has successfully validated its Theory of Change and demonstrated that integrated investments in infrastructure, value chains, institutions, and human capital can generate substantial rural transformation in Gilgit-Baltistan. The assessment confirms the relevance of project design and interventions, and concludes that the upward trajectory in livelihoods, empowerment, and basic service access clearly demonstrates ETI-GB contribution to inclusive, resilient, and scalable Economic transformation of rural GB.

61. The programme produced measurable improvements in agricultural productivity, income, market participation, food security, health, and poverty reduction. The survey confirmed that expansion of productive assets through irrigation and land development served as the foundation for increased production, which subsequently translated into higher incomes and improved wellbeing. Farm-to-market roads and value chain interventions complemented these gains by improving commercialization and market access. Community institutions such as SMTs and VACs enhanced sustainability and participatory governance. Overall, ETI-GB is considered a successful and replicable model for rural economic transformation in geographically isolated and fragile mountain regions. The outcome survey and mission observations confirmed positive progression in household income, productivity, women and youth engagement, productive asset (Land), and economic empowerment, showing improvement against all the essential pillars of inclusive rural development.

62. **Key outcome-level findings include**

63. **i) Expansion of Productive Assets**

- Average irrigated land increased from **0.60 acres to 1.50 acres per household**, more than doubling productive capacity.
- **89.2%** of beneficiary households reported improved access to agricultural land compared to **70.2%** of non-beneficiaries.
- Irrigation and land development transformed previously barren land into productive farmland.

64. **ii) Increased Agricultural Production**

- **60.9%** of treatment households reported increased agricultural production compared to **27%** of control households.
- Improved seeds, fertilizers, training, irrigation, and value chain support collectively contributed to higher productivity.
- Many farmers shifted from subsistence farming to market-oriented production.

- 5% HHs adopted improved input / practices

65. **iii) Higher Household Income and Savings**

- **86.6%** of beneficiary households reported increased income.
- Average monthly agricultural income reached **PKR 16,830**, compared to **PKR 8,200** among control households.
- Nearly **60%** of beneficiaries experienced income growth of more than 50%.
- Additional income was invested in:
  - Education (64.8%)
  - Healthcare (48%)
  - Housing improvement (37.4%)
  - Better nutrition (31.2%)
- Savings behaviour also improved, with **31%** of beneficiaries reporting savings.

66. **iv) Improved Market Access**

- 3% farmers has improved market access

- Farm-to-Market Roads reduced travel time by an average of **3.5 hours per market trip**.
- Transport costs decreased and market participation increased.
- Physical connectivity enabled farmers to commercialize production and access wider markets.

67. **v) Strong Institutional Development**

- ETI-GB established **162 Village Agriculture Cooperatives (VACs)** with **50,56 members** across ten districts.
- Cooperatives strengthened collective marketing, governance, service delivery, and bargaining power.
- Community participation improved ownership, transparency, and sustainability.

68. **vi) Better Nutrition, Health and Poverty Reduction**

- **81.6%** of beneficiaries reported improvements in child health and nutrition.
- **64.8%** reported full ability to access medical care when needed.
- Poverty levels declined significantly, with the multidimensional poverty headcount falling to **28.23%** among beneficiary households from 34.8 percent at baseline.
- Women's dietary diversity and food hygiene practices improved.

| ***Agreed Action*** | ***Responsibility*** | ***Agreed Date*** |
|---|---|---|
| **Nutrition Indicators**<br><br>Provide a clear definition of the nutrition indicator (Indicator 1.1.8) and explicitly outline the various activities contributing to its results in the revised nutrition strategy. This includes detailing how components such as value chains and infrastructure improvements impact dietary outcomes. | PCU | 07/2025 |
| **Clear Targets**<br><br>The PCU should make sure that all indicators have clear targets, including those that currently do not. It's also important to systematically break down results by sex and age whenever possible. This will improve the detail of the collected data and help understand how different demographic groups are impacted by the project. | PCU | 07/2025 |
| **Restructuring of Logframe**<br><br>Assess the need for a Level 2 restructuring of the logframe in light of the project's remaining duration. If a restructuring is not pursued, ensure that any discrepancies and required adjustments are adequately explained in the Project Completion Report (PCR). | IFAD/PCU | 09/2026 |

## Development Focus

| **Targeting and Outreach** | **Rating: 5** | **Previous rating: 5** |
|---|---|---|

**Justification of rating**

69. Rated as Satisfactory (5). The project uses geographical targeting across all 10 districts of GB, as reflected in the district-wise disaggregated data for all project interventions compiled by the M&E system. Poverty Wealth Ranking (PWR) exercises facilitate identification of extremely poor and women headed households. Through community-based participatory approaches, decision-making bodies such as VAC BODs and SMTs linked to ILDs help ensure that project activities are effectively aligned with and reach the intended target groups. The local capacity at RCUs helps ensure that variations in socio-cultural norms, access constraints, and geographical terrain across regions are appropriately recognized and addressed. The project has effectively reached 104,482 HH (104% of its target of 100,000 HH). Women beneficiaries account for 51% of the total outreach and youth constitute 29 percent of the total outreach.

**Main issues**

70. The project has directly benefited 11,684 women-headed households against the target of 10,000, as direct beneficiaries. Moreover, 54,208 HH benefited from economic infrastructure development.

71. The Gender and Poverty section conducts Poverty Wealth Ranking with communities to identify poor households around ILDs for ensuring equitable land distribution, classifying them into four categories: poorest households, vulnerable groups (including persons with disabilities), women-headed households, and landless women-headed households. This list is provided to the respective Regional Coordination Unit where social mobilizers conduct community-level verification to confirm eligibility and land status. Poverty scorecard (PSC) assessments are carried out through surveys, and the data is then shared with the M&E system, which cross-checks it with BISP (Benazir Income Support Programme) records and PSC results to ensure accuracy and validation.

72. Through total of 84 poverty assessments across 84 of the 108 ongoing and completed ILD schemes, 2,493 of the poorest households were identified out of a total of 37,238 HH. Since the extension period began, 27 PWR exercises have been conducted across 27 of 30 ILD schemes, while full poverty assessments and analysis have been completed for only 10 schemes. These exercises have been conducted in the Gilgit Region, whereas identification of the poorest households in the Baltistan and Diamer Regions through the prescribed process is still pending. This exercise also serves to validate the inclusion of ultra-poor and vulnerable households, support future asset transfers, and determine eligibility for membership fee exemptions in any project interventions.

73. Over the course of the project, youth have been involved in economic infrastructure and VAC related activities and trained across 12 trades, including steel fixing, plumbing, laboratory material testing, excavation, heavy machinery operation, masonry, building electrics, auto mechanics, computer applications, civil surveying, quantity surveying and dump truck operation. Moreover, M&E reports 7861 youth engaged in VACs, benefiting from technical trainings and leadership positions. The Mission observed increasing number of youth under the guidance of community elders, involved in management and operations of ILDs including land development and VACS.

74. Through SMTs, communities jointly decide on ILD locations, ensuring that infrastructure is not constructed on disputed land. As part of this process, communities resolve land disputes, including right-of-way issues and access to water sources and irrigation channels. Customary practices are applied where relevant, and religious leaders are engaged to support consensus-building. In some cases, land rights are voluntarily adjusted or surrendered to secure access to water from neighbouring areas, enabling the project to effectively target beneficiaries and achieve strong outreach.

- Communities display a large degree of ownership in all project interventions under irrigation, roads and value chain activities.
- There is a need to strengthen the capacity of human resources to deliver nutrition-related awareness, particularly for targeting rural women.

| Gender equality & women's participation | Rating: 5 | Previous rating: 5 |
|---|---|---|

**Justification of rating**

75. Rated as Satisfactory (5). The Project Gender and Poverty Strategy promote GEWE, aligning with IFAD's three strategic gender objectives. The project has substantially exceeded its women outreach target, reaching 399,644 women (target 250,000), including 69 women reached in 2025. Women's economic empowerment has been supported through value chain interventions with women comprising 28% of the membership across 162 VACs, and access to finance, with 27% women benefiting from PCGS. Of the 15 women-led VACs, three have received CAF. 351 women (target 30) hold leadership positions as part of BODs in VACs and SMTs, using their voice to influence decision making. Labour-saving technologies have not only reduced women's workload but have also significantly improved product quality. The project collects sex-disaggregated M&E data.

**Main issues**

76. The project's support to value chain activities continues to promote women's economic empowerment by strengthening their productive capacities through technical training, access to finance and collective marketing opportunities, thereby contributing to improved incomes and livelihoods for women beneficiaries.

77. There are 15 women-led VACs with a total membership of 3,865, of which 3,324 (86%) are women and 541 are men. Women also hold 87% of BOD positions in these VACs.

78. As part of VAC technical trainings this year, 226 women benefited from 15 post-harvest and production trainings focused on fruit value addition and product development (e.g., jam, tomato paste, pickles). In addition, 429 women participated in 30 Farmer Field Days, while 14 Farmer Field Schools (FFSs) engaged 282 farmers (75 men and 207 women) on IPM, kitchen gardening and vegetable production.

79. The mission met women members of the VACs engaged in diverse value chains, including cherry, apricot, buckwheat and sea buckthorn. Women beneficiaries across several VACs reported **increased production and significantly higher incomes**. In Astore, Mumtaz Begum from Patipura VAC narrated her own story during the mission, reporting that tunnel farming training enabled her to substantially increase her income from potato cultivation, from about USD 214 (previously on a 2-kanal plot) to about USD 607 on a 10-marla plot, effectively showing a marked rise in income linked to improved productivity and practices. She uses the additional income to support her daughters' education and has strengthened her financial management by documenting income and expenses rather than relying on memory.

80. The mission also noted several similar success stories, including landless women who gained access to additional land for cultivation through support from VAC members who own land.

81. Women's financial inclusion, to complement their income generating activities in the VAC, is facilitated with access to PCGS and CAF. Under the Partial Credit Guarantee Scheme (PCGS), as of May 2026, a total of 4,912 loans (~96% for livestock) had been disbursed, benefiting 3,576 men (73%) and 1,336 women (27%). Of these, 871 loans (18%) were provided to youth (76% male and 24% female).

82. Discussions with women beneficiaries and project staff highlighted several factors behind the predominance of livestock loans. These loans are often preferred for purchasing small ruminants, as they generate quick returns through milk sales. In addition, most borrowers are small landholders, and agricultural input loans are calculated based on land size, which limits the loan amount available. Consequently, both men and women tend to opt more frequently for livestock loans, which in several cases are also used to support activities such as tunnel farming alongside livestock rearing.

83. 3 women-led VACs (Chikas Gilgit, Famol Hunza and Patipura Astore) have been awarded CAF that include walnut oil extraction unit, apricot drying machines etc.

84. Women have been included in decision-making bodies (14% in VAC BODs and 2% in SMTs) but challenges remain in ensuring meaningful participation and influence. Women SMT members told their participation is constrained by the technical nature of SMT discussions, which often focus on engineering and infrastructure-related issues with which they have limited familiarity. In addition, SMT meetings are typically held at sites such as water channels or land development areas, which are often located far from their homes, creating further barriers to regular participation.

85. Women have received labour-saving technologies (apricot drying trays and tarpaulins), which have reduced workload and improved product quality. Women shared that buyers previously used to reject their dried apricots due to traditional drying methods that resulted in uneven and discoloured produce.

86. Construction of FMRs (~595kms) has improved access to health and education services.

87. Female staffing in the project stands at 13%, the same since last supervision mission.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Assessment of the 15 women-led VACs**<br><br>Document well-performing and any inactive groups. Examine the value chains in which they are engaged, production capacity and marketing outcomes, access to finance, leadership dynamics, mobilization processes and key operational challenges. The assessment should also capture success stories and lessons learned to better understand the factors enabling or constraining the performance of women members in VACs. | Gender and Poverty/ Value Chain/M&E | 09/2026 |
| **Women leadership and membership in cooperatives**<br><br>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**<br><br>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 | |
| **Women and youth Access to Financial Services**<br><br>Enhance women's and young women's access to agricultural loans and matching grants, particularly in crop-related value chains - Immediate and continuous | PCU | |

| Agricultural Productivity | Rating: 5 | Previous rating: 4 |
|---|---|---|

**Justification of rating**

88. Rated as Satisfactory (5). The rating improved because of availability of Outcome survey data (2026) and based on Mission's interaction with farmers of newly developed lands under ILD and VAC members. The project has made a significant contribution to the transition of agriculture from subsistence-based practices to a more commercialized and market-oriented system. Strategic investments in economic infrastructure, combined with targeted value chain development support, have created opportunities across multiple segments of the agricultural value chain. These interventions have led to measurable improvements in key agricultural outcomes, including enhanced farm productivity and profitability, expanded market access, increased crop diversification, and reduced post-harvest losses. Findings from the Outcome survey confirm strong results in strengthening agricultural systems, improving livelihoods, and enhancing rural resilience. The project has brought more than 18000 acres of idle/waste land under cultivation, and 24000 acres land is being ready to be cultivated with already access to water channels project has constructed. This cultivated land has provided agriculture livelihood to more than 10000 households. With the support of project, agriculture department has established 7 nurseries to produces and provide one million fruit plants to farmers whose land is ready for cultivation.

**Main issues**

89. According to the recent Outcome survey, **61% of households benefiting from Irrigation and Land Development (ILD) interventions reported increased agricultural production**, compared with only 27% of non-beneficiary households, demonstrating that project investments translated into measurable productivity gains. The survey further shows that production increases were driven by a combination of expanded irrigated land, improved access to quality seeds and fertilizers, adoption of improved farming practices, and farmer training. Among households supported through the **Value Chain (VC) component, 86% reported increased production volumes**, with many achieving substantial or very large gains. These findings indicate that productivity gains resulted not only from expanding cultivated land but also from improved technology adoption, knowledge transfer and more market-oriented production systems.

90. The project's land development initiatives, particularly under the ILD schemes, have been central to these results by converting barren land into productive farmland. Beneficiary households expanded their average irrigated landholding from **0.6 acres at baseline to 1.5 acres**, providing the foundation for increased production, crop diversification and higher farm incomes. Outcome Survey findings also show high adoption of improved agricultural practices (88%), improved access to fertilizers (81%) and improved seeds (81%), while qualitative evidence confirms increased production of cereals, vegetables, fruits and fodder, alongside a shift from subsistence farming towards surplus production and stronger market participation.

91. Beyond economic gains, the project has also contributed to improved food security, with 48 percent of beneficiaries reporting enhanced household food availability and stability. The nursery development initiative has been well received and is expected to produce over 1 million plants, out of which 50 percent will be readily available for farmers to support plantation on newly developed land in the coming year. Agriculture extension and advisory services provided to VACs have played a critical role in strengthening agricultural practices, effectively reducing post-harvest losses, while contributing to sustained improvements in overall farm productivity.

92. There is currently no revolving mechanism in place to support nursery operations beyond the life of the project, which raises concerns about long-term sustainability of the intervention. In the absence of a structured revolving system, nurseries may face challenges in covering operational costs, procuring inputs, and maintaining a consistent supply of quality planting material.

93. Progress in upgrading the Integrated Pest Management (IPM) laboratories has remained slow, with completion now expected next year. This delay is limiting the timely availability of biological control agents, such as predators and beneficial insects, which are critical for managing infestations affecting high-value crops like tomato, potato, cherries, apple, and apricot. As a result, the current constraints in diagnostic and bio-control capacities may undermine effective pest management and pose risks to sustaining productivity gains.

| ***Agreed Action*** | ***Responsibility*** | ***Agreed Date*** |
|---|---|---|
| **Conduct Comparative Studies on Agriculture Productivity and Profitability**<br><br>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 |
| **MoA with Extension Department for fruit trees production**<br><br>Agriculture Department to develop proposal for upgrading their current tree production capacity, aligning it with project ILD schemes | PCU/Agr. Extension Department | 05/2025 |
| **Establish Revolving mechanism for sustainable fruit plants nursery development**<br><br>The project will advocate with the provincial government to establish a structured revolving fund mechanism and ensure the inclusion of a dedicated budget line in the Agriculture Department's annual allocation, thereby supporting sustainability, enabling continuous reinvestment, and ensuring a reliable supply of certified planting material to farmers. | PCU | 07/2026 |

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

**Justification of rating**

94. Rated as Moderately Satisfactory (4). According to the 2026 Outcome Survey, improvements in dietary diversity, food hygiene practices, nutrition knowledge, and healthcare access were reported for women and children from project households. 81.6 percent of beneficiary households perceived improvement in child health and nutrition, and 64.8 percent reported full ability to access medical care when needed (compared to 55.1 percent among control households). It is plausible that project interventions that resulted in income and production gains translated into broader nutrition, health and wellbeing improvements. At the same time, there are noted differences in the delivery of nutrition-related project activities, e.g., AgriTech fellows not including nutrition information in all community sessions as intended for nutrition-sensitive outreach. Multidimensional Poverty Index analysis confirms measurable poverty reduction, with the poverty headcount declining to 28.23 percent among treatment households from the provincial benchmarks of 34.8 percent. Outcome survey findings indicate that 31.2% of beneficiaries used their additional income to improve household nutrition.

**Main issues**

95. Most of theVACs have reached a stage of increased agricultural production, resulting in greater availability and diversity of fruits and vegetables in local markets and improved household access to nutritious foods. VAC members report that technical training on tunnel farming has led to higher vegetable yields at the household level. In addition, 11 nurseries have been established, producing over 1 million fruit plants of diversified species (including apricot, cherry, walnut, almond, persimmon, grapes) to strengthen supply for ILDs and VACs. Beneficiaries shared that increased income from these value chain activities has enabled greater spending on household nutrition and children's education.

96. The **Agri Tech Fellows**, primarily graduates in agriculture, food sciences and technology, are trained by GBRSP to implement an integrated agriculture education programme across 100 government schools in all 10 districts of GB. The programme has promoted youth interest in agriculture, agri-entrepreneurship, climate-smart practices and local food production. Moreover, it has demonstrated its value as a pathway for professional development and employment, with 8 male fellows successfully securing better employment opportunities and graduating from the programme. The remaining 42 fellows (including 8 females) continue to represent a trained cadre of local human resources with the potential to support outreach and awareness activities.

97. The **Agri Tech Fellows engaged in selected government schools** continued to deliver education and awareness sessions in line with the prescribed syllabus, though the mission reported gaps in included nutrition-sensitive information in sessions. A total of 1,284 girls and 3,435 boys under the age of 16 participated in these sessions, bringing the total number of school-age beneficiaries to 12,931. Currently, each Agri Tech Fellow is attached to 2-3 VACs, with sessions mainly conducted for VAC members in the immediate vicinity of their schools and villages due to mobility constraints. In the past year, a total of 599 women and 874 men participated in around 111 sessions. However, these sessions were mostly conducted during visits to VACs with only a few members present. The main target group for nutrition messaging is women; however, they do not regularly visit VACs due to household and farm work. To maximize outreach to women, a formal direction needs to be provided by the project regarding any recruitment of replacement Agri Tech Fellows and addition of female community resource persons for nutrition awareness. The project may also adapt outreach methods to fit women's workloads.

98. For mass nutrition campaigns, the project has also approached a local radio station, however, this has not yet been materialized. The project is utilizing its social outreach methods, e.g., VAC WhatsApp groups and Facebook to deliver nutrition messaging.

99. Since the last SV mission, 15 trainings on post-harvest handling and production were conducted, benefiting 226 women and 101 men. The sessions focused on fruit value addition and product development, including jams, tomato paste, and pickles, enabling participants to preserve perishable produce, extend shelf life, and ensure year-round availability of nutrient-dense foods. 30 Farmers Field Days were held for the VAC members where 429 women and 556 men participated. In selected VACs, 14 FFs were established, benefiting 210 women and 75 men through training focused on IPM, improved crop production technologies and good agricultural practices, kitchen gardening, and vegetable production.

100. As VAC activities increasingly move towards commercialization, including ongoing production of nutritious snack bars for adults and children, there is a growing need to strengthen capacities in nutrition labelling, food hygiene and safety standards, and appropriate packaging practices among VAC members to ensure product quality and market competitiveness.

101. **Nutrition M&E:** The project's updated nutrition strategy includes a list of nutrition-focused activities linked to output indicator 1.1.8, *Households provided with targeted support to improve their nutrition (COI)*. However, this has not been updated in the logframe since 2021, which currently reports 6,111 beneficiaries (target 50,000), including 1,151 males and 4,969 females. Current data reflects ToT sessions for Agriculture Officers, Lady Health Visitors and Senior Field Health Officers; data on additional identified nutrition-focused activities are not included.. The project reports various methods for identifying participation in targeted nutrition support across activities due to the lack of established nutrition-sensitive activities at design and difficulty retroactively counting beneficiaries for this purpose. However, they will update the logframe target where possible, clearly identifying what activities are counted for indicator 1.1.8. The mission encouraged inclusion of ongoing targeted nutrition interventions, e.g., specific nutrition social messaging, The PMU will also assess data gaps in linking nutrition-sensitive activities to outcomes and propose additional or alternative methods to document nutrition achievements.

102. Following SV 2025 recommendation on a nutrition outcome survey, nutrition-related questions were incorporated into the Outcome Survey conducted in 2026[1]. In this report, a localized minimum dietary diversity for women (MDD-W) survey indicated a higher average among treatment households (9.07) compared to control households (8.95). Moreover, a project-specific Food hygiene Behaviour Index[2] for treatment households was reported at 2.07 compared to control households (1.89), indicating improvements in nutrition practices promoted by the project.

103. [1] Outcome Survey Report (February 2026)

104. [2] A composite Food Hygiene Behavior Index (FHBI) was constructed using three indicators: handwashing before food handling, checking expiration dates before food preparation, and correct perception of food safety related to washing and peeling fruits and vegetables. Each indicator was scored as one if the recommended practice was followed, resulting in an index ranging from 0 to 3.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **Community Capacity building**<br><br>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**<br><br>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 |
| **Explore Opportunities to Involve AgriTech Fellow Students in Nutrition Campaigns with VACS**<br><br>AgriTech students have effectively integrated nutrition messages with schools and could be further engaged as key advocates for nutrition among VACs and women's groups. Their skills should be strengthened through a training session led by health or nutrition public officers. Nutrition campaigns should be supported by practical, on-the-ground sessions focused on food processing, gardening, and preparing balanced meals | PCU/GBRSP/Agriculture Extension Department | 06/2025 |
| **Explore possibilities to organize mass nutrition campaigns**<br><br>To further expand reach of nutrition awareness campaigns, explore opportunities to launch mass media campaigns, such as radio broadcasts to further disseminate the nutrition messages developed for the VACs | PCU/GBRSP/Agriculture Extension Department | 09/2025 |
| **Update Nutrition Strategy and Action Plan**<br><br>Revise the nutrition strategy and action plan to clearly outline nutrition pathways and define how nutrition training and awareness campaigns can effectively complement project activities, particularly those involving VACS | PCU | 10/2025 |
| **Enhance Targeting of Nutrition Activities, with an emphasis on Women**<br><br>The nutrition strategy and action plan should include a clear targeting approach, prioritizing VACs with nutrition campaigns adapted to their specific activities and explore possibilities to specifically involve women in nutrition campaigns | PCU/GBRSP | 10/2025 |
| **Nutrition output indicator – Report results on 1.1.8**<br><br>This output indicator has not been updated since 2021. Once the nutrition strategy clearly outlines the activities that have contributed and will contribute to nutrition outcomes, ensure that results are reported accordingly. | PCU | 10/2025 |
| **Nutrition output indicator – Add output indicator on Number of school students benefitting from improved agricultural and nutritional education**<br><br>Since children are not currently included in the disaggregation for indicator 1.1.8, introduce a separate output indicator (or include further disaggregation) to track and report on the number of school students participating in improved agricultural and nutritional education activities. | PCU | 10/2025 |
| **Nutrition Outcome Indicator – Assess whether to incorporate Knowledge, Attitude, and Practices (KAP) component in the Endline Survey**<br><br>The project currently lacks an outcome indicator for nutrition. To address this, consider including questions in the endline survey that assess how project activities may have influenced key nutrition-related behaviours. | PCU | 10/2025 |
| **Renewal of Contracts of Agri-Tech Fellows**<br><br>Agri-tech fellows need to be formally attached with VACs/communities with specific TORs and implementation plans for nutrition awareness in community, specifically targeting women groups. | PCU/GBRSP | 08/2026 |

| Adaptation to Climate Change | Rating: 5 | Previous rating: 5 |
|---|---|---|

**Justification of rating**

105.Rated as Satisfactory (5). The Project was designed in 2015 and the climate adaptation was not explicitly included in the project's overall goal and development objectives, but Climate Change Adaptation has been mainstreamed in all project activities. Impacts of climate change are being considered in the selection, design and implementation of the physical infrastructure as well as value chain activities. Local knowledge and experience is integrated into project through the participation of concerned communities from the initial design through the implementation process coupled with technical support from the Project.

**Main issues**

106.The project is acknowledged by the Government as a flagship adaption initiative and was showcased in the COP29.

107.The design of irrigation channels and FMRs takes into account protection against landslides, erosion, flash floods and avalanches by adapting appropriate measures. Pipe is being used instead of open channels in vulnerable sections. A few channels and FMRs were damaged during recent heavy rains and floods where small damages have already been repaired by the concerned communities while government's support is being sought for major works rehabilitation.

108.Climate smart production and processing interventions under value chain component supported farmers in increasing production and reducing post-harvest losses. To date, 50,274 HH (target 50,000) have been supported for adoption of new/improved inputs, technologies or practices (indicator 1.2.2). The project has introduced vertical tunnel farming 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.

109.The soils in the command areas are loose and shallow where farmers resort to construction of terraces using local experience for controlling erosion and stabilization of terrain being used for cultivation. Where water is available, forestation is adapted on steep slopes while alfalfa is being used for the development, stabilization and nitrogenization of new lands. The beneficiaries are also supported with new varieties of fruits plants suiting local climate and providing higher economic benefits.

110.Using local knowledge and experience for land developed development under ILD is both yielding economic benefits to farmers and contributing to slopes stabilization.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **Rehabilitate Damaged Schemes through GBDMA**<br><br>MoU shall be signed for rehabilitation of the 4 damaged scheme through government funding | IFAD | 09/2023 |
| **Repair of damaged schemes**<br><br>Complete rehabilitation of Buner Daas ILD and FMR, Ahmadabad ILD and Satil ILD | PCU/VAC | 09/2025 |

### b. Sustainability and Scaling up

| Institutions and Policy Engagement | Rating: 5 | Previous rating: 4 |
|---|---|---|

**Justification of rating**

111.Rated as Satisfactory (5). ETI-GB has made a significant contribution to strengthening institutions and advancing policy reforms that are expected to generate lasting benefits beyond project completion. Working closely with the Government of Gilgit-Baltistan and relevant line departments, the project has supported landmark reforms, including the development of the Gilgit-Baltistan Water Policy, the Road Master Plan, and the Operations and Maintenance (O&M) Policy, all of which are ready for Cabinet approval. The project has also laid the institutional foundation for secure land tenure through the approval of the GB Land Reform Policy and the establishment of a digitised land administration system, while strengthening sustainable rural finance through the Partial Credit Guarantee Scheme (PCGS). These reforms strengthen institutional capacity, improve governance, and provide a sustainable framework to the relevant line departments of Irrigation, Water management, Road and Works and Local government departments, which consequently provide continued agricultural and rural development beyond the life of the project. Moreover, Government/Project has secured AICS USD 21 million concessional loan to complement and supplement the same project activities under the same PMU to be continued beyond IFAD investment.

**Main issues**

112.ETI-GB has achieved a major policy milestone through the approval of the Gilgit-Baltistan Land Reform Policy, providing the legal basis for strengthened land tenure security, particularly for poor and women-headed households. Building on this reform, the project has laid the foundations for a modern land administration system through its partnership with the Punjab Land Records Authority (PLRA). Digitisation of land records, GIS surveys and drone mapping have commenced across 76 ILD schemes covering over 41,000 acres, with drone surveys completed for 52 schemes covering more than 28,500 acres. Although land titling is expected to continue beyond the project period, ETI-GB has established the legal, institutional and technical foundations required for future issuance of secure land titles.

113.The project has also supported strategic policy development to strengthen long-term governance of natural resources and rural infrastructure. The Gilgit-Baltistan Water Policy, Road Master Plan and Operations and Maintenance Policy have been finalised and are awaiting Cabinet approval. Once adopted, these policies will provide a comprehensive framework for sustainable water resource management, rural connectivity and long-term maintenance of public infrastructure, ensuring that project investments continue to generate benefits well beyond project completion.

114.The Partial Credit Guarantee Scheme (PCGS), implemented through a partnership between the Government of Gilgit-Baltistan, GBRSP and HBL Microfinance Bank, has successfully expanded rural access to finance. By April 2026, the scheme had facilitated PKR 1.5 billion in loans to 4,912 VAC farmers, exceeding annual targets. Institutional arrangements, including a multi-agency PCGS Management Committee and implementation through GBRSP, provide a strong basis for sustaining the scheme beyond ETI-GB and expanding access to agricultural finance for rural households.

115.In addition, collaboration with provincial line departments, including the Departments of Agriculture, Cooperatives, Water Management and Irrigation, the Board of Revenue, and the Federal Seed Certification and Registration Department (FSC&RD), has strengthened institutional capacity and service delivery. Support to certified seed and fruit plant production systems has improved regulatory compliance and increased the availability of quality planting material required for newly developed irrigated land, while the Cooperatives Department continues to provide regulatory oversight and governance support to Village Agriculture Committees.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Formal Institutional Arrangements for VACs and Eco-Friendly Tourism**<br><br>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 |
| **Review and updating VAC business plans**<br><br>Review and update business plans of VACs, incorporating realistic data on market demand, production volumes, business activities and financial status | PCU/GBRSP | 12/2025 |
| **Completing Reform Institutionalization and Exit Sustainability Measures (Ongoing)**<br><br>Complete the institutionalization of key policy reforms by supporting Cabinet approval of pending policies, advancing land record digitization and titling, and supporting sustainability arrangements for the PCGS and community institutions beyond project completion. - Ongoing | PCU | |

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

**Justification of rating**

116.Rated as Satisfactory (5). The project's partnership framework brings together public- and private-sector entities including community institutions and has, overall, established strong partnerships and coordination mechanisms for the planning and delivery of project interventions in collaboration with community institutions. Strategic collaborations have been established with key institutions, including the Punjab Land Record Authority for land measurement and digitization, and GBRSP and HBL Microfinance Bank for strengthening VACs and managing the PCGS. Key project partners include the Department of Agriculture and Research, the Cooperative Department, the Water Management and Irrigation Department, the Communication and Works Department, the Federal Seed Certification Department, the Punjab Land Record Authority for land measurement and digitisation, GBRSP and HBL Microfinance Bank. Importantly, strong partnerships with VACs and SMTs are instrumental in successful project output and outcomes. AICS is co-financing similar activities recommended by the provincial government.

**Main issues**

117.Collaboration with the Agriculture Research Department has enabled the production of certified potato seeds at government farms, complemented by contractual arrangements with VACs to ensure consistent regional access to quality inputs. Farm-to-market roads developed under the project have been formally handed over to the Communication and Works Department, ensuring continued operation and maintenance beyond the project period. Engagement with the Water Management and Irrigation Department has facilitated the development and operationalization of irrigation and land development (ILD) schemes, contributing to improved water management and agricultural productivity. Furthermore, the Cooperative Department has played a vital role in providing regulatory oversight and institutional support to VACs, strengthening their governance, accountability, and long-term viability.

118.Partnership with the Agriculture Extension Department to produce certified fruit plants is progressing well and is expected to deliver more than one million plants to farmers over the next 2–3 years. However, the absence of a formal revolving mechanism to replenish nursery stocks after sales poses a risk to the long-term sustainability of this intervention. Collaboration with the Agriculture Research Department on certified potato seed production is advancing but at a relatively slow pace. The current production level, estimated at around 17 tons, is insufficient to meet the demand across project areas. This highlights the need for increased efforts to strengthen seed production systems and enhance the availability of quality seed in local markets.

119.The role of GBRSP remains vital for the continued institutional strengthening of VACs, development and PCGS. Sustained engagement through the project duration will be essential to consolidate progress made in the formation and development of VACs and SMTs. Priority areas for further support include aggregation, operation and maintenance of shared assets, business and financial management, market access and linkages, as well as overall organizational development to ensure long-term sustainability.

120.The tripartite agreement between the project, HBL Microfinance Bank and GBRASP for the PCGS has proven to be a successful and effective mechanism for addressing some capital needs of VAC members by facilitating access to finance for agricultural inputs, machinery, and livestock.

121.The PCGS component has reached its maximum supported portfolio size with the partner bank, and any further growth of the portfolio is contingent upon the availability of either additional project resources to support the growth and cover the corresponding interest rate subsidy or a restructuring of the guarantee facility, or both. . The portfolio ceiling limits the scheme's outreach and expansion under the current shared risk arrangement, highlighting the need to reassess the design of the guarantee facility to grow coverage, sustain momentum and ensure continued access to financing for target beneficiaries. To ensure sustainability and improved coverage of the PCGS, it is recommended as part of the exit strategy to discuss with partners modifications to the PCGS which will move from a loan guarantee with 1-1 risk sharing to a more sustainable, growth ready options such as a portfolio first loss guarantee, which will provide wider coverage and benefits, and better reflect the actual risks being undertaken by the partners.

122.Project efforts to establish formal partnerships between VACs and private partners (4P partners) have made strong and commendable progress. These collaborations have strengthened market linkages, improved access to markets and services, and enhanced the overall capacity of VACs to engage effectively with private sector actors. Through structured agreements and coordinated engagement, VACs are increasingly positioned as credible and reliable partners in the supply chain of the private partners. The 50 CAF grant are expected to play a key role in enabling VACs to transition from primarily production-focused activities to more market-oriented operations, including value addition, processing, and improved post-harvest management.

123.At the community level, the project has established VACs and SMTs to support agricultural development and irrigation management. These groups have been successfully formalized into legally registered cooperatives under the Cooperative Department, supported by realistic business plans and grant funding to enhance their operational effectiveness. The partnership framework has promoted a strong sense of ownership and participatory development among local communities. The success of the project is reflected in the scaling up and replication of key interventions such as PCGS, vertical farming, improved fruit drying practices, land titling, land development, and irrigation infrastructure, which are increasingly being adopted within broader government and non-government programs and initiatives.

124.While agreements between the private sector and VACs under 4P arrangement have been established, there is a need to develop and institutionalize a structured monitoring and evaluation system. This system should provide continuous oversight of contractual arrangements, ensure compliance with agreed terms and conditions, and enhance accountability with respect to agreed supply volumes and price transparency.

125.The partnership under the PCGS has generated a strong response; however, the participating bank has already disbursed the agreed loan volume to VAC member farmers and has ceased further lending. This may limit the outreach and expansion of financial services to VAC members.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **Establish monitoring mechanism to ensure compliance of 4P agreements with VACs**<br><br>The project should establish a robust monitoring mechanism to assess partnership performance, track progress, ensure compliance with 4P agreements, and promote price transparency and accountability. | PCU/GBRSP | 07/2026 |
| **Formalize 4P arrangement for Seed Potato Production**<br><br>Formalize agreements between private partners and contract growers to produce certified seed potatoes at the farm level for supply to companies under clear and agreed terms and conditions. | PCU | 03/2027 |
| **Governance and Monitoring of VAC-4P Partnerships**<br><br>Ensure that formal agreements between VACs and 4P partners are clearly defined, effectively implemented, and regularly monitored to guarantee that all roles, responsibilities, and obligations are fully met and reported. - Ongoing | PCU/GBRSP | |

**Human and Social Capital and Empowerment** **Rating: 5** **Previous rating: 5**

**Justification of rating**

126.Rated as Satisfactory (5). Project interventions have empowered target beneficiaries by building a locally skilled human resource through technical training of VAC members in value chain activities and employment of youth in construction activities around ILDs. Project interventions like PCGS have enabled more than ~54% men and women to become first-time borrowers and gain inclusion in formal financial services. Landless women are gaining access to land for cultivation through VAC arrangements, as members with land provide them plots for productive use. In addition, decision-making bodies like SMTs have facilitated resolution of long-standing land disputes.

**Main issues**

127.The Outcome survey reveals that 87% of households of VAC members reported a 25% increase in agricultural income (exceeding the 60% HH target), and 86% of households saw improved sales (against a target of 60%). These outcomes signal a meaningful rise in purchasing power and economic empowerment. Access to productive natural resources has also improved, with 54,208 households reporting better access to land, forests, or water bodies, exceeding the target of 50,000. However, only 60.9% of households reported increased production, below the 90% target, indicating the need to strengthen agricultural extension services and continue capacity building to improve productivity outcomes.

128.For ILD component, community elected SMTs lead scheme design and take part in cost estimation, manage funds and procurement, engage and supervise all labour and are accountable to the community. There are 200 SMTs (target 107), comprising 2,097 members, of whom 2,063 (98.4%) are men and 34 (1.6%) are women. Women headed households, landless and ultra-poor are provided equal share and in some case more, in the newly developed land.

129.60,230 farmers (target 60,000) are engaged in 269 rural enterprises (target 220) and have accessed business development services, supporting local entrepreneurship. This has also expanded leadership opportunities, particularly for women, with 351 women currently in leadership positions.

130.Agricultural extension staff were trained in various skills, including soil sampling surveys. Last year, 24 males and 9 females were trained, bringing the cumulative total to 304 males (out of a target of 426) and 41 females.

131.The Agri Tech Fellows placed by the project in government schools are engaged in imparting skills and training to the students as per the given curriculum. The project initially hired 50 Agri Tech Fellows, and currently 42 are working, as 8 fellows resigned to pursue better opportunities.

132.GBRSP strengthened VACs by delivering capacity-building in bookkeeping, procurement, and governance across 150 VACs, while supporting VACs and 4P partners in business planning, implementation, and machinery procurement/installation.

133.VAC members continue to apply the skills gained earlier from institutional strengthening activities for VACs covering modules on Bookkeeping and Accounting, Financial Planning and Management, Procurement Management, Business Plan Development, Credit Management System, and Business Plan Implementation. While notable progress has been achieved in strengthening the capacities of VACs, sustained handholding, coaching, mentoring, and targeted capacity-building interventions remain critical to ensure their continued institutional and financial viability. Periodic assessments measuring the VACs progress in key areas such as governance, management, and financial capacity will provide the basis for the project's exit strategy, including the needs for future support if any.

134.Through CAF support, machinery has been successfully procured; however, VAC members now require targeted training on the operation of this equipment, along with strengthened capacity on occupational health and safety measures to ensure safe and effective use. Training is also required for VAC members on food processing, labelling, packaging and marketing, as activities move towards value addition and commercialization, including ensuring compliance with quality and labour standards.

135.PCGS promotes financial inclusion by linking farmers with the formal banking system. Under PCGS, GBRSP and HBL held access-to-finance sessions in 214 VACs, including ILD VACs, with loan disbursement underway.

136.E-commerce platform and online accounting system for VACs is in initial design and development stages.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **E-commerce platform and online accounting system made functional for VACs**<br><br>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**

137.Rated as Satisfactory (5). The project employs a community driven development approach through establishing decision-making bodies such as SMTs for ILDs and BODs within VACs. These institutions help ensure that project activities are aligned with the needs of target beneficiary groups, particularly marginalized groups, and that all participants are able to access and benefit from project interventions. The project's participatory approach ensures involvement of communities/beneficiaries in all stages of a sub-project, from design to evaluation, and target groups' feedback is received throughout the project lifecycle and acted upon. Project activities are demand-driven and tailored to target groups' specific needs. There is a SEP (Stakeholder Engagement Plan) which allows frequent consultations among implementing partners, government, project staff and beneficiaries. A GRM is in place, however, it is mainly oriented toward infrastructure-related complaints. The whole activities of ILD and land titling are based on effective community engagement and their feed back which as a result has strengthened the social cohesion of the community and helped resolving the old tribal feuds over land.

**Main issues**

138.The M&E team demonstrated the inclusive approach adopted for ILD schemes, explaining that applications were first received from the community and then subjected to technical, financial and social feasibility assessments. The social assessment ensured that beneficiary households were identified in line with customary practices, that there was no intra-village conflict, and that the entire village was willing to contribute, while also allowing exemptions for poor and eligible households, as facilitated by the Social Mobilization Partner.

139.Established in 2022, VAC WhatsApp groups continue to be used as an information-sharing platform, enabling the PCU, service providers, and community members to exchange project updates and maintain communication.

140.A review of the GRM mechanism reveals that the majority of complaints relate to infrastructure interventions. These primarily concern land-related disputes, boundary demarcation, rehabilitation of damaged or non-functional schemes, water rights and right-of-way issues associated with FMRs. The predominance of such cases may reflect the focus and composition of the Grievance Redressal Committee, which is largely comprised of senior representatives from the concerned line departments and the PCU, making them well-positioned to address technical and infrastructure-related grievances.

141.The mission, however, did not observe any visible dissemination of GRM-related information within the VACs. To support transparency and continuity beyond the project period, VACs should be guided to maintain a grievance logbook documenting complaints received, actions taken, referrals made and resolution outcomes.

142.There is limited understanding among women members regarding VAC operations and value chain processes, including where their products are ultimately sold or routed, which is often mediated through male household members or VAC representatives. Women members of the BODs need to play a more active role in sharing this information and collecting feedback from women beneficiaries. Many members were also unaware of available loan schemes, training opportunities, and the rationale behind allocation decisions (e.g., distribution of cherry trees or machinery). While VAC platforms are contributing to increased income opportunities, it is equally important to strengthen women's agency alongside these gains. For sustainability, **simplified and transparent communication processes** are needed to ensure that women VAC members clearly understand their rights, entitlements, and the future plans of VACs, enabling more informed participation and decision-making.

143.**Meaningful inclusion of marginalized groups in VACs:** VACs naturally bring together members with varying levels of wealth, land ownership and social influence, and it is understandable that those with greater productive assets may play a more active role given their stronger engagement in value chain activities, as observed during the field mission. While these variations are expected, the project should remain attentive to ensuring that such dynamics do not constrain voice and participation, and should introduce appropriate measures to enable marginalized members to express their perspectives meaningfully.

144.**MIS** with complete data on VACs has not been completed yet. In the meantime, many VACs maintain their own records, including business plans, financial documents, training records, notices and membership information.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Develop MIS with complete data of VAC memberships (both component) and provide access to cooperative, agriculture and GBRSP**<br><br>Complete MIS with necessary details that facilitate access to all beneficiaries. | PMU/GBRSP/Cooperative/ Agri Department | 12/2023 |
| **Work with partners to establish an exit strategy for the PCGS**<br><br>In conjunction with bank, modify guarantee structure to enhance and ensure wider coverage, reflecting more accurately risk born by each partner and develop mechanisms for internal generation of management costs. | PCU/GBRSP/HBL | 06/2026 |
| **GRM for VACs**<br><br>Roll out a clear GRM mechanism within VACs, outlining information on how complaints and feedback can be submitted, addressed, and communicated back to members to ensure effective grievance resolution and closure. | Value Chain Team/PCU | 07/2026 |

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

**Justification of rating**

145.Rated as Satisfactory (5). Coordination between the Project and its public and private implementing partners has progressively strengthened, contributing to improved collaboration, responsiveness and operational efficiency. The Project's outputs and measurable outcomes demonstrate the effectiveness of its collaborative partnership model, which is underpinned by strong teamwork, coordinated implementation and a community-driven development approach. Public and private implementing partners, including community institutions, have played an important role in promoting inclusive participation, transparency and accountability, while remaining responsive to community needs and supporting the successful delivery of Project interventions.

**Main issues**

146.The partnerships between the project and its public- and private-sector implementation partners, including community institutions, has continued to evolve and strengthen, demonstrating both relevance and a high degree of operational efficiency. GBRSP has successfully advanced institutional development support through targeted capacity-building in key thematic areas including procurement, finance, governance and record keeping. Its facilitative role in orienting VAC members on PCGS has resulted in overwhelming success of PCGS during first year of operation and supporting grant proposal development for VACs and 4P partners has been particularly instrumental, enabling easier access to finance and more effective participation. The Agriculture Research and Extension Department has expanded its support to SMTs for production of I million planting stock in 11 nurseries through the project support, for accelerated land development under ILD and to VACs by providing critical services that enable them to adopt innovative practices, improve productivity and promote sustainable agricultural growth. The Cooperative Department has played an important role in supporting VACs' audit regulatory compliance. The Communication and Works has taken over 73 FMR out of the completed 93 FMRs for regular operation and maintenance purposes.

147.The Water Management and Irrigation Department is a key partner in ILDs survey, design, implementation, bills processing and land development. However, their field presence seems to be weak and there are reported delays in bills processing causing delayed implementation and payment to SMTs.

148.Placing community institutions at the centre of decision-making and delivery has improved alignment with local priorities, strengthened transparency and accountability, and enabled more responsive implementation in Gilgit-Baltistan's geographically complex and institutionally diverse context. These participatory structures have supported more effective infrastructure and livelihood interventions, while also strengthening community ownership and the successful operation and maintenance of Project activities. As a result, ETI-GB is building local capacity, encouraging collective responsibility for development outcomes, and establishing institutional foundations that can sustain benefits beyond the Project's immediate support period.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Develop revised plan for implementation**<br><br>GBRSP will develop and submit revised plan of activities under component 2 to accelerate implementation | GBRSP/PCU | 06/2025 |
| **Improved Performance of Water Management and Irrigation Department**<br><br>PCU shall ensure regular and strengthened field presence of the department and particularly resolve the issue of timely processing of bills SMTs. | PCU/Water Management and Irrigation Department | 07/2026 |
| **Explore partnership with development partners in GB**<br><br>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**

149.Rated as Satisfactory (5). Adequate measures are taken during the selection, design and implementation of economic infrastructure to avoid and mitigate negative impacts on environment. Borrow areas, water contamination, heavy machinery use and noise creation are limited. and away from dwellings. Mitigation measures are provided against landslides and erosions. ILDs contribute positively to environment due to increased plantation, cultivation of crops and improved biodiversity. Agriculture Department is training farmers in the use of biocontrol agents against pest. Use of farmyard manure is common while chemicals and fertilizers use is minimal. VACs are going to start small scale food processing like electric drying, pulping, oil expelling, and milk products under common asset financing.

**Main issues**

150.Based on the SV 2025 recommendation, the Project provided support for strengthening 11 government fruit plant nurseries across GB and have successfully produced approximately 1 million quality fruit plants to meet the planting material requirements of land development under ILD schemes and VAC interventions.

151.Agriculture Department has conducted pest and disease management activities in Baltistan region and Diamer districts. Classroom lectures covered pest biology, infestation stages, and eco-friendly control while practical trainings included Identification and safe collection of pests-- hairy caterpillar webs, environmentally sound disposal methods and cultural and mechanical methods to reduce infestation without chemical intervention. Farmer Field Days have also been conducted on IPM of fruit flies, particularly in fruit crops such as pomegranate pest management and in vertical farming for cucumber and tomato.

152.Some field observations suggest that the selection of site, required space, waste disposal and shelter arrangements for small scale food processing under CAF grants need improvement.

153.Timely availability of alfalfa seed based on the demand, will not only accelerate the process of land development and economic benefits and but also help erosion control, stabilize lands against slides and improve biodiversity in the region.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **Adequate and timely availability of alfalfa seed**<br><br>The Project and Forest Department shall make arrangement including financial resources for provision of demand based alfalfa seed to farmers under ILD | PCU/Forest Department | 07/2026 |
| **Ensure protection against slides during design and implementation of schemes to ensure water quality against contamination**<br><br>on a continuous basis | PCU | |
| **Farmers trainings in biocontrol agents**<br><br>on a continuous basis | PCU/Agr. Dept | |
| **Ensure quality production of plants from Agriculture Department nurseries - From the beginning until transplantation in 2027** | PCU | |
| **Farmers trainings in biocontrol agents - on a continuous basis** | PCU/Agr. Dept | |

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

**Justification of rating**

154.Rated as Satisfactory (5). The project's exit strategy focuses on consolidation approach based on institutional strengthening through targeted capacity building in governance, operations, and business management, supported by structured coaching and mentoring. The revised strategy has been revised to include the post project institutional arrangements for O&M of the Project infrastructure investments and continuation of support to SMTs and VACs for completion of the land development, seamless continuation of PCGS and strengthening of VACs for value chain development..

**Main issues**

155.The Project approaches of creation of a strong social capital through a network of VAC and SMTs and strengthening their institutional and management capacities including financial inclusion, provides a seamless exit strategy and sustainability of project supported institutions, the infrastructure investments and PCGS. The Project's policy engagement has resulted in promulgation of Land Title System which ensures increased land tenure security particularly for the extremely poor and women headed households. Another landmark policy influence and support of the Project is the completion of the Gilgit Baltistan Water Policy, Road Master Plan, and Operation and Maintenance which is ready for submission to the cabinet for approval.

156.Post-project institutional arrangements will primarily rely on partnership arrangements and mechanisms for continued support between community institutions and the current public and private sector institutions (GBRSP, HBL Microfinance Bank, Departments of Cooperative, Communication and Works, Agriculture Extension and Research and Water and Irrigation).

157.GBPRSP has a tripartite agreement (GoGB, GBRSP and HBL Microfinance Bank) for provision of services till 2031 for PCGS. The Mission recommends that GoGB/PCU should consider making necessary arrangements and financial provisions for continuation of GBRSP support and facilitation role for land development and VACs once the IFAD project reaches its completion. The PCGS will play an instrumental role as a complementary financing mechanism, enabling VAC members to access working capital for inputs and productive assets.

158.In parallel, strategic linkages with 4P partners will enhance market access, support product diversification, and promote market-oriented production.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **Revise Exit Strategy**<br><br>In consultation with implementation partners, develop a clear revised exit strategy to include post project institutional arrangements for continuation of support by public and private sector institutions, particularly identification and engagement of an institutional home for VACs and PCGS. | PCU | 09/2025 |
| **Consolidation of VACs - on a contiuous basis**<br><br>Focus on consolidation and strengthening of VAC | PCU/GBRSP | |

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

**Justification of rating**

159.Rated as Satisfactory (5). The project has demonstrated strong successful innovative activities for sustainable scaling up programs. The project has shown evidence-based results to influence the regional policies and attract private investments and build local capacity. The success of PCGS with HBL Microfinance Bank leveraging the USD 4.5 million fund for agriculture cooperative members is a big success in bringing private investment. The PCGS is its first of kind fund introduced by the project, and government is seeking additional financing to enhance its coverage. Similarly, AICS additional funding of USD 21 million was possible due to project activities, which government requested to scale up the existing project activities due to their successful results in enhancing livelihood opportunities. ETI-GB has made a significant contribution to strengthening institutions and advancing policy reforms by supporting landmark reforms, including the development of the Gilgit-Baltistan Water Policy, the Road Master Plan, and the Operations and Maintenance (O&M) Policy, all of which are ready for Cabinet approval. The project has also laid the institutional foundation to be scaled up for secure land tenure through the approval of the GB Land Reform Policy and the establishment of a digitalised land administration system. Similarly, project has demonstrated innovative impacts on agricultural productivity, household incomes, market access, institutional development, and poverty reduction through its integrated approach combining ILD, FMRs, value chain development, and community institutions. The Outcome survey of the Project concluded that the project approachesthat integrated, asset-based, market-oriented rural development can generate sustained and broadly shared economic transformation in marginalized mountain regions setting up success model to be replicated in other regions with similar terrains. Witnessing the success, the GB Government has also shown interest in additional financing for IFAD to scale up the activities to other left over regions of the GB.

**Main issues**

160.The current level of outreach and disbursement under PCGS has reached its optimum capacity. Efforts are now underway to augment the existing fund to further expand outreach and enhance access to financial services for project-supported farmers. The PCGS has utilized more resources than initially planned. Since PCGS is based on revolving mechanism and as the program enters its second cycle, the recovered resources will be reinvested to support a larger number of farmers, expanding its benefits and impact in the coming years.

161.The current knowledge management strategy is well established and functioning effectively, with a clear focus on documenting project experiences, innovations, and lessons learned. It supports the development of diverse knowledge products such as videos, briefs, and digital content that capture evidence-based practices. However, the strategy need to ensure systematic dissemination of successful innovations and approaches to government forums, development partners, and other stakeholders, thereby facilitating the scaling up and replication of successful project interventions across GB and in other regions.

| Agreed Action | Responsibility | Agreed Date |
|---|---|---|
| **Documentation of Successful and Innovative Experiences**<br><br>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 |
| **Develop KM products around evidence based innovative models**<br><br>Develop at least 3 KM products and prepare strategy for dissemination at government policy level form and development partners | PCU | 12/2025 |
| **Documentation of Successful and Innovative Experiences**<br><br>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 | 12/2026 |

### c. Project Management

**Quality of Project Management** **Rating: 5** **Previous rating: 4**

**Justification of rating**

162.Rated as Satisfactory (5). The project continues to demonstrate strong implementation performance, high-quality work, and positive outcomes and impacts. The project has achieved 104% household outreach against the target of 100,000 households and cumulative physical achievements are substantial, with irrigation, roads, grants, and training activities achieving between 76% and 94% of appraisal targets. This performance is largely attributable to the effective leadership, coordination, teamwork, and sustained commitment of the Project Management team, complemented by the strong support of the Project Steering Committee. Coordination with GBRSP has improved and a well functional coordination mechanism with implementation partners/line departments is in place. Given the current implementation momentum, accumulated experience, and institutional capacities, the project is well positioned to complete all planned activities before the closing date and to achieve its development goal and objectives. Most agreed actions and recommendations from previous IFAD missions have been implemented.

**Main issues**

163.Proposal approval and flow of funds arrangement with GBRSP need to be streamlined for timely support to VACs and SMTs for land development under ILD.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Streamlining GBRSP proposal approval and flow of funds.**<br><br>The project shall ensure timely approval of GBRSP proposals particularly for land development and consider to awarding advance land development financial resources to GBRSP or community themselves in set timeline. | PCU/GBRSP | 07/2026 |

| Knowledge Management | Rating: 5 | Previous rating: 5 |
|---|---|---|

**Justification of rating**

164.Rated as Satisfactory (5). The project continues to perform strongly in knowledge management, supported by a clear KM strategy, dedicated resources and effective integration with the M&E system. It produces and disseminates a range of knowledge products, including case studies, videos, documentaries and thematic content, through multiple digital and communication channels[1] , contributing to strong visibility, stakeholder engagement, and documentation of results. Visibility has expanded, with Facebook following increasing by approximately 7,000 over the past year (from 32,000 to 39,000), reflecting sustained public interest. The KM team remains active in sharing updates and field-level progress, helping maintain visibility and engagement with a wide audience. A third-party Outcome Survey was concluded in 2026, with a two-page summary of key achievements, progress, and lessons learned widely disseminated.

**Main issues**

165.KM activities continue to be implemented in line with the revised KM and Communication Strategy. Knowledge products are systematically stored for internal access through SharePoint and made publicly available via the ETI-GB website and other social media platforms, supporting institutionalisation, knowledge management continuity, and wider dissemination. While the project MIS remains primarily an internal management tool, it complements KM systems by supporting evidence generation and reporting.

166.Since the last supervision mission, the project has generated a diverse portfolio of knowledge products that capture implementation progress, lessons learned, and beneficiary experiences across key intervention areas. These include short videos, documentaries, case studies, and thematic content covering topics such as irrigation and land development, climate-resilient agriculture, cooperative strengthening, value chain development, market access, and women's empowerment. Notable examples include the Agribusiness Expo Skardu 2024 video, which highlights the role of Village Agriculture Cooperatives (VACs) in promoting local products and strengthening market linkages; the ETI-GB Midline Documentary, showcasing achievements in irrigation, land development, connectivity, and value chain support; and beneficiary-focused stories such as the Ringchen Agriculture Cooperative Society and the Hatoon Batooli irrigation scheme, which illustrate tangible improvements in livelihoods, agricultural productivity, and community resilience.

167.The 2026 Outcome Survey provides an important evidence base for capturing outcome level changes and strengthening results based learning. As the project enters its final implementation phase, there is now an opportunity to move beyond documentation of activities towards a more systematic synthesis of lessons learned, good practices, and evidence of impact. This will be critical for informing policy dialogue, supporting replication and scaling-up of successful models, and contributing to project completion processes.

168.While the project has generated strong field-based evidence in areas such as market linkages, irrigation and land development, farm-to-market connectivity, cooperative strengthening, agribusiness promotion and women's empowerment, this evidence has not yet been systematically consolidated into policy briefs or thematic knowledge products for wider dissemination, targeted government engagement, and scaling-up of successful models.

169.Documentation of best practices and innovations is ongoing, but it would benefit from a more structured approach as the project moves into the completion phase. In particular, there is a need to strengthen "before and after" narratives that demonstrate tangible changes in beneficiaries' lives, including women's economic empowerment, income generation and financial stability.

170.As the project moves towards strengthening evidence use and consolidating learning, it plans to build on this momentum through a Provincial Level Agribusiness Expo scheduled for October 2026, building on the success of earlier regional expos in Hunza, Chilas and Skardu, to showcase innovations, strengthen stakeholder engagement, promote market linkages and attract government, private sector and investor engagement for local agribusinesses in Gilgit-Baltistan.

171.[1] Facebook, YouTube, WhatsApp, Twitter/X and the ETI-GB website.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Provincial-Level Agri-Business Expo October 2026**<br><br>Provincial-Level Agri-Business Expo in 2026 to showcase innovations, strengthen stakeholder engagement (including private sector), and promote market linkages in Gilgit-Baltistan. | PCU/GBRSP | 10/2026 |
| **Prepare one consolidated project video.**<br><br>Prepare one consolidated project video to showcase overall project achievements, impacts, and outcomes. | PCU | 03/2027 |
| **Disseminate knowledge products**<br><br>Use social, print and electronic media to disseminate knowledge products | PMU | |
| **Learning Events**<br><br>Organise learning events for VAC members and other stakeholders like private sector - on a continuous basis | PCU/GBRSP | |
| **Document Best Practices and Innovations - on an ongoing basis**<br><br>Ensure continued documentation and dissemination of emerging best practices and innovations, particularly in the areas of infrastructure development, value chain development and climate resilience | PCU | |
| **Showcasing COP29**<br><br>Build on the momentum of the COP29 showcase by exploring opportunities to share learnings in other national and international forums to support policy dialogue and scaling up. | PCU | |
| **Strengthen systematic consolidation**<br><br>Strengthen systematic consolidation of project knowledge and evidence into structured products, including thematic briefs, policy notes, and lessons learned papers, to support wider dissemination, government engagement, and scaling-up of successful models - ongoing | PCU | |

| Value for Money | Rating: 5 | Previous rating: 5 |
|---|---|---|

**Justification of rating**

172.Rated as Satisfactory (5). The field visits and reported data has confirmed that project has achieved cost efficiencies for the implemented activities like ILD, roads and bridges. IFAD investment cost per households stands at USD 616 while per beneficiaries at USD 82. Similarly, the overall project cost per households, including government and beneficiaries' contribution stands at USD 925 while per beneficiaries at USD 123. The cost per beneficiaries is cost-effective from the design phase as the foresee beneficiaries has increased to 7 percent with same project cost, Moreover, if we factor in the harsh weather, the remoteness and disperse mountainous population and harsh terrain of project areas, and the cost of Government funded projects for FMR, for instance, where government needs to pay compensation for the land, ETIGB has shown high cost effectiveness, as ETIGB activities involves community and land are given free of cost for all infrastructure development including FMR.More robust results can be deducted once the EIRR and BCR for calculated through EFA at the completion phase. It is worth to mention, at MTR EFA was not calculated, though outcome survey conducted recently has shown tremendous results on income increase at household level. The outcome survey on household income and saving indicate 86.6 percent of beneficiary households reported increased income. Average monthly agricultural income reached PKR 16,830, compared to PKR 8,200 among control households. Nearly 60 percent of beneficiaries experienced income growth of more than 50percent. The project investments in VACs are generating substantial income for farmers, rural entrepreneurs VACs, and rural households in the project area. Evidently, most of the benefits are directly accruing to poor farmers, women households and youth. The accumulative financial disbursement stands at 96.4 percent and expenditure stands at 94 percent of total IFAD financing. The project is well positioned to fully utilize the IFAD loan allocation before closure. With the current financial utilization of 84 percent of total AWPB 2025-26 , with expenditure of 98percent of IFAD financing by 30th June 2026, the project has well achieved the physical targets and planned financial utilization. The project cumulative outreach, as of June 2026, is 104,482 poor households against the target of 100,000 (105 percent ). Women beneficiaries account for 51 percent of the total outreach. Through targeted skills training and youth employment opportunities, the project has empowered 14,478 youth to engage in income-generating activities. Access to productive natural resources has also improved, with 54,208 households reporting better access to land, forests, or water bodies, exceeding the target of 50,000. The outcome survey findings indicate that average irrigated land increased from 0.60 acres to 1.50 acres per household, more than doubling productive capacity. 89.2 percent of beneficiary households reported improved access to agricultural land compared to 70.2 percent of non-beneficiaries.

**Main issues**

173.The value for money is reviewed (i) on the basis of the unit cost of activities in the design, the unit cost used in the AWPB and for the actual expenditure; (ii) on the performance of the AWPB planning and disbursement; and (iii) revisiting the economic benefits due to the additional project activities and project restructuring due to additional financing. The outcome survey on household income and saving indicate 86.6 percent of beneficiary households reported increased income. Average monthly agricultural income reached PKR 16,830, compared to PKR 8,200 among control households. Nearly 60 percent of beneficiaries experienced income growth of more than 50percent .

174.The progress of project activities as of June 2026 strongly supports output and outcome level achievements which are:

175.**i) Irrigation and land development schemes.** While the economic infrastructure development is near completion, the Project is now focusing more on consolidation especially on land development for fruits tree cultivation moving towards reaping the actual benefits of the investments. With addition of new land development, the 17, 122 acres has been brought where crops like wheat, maize, alfalfa and plantation of different fruit and forest trees has been planted. About 0.6 million new fruit plants will be added in the next year under new land development with the help . GB is dependent on federal government for wheat provided at subsidized rates but the quality is always a question mark. They are now producing their own wheat of good quality and nutritional value. Alfalfa is not only used for own cattle but has also proved to be a cash crop as the region is generally deficient in fodder, especially winters. In addition, alfalfa is adding to fertility of soils along with stabilization. Yields are also increasing due to reliable water supplies. Trees are also ready for harvesting in a couple of years providing early returns. Nutrition is improving in terms of fruits production, availability and affordability while milk and its quality products will soon be available through and PCGS and CAFs in the project area. The outcome survey indicates, average irrigated land increased from 0.60 acres to 1.50 acres per household, more than doubling productive capacity while 89.2percent of beneficiary households reported improved access to agricultural land compared to 70.2percent of non-beneficiaries.

176.**ii) Farm to market roads.** The outcome survey indicates, Farm-to-Market Roads reduced travel time by an average of 3.5 hours per market trip. Transport costs decreased and market participation increased. Physical connectivity enabled farmers to commercialize production and access wider markets. The project has completed about 597 km of FMRs in the far flung and challenging rural areas providing access to market and other social services like schools and hospitals. RCC and other important bridges are also linking the communities to the same services. Land for FMRs is provided without compensation that is estimated to about PKR 3 billion. As per the Project estimates, the construction cost for earth work and culverts is about 30 percent less than the government estimates. Social benefits like saving of time, easy and quick access to health services and girls enrolment in remote schools are unmatched. This infrastructure has reduced transportation cost along with providing road access to enabling cultivation of lands especially diversification to high value crops for increased incomes; It also provides all weather access reducing risks to life while crossing streams particularly during high flows and winters. FMRs and bridges have added immensely to creating new income opportunities from tourism deeper into the beautiful valleys.

177.**iii) Value chain development.** The project has established 162 VACs, 513 orchards, 13 4Ps, 7 potato storages and 72 nurseries in the region benefiting 50,256 HHs. Cooperatives strengthened collective marketing, governance, service delivery, and bargaining power. The Community participation through VACs improved ownership, transparency, and sustainability in order to maximize return on investment, farmers should take advantage of the suitable agroclimatic conditions, be encouraged to adopt innovation and go for high value crops like fruits and vegetables that has 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.

178.**iv) Poverty Reduction:** As per outcome survey, Poverty levels declined significantly, with the multidimensional poverty headcount falling to 28.23 percent among beneficiary households from 34.8 percent at baseline. In order to maximize return on investment, farmers should take advantage of the suitable agroclimatic conditions, be encouraged to adopt innovation and go for high value crops like fruits and vegetables that has 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**<br><br>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**<br><br>Carryout a case study of the cost efficiencies of project infrastructure activities and its impact | PCU/GBRSP | 12/2025 |

| **Coherence between AWPB and Implementation** | **Rating: 5** | **Previous rating: 4** |
|---|---|---|

**Justification of rating**

179.Rated as Satisfactory (5). Overall, there is good coherence between the AWPB and implementation. The overall revised AWPB 2025-26 implementation remained high at 84 percent, with expenditure of US$ 5.44 million against the planned budget of US$ 6.50 million. The IFAD-financed component has performed even better, achieving 98 percent implementation with expenditure of US$ 2.75 million against US$ 2.8 million planned. In comparison, implementation of Government-financed activities remains slow at 68 percent, with expenditure of US$ 740 thousand against a planned allocation of US$ 1.09 million. However, The project is well positioned to fully utilize the IFAD loan allocation before closure. The IFAD financing has reached a disbursement rate of 96.4 per cent, with XDR 46.8 million (equivalent to US$64.4 million) disbursed against a total allocation of XDR 48.6 million (equivalent to US$67 million). Reported expenditure stands at 94 per cent, amounting to XDR 45.7 million (equivalent to US$62.8 million). . Nevertheless, some efforts are required to accelerate implementation of Agriculture Research and Land Titling activities and ensure full utilization of all financing sources before project completion. Improved alignment between annual planning, financing, and implementation is required.

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

180.Implementation of Project activities were hampered due to protests against the Middle east conflict in Feb/Mar, the general election of June 2026 and rather ambitious outlay and physical targets. In response, the project revised the AWPB 2025-26 to US$6.50 million from the original US$ 15.44 million, resulting in a much stronger budget execution rate of 84%, demonstrating improved alignment between planning, implementation capacity and financing availability.

181.Implementation under IFAD financing was particularly strong, with 98% budget utilization, supporting satisfactory progress in key investment areas including Irrigation Development, Farm-to-Market Roads, Value Chain Support and Agriculture Extension. Utilization of Government and AICS financing also improved significantly following the budget revision, increasing from 21% to 68% and 24% to 75%, respectively. Nevertheless, implementation under these financing sources continues to lag IFAD financing and remains a constraint to overall project performance.

182.Budget execution across components was generally consistent with implementation priorities. Irrigation Development (87%), Farm-to-Market Roads (105%), Value Chain Support (92%), Agriculture Extension (83%) and Programme Coordination (86%) all achieved satisfactory implementation against the revised AWPB. However, Agriculture Research (51%) and particularly the Land Titling System component (19%) continue to underperform, largely due to delays in Government and AICS-financed activities.

183.The mission considers the revised AWPB to be a more realistic representation of the project's implementation capacity and financing outlook. However, future annual work plans should be based on realistic procurement schedules, implementation readiness and confirmed financing availability to minimize significant in-year revisions. During the remaining implementation period, management attention should focus on accelerating implementation of the underperforming components, improving utilization of Government and AICS financing, and ensuring that remaining resources are fully utilized before project completion.

184.Going forward, the project should strengthen the realism of annual AWPB planning by aligning targets more closely with the remaining implementation period and actual delivery capacity. Accelerating the utilisation of co-financing resources, improving coordination among financing partners, and addressing bottlenecks in value chain and land-related interventions will be critical to ensuring that physical achievements are matched by financial execution and that project development objectives are fully achieved.

| US$ (Revised budget) | IFAD | | | Govt. | | | AICS | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sub-Component | Budget 25-26 | Actual | %age spent | Budget 25-26 | Actual | %age spent | Budget 25-26 | Actual | %age spent | Budget 25-26 | Actual | %age spent |
| Irrigation Development | 1.25 | 1.19 | 95% | 0.25 | 0.20 | 81% | 0.45 | 0.31 | 69% | 1.96 | 1.71 | **87%** |
| Farm to Market Roads | 0.95 | 0.96 | 101% | 0.21 | 0.11 | 51% | 0.44 | 0.61 | 141% | 1.60 | 1.68 | **105%** |
| Value Chain Support Fund and Technical Assistance | 0.24 | 0.21 | 85% | 0.02 | 0.02 | 62% | 0.22 | 0.23 | 103% | 0.49 | 0.45 | **92%** |
| Social Mobilization | 0.00 | 0.01 | 0% | 0.00 | 0.00 | 0% | 0.00 | 0.00 | 0% | 0.00 | 0.01 | **0%** |
| Agriculture Extension | 0.07 | 0.07 | 102% | 0.07 | 0.05 | 75% | 0.17 | 0.14 | 80% | 0.31 | 0.26 | **84%** |
| Agriculture Research | 0.02 | 0.01 | 40% | 0.02 | 0.01 | 54% | 0.04 | 0.02 | 53% | 0.08 | 0.04 | **51%** |
| Land Titling System, Provincial Land Commissioner | 0.11 | 0.08 | 78% | 0.12 | 0.04 | 35% | 0.47 | 0.01 | 2% | 0.70 | 0.14 | **19%** |
| Programme Coordination Unit | 0.17 | 0.22 | 129% | 0.39 | 0.32 | 81% | 0.81 | 0.63 | 79% | 1.37 | 1.17 | **86%** |
| **Grand Total** | **2.81** | **2.75** | **98%** | **1.09** | **0.75** | **69%** | **2.61** | **1.96** | **75%** | **6.50** | **5.46** | **84%** |

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

**Justification of rating**

185.Rated as Satisfactory (5). The project has an established M&E system that supports regular monitoring and reporting across implementation levels, enabling accountability and informed decision-making. Progress is systematically tracked through monthly, quarterly and annual reports, while the recently completed Outcome Survey 2026 provides robust evidence of outcomes and impacts using treatment and control groups. The project has produced the desired outcomes, has surpassed the outreach targets, and clearly displayed a discernible improvement in results, demonstrating the project's effectiveness and strengthening the evidence base for results reporting. While some limitations remain in the functionality of the Management Information System (MIS), the M&E system generates reliable information that supports project management and reporting, consistent with a satisfactory rating.

**M&E System Review**

186.The project has a comprehensive M&E system comprising an M&E plan, a monitoring framework, MIS, and an elaborate Excel-based database to track implementation progress against the logframe. The M&E team at the Project Coordination Unit (PCU) and regional levels undertakes regular data collection, validation and reporting through monthly, quarterly and annual progress reports. The project also maintains sex and age disaggregated data for most of the logframe indicators.

187.During the reporting period, the project completed the Outcome Survey 2026, which provides robust evidence of progress at the outcome and impact levels using treatment and control groups in line with IFAD's Core Outcome Indicator methodology. The assessment demonstrates positive project impacts across key development outcomes, including increased agricultural production and productivity, higher household incomes, improved market access, enhanced dietary diversity and nutrition practices, and reductions in poverty. These findings provide an important evidence base to validate reported achievements beyond the output level and strengthen results-based management.

188.As discussed in the Effectiveness section, the mission's review of the logframe identified a few areas requiring refinement. Addressing these issues will further strengthen the project's results framework and improve the quality and consistency of performance monitoring and reporting.

189.The project has also developed a web and GIS based MIS to improve data capture and reporting from the field. While this represents a significant improvement over the previous MIS and the Excel-based system, further refinements are needed to enhance analytical and dashboard functions, strengthen automated reporting and exception alerts, and improve the use of M&E information for adaptive management. Continued efforts are also required to strengthen monitoring of value chain interventions and to fully integrate grievance and complaints management functions within the MIS.

190.As the project is scheduled to close in September 2027, preparations for the endline evaluation should commence during the coming implementation period. The PCU should initiate preparation of the Terms of Reference and procurement process sufficiently early to ensure that the evaluation is completed in time to inform the Project Completion Report (PCR). The endline evaluation should build on the methodology adopted for the Outcome Survey 2026 and comprehensively assess achievement of the project's development objectives and outcome indicators.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Independent/third party end-line survey following IFAD COI survey guidelines to be procured.** | PMU/M&E | 12/2024 |
| **Procurement Completion and Endline Evaluation Timeline**<br><br>Initiate preparation of the Terms of Reference and procurement for the endline evaluation to ensure findings are available in time to inform the Project Completion Report (PCR). The evaluation should follow IFAD's Core Outcome Indicator (COI) methodology and build on the Outcome Survey 2026. - Procurement completed by December 2026. Endline Evaluation Report available by July 2027. | PCU | 07/2026 |
| **Conduct Outcomes based / small scale internal thematic assessments across the project's interventions.**<br><br>on a regular basis | PMU/M&E | |
| **Follow Core Outcome Methodology for Outcome and Endline Surveys**<br><br>For the upcoming outcome and endline surveys, the project must closely follow the methodology outlined in the Core Outcome Indicator (COI) guidelines for data collection. It's important to ensure that all indicators in the project logframe are included. This will improve the reliability of the survey results and provide a clearer picture of the project's outcomes. | PCU | |
| **Continued Strengthening of the Web-Based MIS**<br><br>Continue strengthening the web-based MIS to enhance analytical reporting and support evidence-based decision-making during the remaining implementation period. - Ongoing | PCU | |

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

**Justification of rating**

191.Rated as Satisfactory (5). The economic infrastructure activities (ILD, FMR and bridges) are complying with SECAP standards by ensuring initial screening of interventions and mitigation measures during implementation. Protection of water rights, proper alignment of channels and roads for slopes stability, assessment of floods risk and proximity to glacial lakes, use of locally available material and climate resilient material are part of the strategy. No activities in protected areas. Water Policy, fulfilling the SECAP requirements has been prepared awaiting government's final approval. Overall project Interventions are small scale, very limited or no use of heavy machinery, minimal noise and dust. Mitigation measures are in place in all schemes under implementation. Stakeholder engagement plan has been developed, GRM is in place, youth and women participation is promoted, training on SECAP compliance was conducted. Focal person has been nominated and monitoring of activities ensured. Similarly, ESMP guidelines are followed, and implementations mechanism is in place and functional. Land titling will further strengthen the SECAP by granting local communities the legal authority to protect their natural resources and make them productive. It will enhance social cohesion of community, solve the local tribal feuds, unlocks investment for agriculture development and empower local/tribal communities, moreover empower women by giving them land rights.

**SECAP Review**

192.While ILDs and FMRs are nearing completion, the focus is now more on land development and cultivation with support from GBRSP and communities' involvement. The soils being very shallow and loose, local knowledge and experience are being utilized for land development to avoid deep digging and exposure to erosion. Cultivation of plants and alfalfa on slopes in loose soils with frequent and slow irrigation helps stabilize, fertilize and develop land for other crops like cereals and vegetables in a few years' time.

193.The Draft GB Water Policy has been finalized awaiting government's approval. The Policy emphasizes the protection of glaciers, watersheds, rivers, wetlands, and biodiversity to ensure long-term water security. It promotes climate-resilient water management through watershed restoration, afforestation, pollution control, environmental flow maintenance, and mandatory environmental assessments for major development projects. Overall, the Policy seeks to balance water use with ecosystem conservation and climate adaptation.

194.The Infrastructure Specialist of ETI-GB is also the Focal person for SECAP[1] related matters. The damages by the last year flood have led to further strengthen mitigation measures for protection against slides and erosion for the ongoing economic infrastructure schemes. For example, open channels have been replaced with pipes in vulnerable locations and more resilient structures provided for protection against slides and cross drainage works.

195.The Project identifies extra poor- widows and orphans- in all the ILDs for prioritized support for land distribution and development. A key achievement in the case of some ILD, is the resolution of decades old conflicts among the communities through direct negotiations among communities and/or through the Project facilitation/mediation to reach a collaborative settlement. Similarly, old court cases involving land disputes have been resolved by the communities themselves for successful implementation of the concerned schemes.

196.Small scale food processing like electric drying of fruits, pulping, flour mills, milk products and oil extraction have been started through VACs' common asset financing which need to comply with hygiene and safety and environmental requirements of the country. Gilgit-Baltistan does not have a separate a detailed food-processing hygiene code, however, small-scale food processing units are required to comply with the provisions of the Gilgit-Baltistan Food Act 2021and licensing requirements administered by the Food Department. The VACs involved in manufacturing, processing, packaging, or distributing food should obtain a license and is subject to inspections for food safety and hygiene compliance.

197.Field observations showed that the space and location selected for CAF needed improvement for easy access and safety. The structural safety, clean water availability, overall pest control, food storage temperatures, waste disposal and sanitation practices should be ensured as per government rules.

198.*[1] Social, Environmental and Climate Assessment Procedures (SECAP)*

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Suitable site and space selected for operating the machinery under CAF**<br><br>Ensure that the space and site for machinery is suitable under CAF.<br>Continuously monitor the operations for hygiene, food safety and environmental compliance. | PCU | 08/2026 |
| **Regular use of Personal Protective Equipment (PPE) in all infrastructure related activities should be ensured and reported in the progress reports.**<br><br>on continuous basis | PCU | |
| **Involvement of Agriculture Department - on a continuous basis**<br><br>Active involvement of Agriculture Department in land development to advised on the type of plantation and its proper method | CPU/GBRSP | |
| **SECAP Compliance Reporting**<br><br>Regular reporting on SECAP compliance and GRM | CPU/RCUs | |
| **Ensure quick and just Resolution of complaints - on a continuous basis** | CPU/RCUs | |

### d. Financial Management & Execution

| **Acceptable Disbursement Rate** | **Rating: 4.0** | **Previous rating: 5** |
|---|---|---|

**Justification of rating**

199.The project is rated Moderately Satisfactory (4) for disbursement. The project is in its tenth year of implementation and has undergone two extensions. IFAD financing has reached a disbursement rate of 96.4 per cent, with XDR 46.8 million (equivalent to US$64.4 million) disbursed against a total allocation of XDR 48.6 million (equivalent to US$67 million). Reported expenditure stands at 94 per cent, amounting to XDR 45.7 million (equivalent to US$62.8 million). The project is well positioned to fully utilize the IFAD loan allocation before closure. A one-point deduction has been applied due to the two project extensions, which were not associated with additional financing. Absent these extensions, the project would merit a rating of Satisfactory (5).

**Main issues**

200.Utilization of Government and AICS financing remains below expectations and will require significant acceleration during the remaining implementation period. The project remains on track to meet most of the conditions attached to the extension, including deployment of common assets to Village Agricultural Cooperatives (VACs) and achievement of cumulative disbursements of at least US$65 million.

201.However, there are concerns regarding the timely completion of all ongoing irrigation schemes, which remains a key condition for the extension. The project should expedite implementation and closely monitor progress to ensure completion 30 September 2026. Compliance with all extension conditions will be assessed during the October 2026 implementation support mission. Should the conditions not be met, the project completion date will revert to 31 December 2026. Otherwise, the project completion date will remain 30 September 2027, with a closing date of 31 March 2028.

202.To facilitate an orderly closure, ETIGB should prepare and submit a comprehensive project closing financial plan. The plan should demonstrate the full utilization of IFAD financing and include adequate provisions for project completion, winding-up activities, and closure-related costs.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Monitor and report the project extension conditions.**<br><br>The project should monitor steadfastly the project extension conditions around disbursement, irrigation schemes and common asset grants for VACs. | PMU | 09/2026 |
| **Track and monitor the project extension conditions.**<br><br>The project should monitor steadfastly the project extension conditions around disbursement, irrigation schemes and common asset grants for VACs. | PCU | 10/2026 |
| **Enhance monitoring and supervision of implementing partners**<br><br>Monitoring reviews including oversight and supervision visits should be performed quarterly. Reports of such visits should include the issues identified and recommended actions for improvement. ETIGB PMU. | PCU | 12/2026 |
| **Submit a closing financial plan**<br><br>Submit a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs. ETIGB PMU. | PMU | 12/2026 |

**Fiduciary aspects**

| **Quality of Financial Management** | **Rating: 4** | **Previous rating: 4** |
|---|---|---|

**Justification of rating**

203.The quality of financial management is rated Moderately Satisfactory (4). The project has adequate and experienced FM staff, and internal controls that are generally functioning well. Financial management practices at the PMU level have improved, with adequate supporting documentation, improved management of advances, appropriate segregation of duties, and effective authorization controls. Funds are generally traceable to the beneficiary level. However, weaknesses remain in the budget approval and execution process, while FM capacity at the Village Agriculture Cooperative (VAC) level requires strengthening, particularly in record-keeping, audit arrangements, and cash flow management.

**Main issues**

204.Financial management practices at the Village Agriculture Cooperative (VAC) level require further strengthening. The mission noted weaknesses in record-keeping, irregular or absent internal and external audits, irregular annual general meetings of the cooperatives' shareholders. and weak cash flow management, with many VACs maintaining insufficient cash balances to meet short-term operational needs.

205.The mission understands that one contributing factor is the limited recovery of initial grants through revolving fund arrangements. Given the importance of liquidity to the sustainability of VAC operations, the project is encouraged to explore alternative financing mechanisms, including greater utilization of the existing Partial Credit Guarantee (PCG) scheme, modest annual membership contributions, and the retention of earnings from group-based economic activities, where feasible.

206.Deployment and Functionality of Common Assets: Common assets have recently been deployed to eligible VACs. While the mission observed several assets during field visits, none were operational at the time of the visit as installation was still underway. ETIGB is requested to submit to IFAD, by 30 September 2026, a comprehensive asset register together with a status report on the functionality, utilization, and maintenance status of all deployed assets. Selected assets will be verified during the October 2026 implementation support mission.

207.The 2025/26 AWPB was submitted in June 2025 and received IFAD no-objection in July 2025. However, the 2026/27 AWPB had not been submitted to IFAD as of 20 June 2026, representing a delay of nearly two months against the expected submission timeline. AWPB implementation remains below target at 36 per cent, with expenditure of US$5.44 million against a planned budget of US$15.22 million. Performance under IFAD financing is comparatively stronger at 73 per cent (US$2.75 million), driven by high execution in Irrigation Development (95 per cent), Farm-to-Market Roads (70 per cent), and Land Titling (78 per cent). In contrast, utilisation of Government and AICS financing remains low at 21 per cent and 24 per cent respectively, constraining overall implementation.

208.Accounting, Financial Reporting and Disbursement Processing: The mission noted improvements in accounting and financial reporting following further customization of the accounting software. However, additional enhancements are needed to enable the automated generation of Interim Financial Reports (IFRs). Delays in the submission of IFRs and Withdrawal Applications (WAs) were also noted and continue to affect the timeliness and efficiency of financial reporting and disbursement processing.

209.The Internal Auditor position has not been filled, contrary to the requirements of the Project Implementation Manual (PIM). The mission acknowledges the limited time remaining until project completion and the lengthy recruitment process. Nevertheless, the mission urges the Programme to give due consideration to the auditors' recommendations regarding the recruitment of an Internal Auditor and to take appropriate measures to strengthen the internal audit function during the remaining implementation period.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Strengthen Financial Management Capacity and Controls at VAC Level**<br><br>Strengthen financial management at VAC level by improving record keeping, financial reporting, internal controls, and ensuring the regular conduct of internal and external audits. Consider re-introduction of Field Finance Controllers.<br><br>ETIGB PMU 30 Jun 26 | ETIGB PMU / GBRSP | 09/2026 |
| **Develop VAC Financial Sustainability and Financing Strategy**<br><br>Develop and implement a VAC sustainability and financing strategy, including measures to improve cash flow and assessment of alternative financing mechanisms such as revolving funds, PCGs, membership contributions, and income-generating activities, as appropriate. | ETIGB PMU / GBRSP | 09/2026 |
| **Submission of Comprehensive Asset Register and Utilization Report for Common Assets**<br><br>Submit a comprehensive asset register and functionality report for all project-financed common assets deployed to VACs. Selected assets will be verified during the next implementation support mission. | ETIGB PMU | 09/2026 |
| **Strengthen controls around cooperatives financial management**<br><br>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.<br><br>Further training and handholding of the management of the Cooperatives to be provided to ensure better financial management of the Cooperatives.<br><br>Update 02/06/2025<br>The documentation process for cooperative payments is ongoing, with teams currently compiling training manuals, procurement documents, etc. Capacity building for cooperative management has also been planned to be integrated into a quarterly work plan/ calendar, with specialized financial training sessions for VACs scheduled throughout the year. | Director Finance | 12/2026 |
| **Institute project internal audit**<br><br>Hire the private audit firm. The terms of reference established for the internal auditor must be submitted to IFAD for no objection, as well as the procurement file for the selection of the firm or an individual. The appointment and removal of the internal auditors are also subject to IFAD's no objection. ETIGB PMU August 2025 | PCU | 12/2026 |
| **Enhancement of Accounting System and Timely Financial Reporting (IFRs and WAs)**<br><br>Complete the remaining customization of the accounting software to enable automated IFR generation and ensure timely submission of IFRs and Withdrawal Applications. | ETIGB PMU | 12/2026 |

| **Quality and Timeliness of Audit** | **Rating: 5** | **Previous rating: 5** |
|---|---|---|

**Justification of rating**

210.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 ISSAI 1700 and the audit was conducted in accordance with INTOSAI standards.

**Main issues**

211.The financial statements were submitted before due dates and are fully complaint with the requirements of IFAD per FA, IFAD Financial Reporting and Auditing Handbook and FMFCL.

212.1. The audit opinion is unqualified.
2. The unaudited FS were received but after the deadline, however, the audited FS is largely consistent with the reviewed UFS and IFR. IFRs were received on time and at required quality throughout the year.
3. It was possible to reconcile the FS to IFAD records and to the Q4 2024 IFR.
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. There was a follow-up on prior period recommendations.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Convene DAC and resolve current year audit issues**<br><br>i. Non-collection of payback amount of ILD schemes- Rs. 617.061 million<br>ii. Non-functionality and non-handover of completed Irrigation and Land Development Schemes - Rs. 291.522 million<br>iii. Inefficient utilization of funds resulting in delay of Irrigation and Land Development (ILD)Schemes - Rs. 425.086 million<br>iv. No wrap-up procedures for invested amount - Rs. 560.00 million<br>v. Unauthorized increase in salary of the Project Coordinator leading to excess payment - Rs. 4.402 million<br>vi. Unauthorized provision of two terminal benefits in violation of PIMRs. 1.641 million<br>vii. Unauthorized investment and loss of potential benefit to the Fanners due to low interest rate on investment - Rs. 16.250 million<br>viii. Inefficient utilization of funds resulting in delay of Fann to Market Road Schemes - Rs. 373.768 million<br>ix. Non-Conducting of internal audit | ETIGB Management | 12/2026 |
| **Convene DAC and resolve audit issues - Prior period**<br><br>i. Non-completion of titling of land record – Rs. 42.50 million and non-receipt of vouched accounts against land titling record – Rs. 12.324 million.<br>ii. Non-recovery of advance payment from VCTAT-ASF – Rs. 2.648 million<br>iii. Non-collection of payback amount of ILD schemes – Rs. 973.605 million<br>iv. Irregular sub-letting of work without approval of Program management – Rs. 26.214 million<br>v. Non-Conducting of Internal Audit for the Financial Year 2023-24 | ETIGB Management | 12/2026 |

| Counterparts Funds | Rating: 4 | Previous rating: 4 |
|---|---|---|

**Justification of rating**

213.Government counterpart financing stands at 53 per cent, with US$12.5 million disbursed against a commitment of US$23.6 million. Increased government financing is required to ensure achievement of project development objectives, particularly completion of irrigation and land development schemes. In PKR terms, counterpart financing is higher at 83 per cent, with PKR 2 billion contributed against an appraisal allocation of PKR 2.4 billion, reflecting USD appreciation against PKR. Beneficiary contributions are being tracked, including cash and in-kind inputs. Total contributions are estimated at USD 19.8 million. In-kind contributions mainly reflect land provided for irrigation and land development (ILD) schemes and Farm to Market Roads (FMR), valued at government rates.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Acceleration of Government Counterpart Financing for Priority Investments**<br><br>Accelerate the mobilization of government counterpart financing to support the completion of critical irrigation, land development, and other priority investments. 30 Sep 26 | ETIGB/GoG | 09/2026 |

| Compliance with Loan Covenants | Rating: 5 | Previous rating: 5 |
|---|---|---|

**Justification of rating**

214.Rated as Satisfactory (5). The project generally complies with the covenants set forth in the financing agreement and financial management and financial control letter with most of the covenants already met and others are in ongoing status

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Timely Submission of AWPB**<br><br>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 |
| **Ensure insurance of project vehicles and other assets** | PCU | 12/2025 |
| **Ensure insurance of project vehicles and other assets**<br><br>Ensure project assets are insured. | ETIGB PMU | 12/2026 |
| **Timely Submission of Interim Financial Reports (IFR)**<br><br>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**

Processes, procedures and systems applied exhibit some gaps and inconsistencies that have limited impact on project implementation and performance. Implementation support is required; however, prompt resolution of issues/constraints is likely.

**Procurement Review**

A formal mechanism for sharing contract implementation and payment status information with the procurement section has yet to be established. Updating of the OPEN and CMT is not done and remains dependent on the timely provision of information by various project sections, resulting in delays in maintaining up-to-date records. The procurement and utilization of machinery by VACs under the CAF initiative, as well as the implementation of ILD and FMR schemes, require continued close monitoring and support by GBRSP to ensure compliance, transparency, efficiency, and achievement of intended outcomes. Recent increase in prices of construction inputs needs attention.

The approved procurement plan for FY 2025–26 amounts to US$0.102 million. The contracts amounting to US$0.069 million for goods and US$0.016 million for consulting services and Grants amounting to US$0.069 million were awarded. The post-review of procurement transactions confirmed that procurement processes were generally completed efficiently within the original bid validity period and in accordance with the IFAD Procurement Framework. Procurement records were adequately maintained. The filing of hard copies of payment records, as required under Clause (xv) of the table contained in Module B of the IFAD Procurement Handbook, was not consistently observed. The project cancelled the hiring of an Internal Auditor, outstanding since August 2024, in OPEN during the mission. The mission recommends that the management should take appropriate action to strengthen internal oversight arrangements.

The updates to the CMT and OPEN remain pending due to the absence of payment information from various sections. The mission also observed scope for improvement in attention to detail during procurement processing and contract administration. Necessary guidance and capacity-building support on OPEN-related pending issues were provided from HQ during the mission. The consultants submitted the Roads Master Plan and Water Policy which are pending review and approval by the cabinet. PCGS was found as a huge success. More focus is needed to increase women beneficiaries.

Field visits to 10 ILD, 9 FMR schemes, and 3 VACs in the Gilgit and Baltistan regions indicated that implementation delays might be partly attributable to social and community-related factors within the operating environment. The SMCs pleaded to acknowledge recent price increase in construction inputs particularly cement. The SMCs had signed fixed price agreements. VACs continue to face capacity constraints in conducting procurement processes in a manner that ensures transparency and competition. Majority of the VACs procured the machinery under CAF without proper preparedness, need assessment, market research, technical specification, and prior arrangement of required electricity and space requirements for installation, GBRSP's district offices need to be more active in providing training and handholding required by VACs for procurement and management of machinery under the CAF initiative. The mission observed gaps in internal control arrangements, particularly regarding contract monitoring and information flow.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Monthly Random Contract Monitoring**<br><br>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**<br><br>Procurement officer to ensure PIM revision with a view to ensure alignment with the country procurement framework. | DFA/PO | 10/2024 |
| **Strengthen internal coordination and contract monitoring**<br><br>Establish a formal and effective mechanism for internal coordination and systematic sharing of contract implementation, payment, and performance information with the procurement section to timely update the OPEN and CMT. | PC/DFA | 08/2026 |
| **Internal controls**<br><br>Management should take appropriate action to strengthen internal oversight arrangements. | PC/DPC | 09/2027 |
| **Risk mitigation measures of procurement under CAF initiative**<br><br>PCU to closely coordinate with GBRSP to ensure that procurement decisions at VACs level are driven by demonstrated needs, supported by adequate technical preparation, subject to appropriate oversight, and linked to clear accountability for the effective utilization of CAF-financed assets. | PC/DPC/VCS | 09/2027 |

### e. Key SIS Indicators

| Likelihood of Achieving the Development Objective | Rating: 4.88 | Previous rating: 4.69 |
|---|---|---|

| Assessment of the Overall Implementation Performance | Rating: 4.67 | Previous rating: 4.5 |
| --- | --- | --- |

## F. Relevance

| Relevance | Rating: 5 | Previous rating: 5 |
| --- | --- | --- |

**Justification of rating**

215.The Project design and its approaches which combined infrastructure development, value chain development, institutional strengthening, and human capital investment remains valid, Strong outcomes were achieved because of an integrated approach, demonstrating the importance of sequencing and complementarities rather than isolated investments. Theory of change in a remote, high-altitude context. The coherence between infrastructure investments, technological uptake, behavioural change, and production outcomes validated ETI-GB theory of change.

## G. Lessons Learned

### Infrastructure Investments in crucial for agriculture value chain and wider socio-economic development.

216.Infrastructure is essential to agricultural development, serving as the backbone that links production, processing, and value chain activities. By improving efficiency, profitability, and access for farmers and other stakeholders, integrated infrastructure helps reduce production and value-addition costs, increase output, and create employment opportunities in rural areas. The project's investments in irrigation, land development, farm-to-market roads, bridges, and storage have supported the objective of improving incomes and reducing poverty and malnutrition in rural areas through the broader economic and social development of Gilgit-Baltistan. These investments have also significantly improved rural communities' access to markets, health services, education, and other economic and social services, contributing to better livelihoods and job creation.

217.Irrigation and land development interventions have created valuable community assets by bringing newly irrigated land into use and supporting its distribution among community members. These interventions have also promoted commercial agriculture and crop diversification. In parallel, roads and bridges have improved market access and enabled more commercialized production systems through value chain development. The infrastructure investments have further generated non-farm business opportunities for local vendors and created employment and livelihood opportunities for skilled and unskilled workers.

218.Improved connectivity has generated significant social and economic benefits, including transport cost reductions of more than 90% in many cases, expanded cultivation of land and diversification into high-value crops, and more than doubled incomes in some areas. Bridges have also reduced risks to life when crossing streams, while improved road access has enabled tourists to travel deeper into valleys, creating additional income opportunities for local communities.

### Support Organisation acting as financial intermediaries makes small farmers credit operations viable and successful

219.Support mechanism act as critical bridges between formal financial institutions/commercial banks and small farmers. They reduce lending risks, make transaction cost viable for the banks, overcome high collateral requirements, and enhance financial literacy, empowering marginalized farmers to secure loans.

220.GBRSP as support organisation is playing a key role to drive Partial Credit Guarantee Scheme of ETI-GB outreach by operating on a "bottom-up, community-driven" model. By supporting the bank and Community Organizations, the community overcome the collateral issue, literacy, and geographic barriers that traditional banks face and reducing the bank transection cost which otherwise may not be financially viable. This strategy brings accessible, small-scale credit directly to the grassroots level.

221.The critical role GBRSPs play in implementation of PCGS includes:

1. **Social Mobilization and Trust Building:**Before offering any financial services, GBRS spend heavily on social intermediation. They undertake sensitisation campaigns and utilise utilize "social collateral" to minimize risk while expanding the number of eligible borrowers.
2. **Targeting:** GBRSPs in consultation with community organisations assists in selection of eligible target group. Through combined literacy programmes, and loan loans, women and youth are empowered to participate in the local economy, build businesses, and improve household decision-making. Nearly 27 percent of the PCGS beneficiary are women and youth constitute 11 percent of the total beneficiaries.
3. **Lowering Transaction Costs and Reaching Remote Areas:**Commercial banks find it unprofitable to establish branches in deeply remote or rural regions. Support organisation acting as an intermediary, utilizing dedicated regional and field offices to support the bank's small farmer bank operations, greatly lowering the cost of delivering credit to remote areas.

### Integrated Approach and Sequencing

222.ETI-GB was designed for addressing the structural constraints that shape livelihoods in the mountainous context of Gilgit-Baltistan. Given the region's fragile ecology, dispersed settlements, limited infrastructure, and market isolation, rural transformation requires coordinated interventions rather than isolated investments. The ETI-GB's integrated approach and internal coherence, linking productive infrastructure, value chain development, institutional strengthening, and human capital investments has generated strong and interrelated improvements in agricultural production, income, wellbeing, and poverty reduction.

223.The overall Project logic, beginning with institutional development, and expansion of productive infrastructure, followed by productivity enhancement, value chain strengthening, market access improvements, is conceptually sound and contextually appropriate for fragile, resource-constrained mountain economies. In a setting characterized by extreme geographic isolation, limited cultivable land, and thin markets, the integrated asset- based and market-oriented approach addressed multiple structural constraints simultaneously.

224.ETI-GB responds to this challenge through a comprehensive approach that simultaneously addresses water availability, irrigated land development, land productivity, physical connectivity, institutional capacity, and market access. Integrating irrigation and land development, farm-to-market roads, value chain support, and community-level institutional strengthening, the Project created an enabling environment for sustained agricultural growth, income diversification, employment generation, and inclusive rural development.

### Institutional maturity and financial and economic viability of Farmers Organizations is a long-term process

225.Creating a successful and sustainable farmer organization within a value chain is not a one-time event, but rather an ongoing journey of building relationships, developing skills, and adapting to changing conditions over time. Farmers organisations participating in Value chain requires continuous adaptation to changing market conditions, technological advancements, and environmental challenges. This ongoing learning and improvement process ensures long-term sustainability and competitiveness.

226.The project in the pursuit of achieving targets and disbursements in the initial stages, compromised on the process approach for development of farmers organisations/ Village Agriculture Cooperatives (VACs), resulting in weak institutional capacities, poor governance systems, inadequate operational and managerial skills and unrealistic business goals. The current business plans of VACs are often inadequate and outdated, lacking clear goals and strategies to drive growth and sustainability. The low recovery rate of the revolving fund in the project is attributed to lack of proper and timely consultation with all the stakeholders/members of VACs, poorly communication strategy, characterized by unclear and inconsistent messaging, which has led to misconceptions among farmers and undermined the fund's purpose. Participatory consultations with all members of farmers institutions not only clarify the role, responsibilities and obligation of each party but also ensures that interventions are aligned with farmer needs and priorities. These consultations help gather insights into challenges, opportunities, and the overall functioning of the value chain from a farmer's perspective. This information is then used to design and implement strategies that empower farmers and improve their position within the value chain.

### Infrastructure Investments is crucial for agriculture value chain and wider socio-economic development

227.The relationship between supporting infrastructural and agricultural sector development can be seen in the fact that infrastructures for agriculture development acts as the backbone that connects different stages of agricultural production, processing and value chain development which enhances efficiency, profitability, and accessibility for farmers and other stakeholders throughout the agricultural sector. Integrated infrastructure development leads to reduce farmers cost in the course of value added and accelerate output and produce more employment opportunities in the agricultural and rural sector. The project economic infrastructure which consists of irrigation land development, farm to market roads and bridges, and storage has contributed to the objective of improve incomes and reduce poverty and malnutrition in rural areas through the overall economic and social development of GB and have immediately and greatly improved access of rural communities to economic and social services like markets, health, and education, resulting in improved livelihoods and job opportunities.

228.The Irrigation and Land Development interventions has not only created asset in the form of distribution of newly irrigated land among the community members but also resulted in commercial agriculture development and crop diversification. More importantly, the roads and bridges, provided the all-important access to markets and commercialised production system through value chain development. The infrastructure initiative also provided non-farm business opportunities for local vendors and created employment and livelihood opportunities for many skilled/unskilled workers.

229.Significant social and economic benefits of the improved connectivity include (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.

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

230.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**

231. 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** | | |
| **Expedite Payback under all ILD schemes**<br><br>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**<br><br>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**<br><br>A schedule shall be agreed with VAC by end of March 2023 with full recovery of revolving fund by March 2024. | PMU | 04/2023 |
| **Complete feasibility on reclamation of land from river**<br><br>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 |
| **Focus on Command Area Development**<br><br>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 |
| **Completion of ILD**<br><br>All ILDs shall be completed by June 2025 | PCU/WMD/SMT | 06/2025 |
| **Completion of ILDs and FMRs**<br><br>All the target ILD and FMR shall be completed | PCU/RCUs/VACs | 06/2025 |
| **Command Area Development**<br><br>Chalk out a comprehensive road map for completing land development by GBRSP in completed schemes and in new schemes under Extension phase. The strategy and action plan shall be shared IFAD country team for review | PCU/GBRSP | 06/2025 |
| **Complete and ensure quality deliverables on water policy and Roads Master Plan and O&M Policy Provision of Management and Operations Support to VACs**<br><br>Provide financial support for organizational development of the remaining 100 VACs through the employment of recent graduates | PCU/GBRSP | 06/2025 |
| **Strengthening of business plans for 4Ps Competitive grants**<br><br>Review and strengthen business plans by validating key assumptions, incorporating all relevant cost components, strengthening the economic analysis and developing a realistic and actionable implementation plan | PCU/GBRSP | 06/2025 |
| **Improved Coordination**<br><br>An effective and regular coordination mechanism shall be put in place between PCU, GBRSP and Agriculture Extension for land development and strengthening of VACs. PCU to provide leadership | PCU | 06/2025 |
| **MIS Development**<br><br>Complete MIS development, covering key areas such as farmer database, VAC governance, accounting and finance, revolving fund and credit, inventory management, monitoring and evaluation and savings. | PCU/GBRSP | 08/2025 |
| **Land Development**<br><br>Recognizing that land development is a long term process, the PCU and GBRSP shall come up with a realistic and implementable targeted plan for land development by the Project completion date of September 2027 and beyond. | PCU/GBRSP | 08/2026 |
| **Ensuring regulatory compliance and Food Safety Standards for VAC/4P Processing business**<br><br>Engage the relevant regulatory authorities (such as the food safety authority) to ensure that VAC/4P operations comply with established food safety standards and regulations. This involves coordination for registration/licensing, periodic inspections, and adherence to hygiene, processing, packaging, and storage requirements. | PCU | 08/2026 |
| **Rehabilitate Damaged Schemes**<br><br>Prepare a realistic priority list based proposal on least rehabilitation including cost estimates for consideration of IFAD. | PCU | 09/2026 |
| **Conduct Institutional Maturity Assessment of VACs**<br><br>Develop a maturity assessment tool/framework to assess VACs. Complete the institutional maturity assessment of all 162 and use the results to prioritize high-performing VACs for targeted resource allocation, including structured coaching, mentoring, and institutional strengthening, to enhance their capacity in business record keeping, financial management, adherence to procurement guidelines and governance practices. | PCU | 09/2026 |
| **Expedite implementation of VAC/4P approved Grants**<br><br>Complete technical and operational capacity building for VACs under common asset financing, and ensure timely procurement and installation of machinery, and strengthen production and market linkages. | PCU/GBRSP | 09/2026 |

| | | |
|---|---|---|
| **Tailor MIS to VAC Institutional Capacity and Infrastructure**<br><br>Conduct a capacity and infrastructure readiness assessment of VACs and tailor the MIS design, deployment, and training accordingly to ensure seamless integration and sustainable operationalization. | PCU/GBRSP | 09/2026 |
| **Review and update VAC.4P Business Plans**<br><br>Review and update the VAC/4P business plans with structured mechanism to systematically allocate a portion of revenues as saving for timely repair and maintenance and replacement of the asset for sustainable operation of the business. | PCU/GBRSP | 09/2026 |
| **Strengthening Asset Inventory Management and Monitoring Systems**<br><br>The project should develop and maintain a comprehensive inventory of all common assets, along with a robust mechanism for regular record-keeping and monitoring of asset utilization and operational status during the remaining project period to ensure effective and optimal use of resources. | PCU/GBRSP | 09/2026 |
| **Support Value Chain–Driven District/Regional Models for VACs**<br><br>Support VACs in scaling aggregation and production through a district/regional model, with targeted efforts to strengthen market linkages and collective sales, tailored to value-chain-specific return potential. | PCU/GBRSP | 03/2027 |
| **Additional FMR**<br><br>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**<br><br>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**<br><br>VACs contribution in the matching grant will be reduced to 30:70 from the original 50:50 ratio; immediate | PCU | |
| **Expedite land measurement and titling - on a continuous basis** | BoR/PCU | |
| **MoA with Cooperative Department**<br><br>The Memorandum of Agreement (MoA) with the Cooperative Department shall be expedited to ensure continued regulatory and oversight support for the VACs - on a continuous basis | PCU | |
| **Potato Seed production with Agriculture Research**<br><br>Collaborate with Agriculture Research system to ensure production of certified potato seed through contract farming, engaging private firms - on a continuous basis | PCU | |
| **Development Effectiveness** | | |
| **Rehabilitate Damaged Schemes through GBDMA**<br><br>MoU shall be signed for rehabilitation of the 4 damaged scheme through government funding | IFAD | 09/2023 |
| **Community Capacity building**<br><br>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**<br><br>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**<br><br>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 |
| **MoA with Extension Department for fruit trees production**<br><br>Agriculture Department to develop proposal for upgrading their current tree production capacity, aligning it with project ILD schemes | PCU/Agr. Extension Department | 05/2025 |
| **Explore Opportunities to Involve AgriTech Fellow Students in Nutrition Campaigns with VACS**<br><br>AgriTech students have effectively integrated nutrition messages with schools and could be further engaged as key advocates for nutrition among VACs and women's groups. Their skills should be strengthened through a training session led by health or nutrition public officers. Nutrition campaigns should be supported by practical, on-the-ground sessions focused on food processing, gardening, and preparing balanced meals | PCU/GBRSP/Agriculture Extension Department | 06/2025 |
| **Nutrition Indicators**<br><br>Provide a clear definition of the nutrition indicator (Indicator 1.1.8) and explicitly outline the various activities contributing to its results in the revised nutrition strategy. This includes detailing how components such as value chains and infrastructure improvements impact dietary outcomes. | PCU | 07/2025 |
| **Clear Targets**<br><br>The PCU should make sure that all indicators have clear targets, including those that currently do not. It's also important to systematically break down results by sex and age whenever possible. This will improve the detail of the collected data and help understand how different demographic groups are impacted by the project. | PCU | 07/2025 |
| **Explore possibilities to organize mass nutrition campaigns**<br><br>To further expand reach of nutrition awareness campaigns, explore opportunities to launch mass media campaigns, such as radio broadcasts to further disseminate the nutrition messages developed for the VACs | PCU/GBRSP/Agriculture Extension Department | 09/2025 |
| **Repair of damaged schemes**<br><br>Complete rehabilitation of Buner Daas ILD and FMR, Ahmadabad ILD and Satil ILD | PCU/VAC | 09/2025 |

| | | |
|---|---|---|
| **Update Nutrition Strategy and Action Plan**<br><br>Revise the nutrition strategy and action plan to clearly outline nutrition pathways and define how nutrition training and awareness campaigns can effectively complement project activities, particularly those involving VACS | PCU | 10/2025 |
| **Enhance Targeting of Nutrition Activities, with an emphasis on Women**<br><br>The nutrition strategy and action plan should include a clear targeting approach, prioritizing VACs with nutrition campaigns adapted to their specific activities and explore possibilities to specifically involve women in nutrition campaigns | PCU/GBRSP | 10/2025 |
| **Nutrition output indicator – Report results on 1.1.8**<br><br>This output indicator has not been updated since 2021. Once the nutrition strategy clearly outlines the activities that have contributed and will contribute to nutrition outcomes, ensure that results are reported accordingly. | PCU | 10/2025 |
| **Nutrition output indicator – Add output indicator on Number of school students benefitting from improved agricultural and nutritional education**<br><br>Since children are not currently included in the disaggregation for indicator 1.1.8, introduce a separate output indicator (or include further disaggregation) to track and report on the number of school students participating in improved agricultural and nutritional education activities. | PCU | 10/2025 |
| **Nutrition Outcome Indicator – Assess whether to incorporate Knowledge, Attitude, and Practices (KAP) component in the Endline Survey**<br><br>The project currently lacks an outcome indicator for nutrition. To address this, consider including questions in the endline survey that assess how project activities may have influenced key nutrition-related behaviours. | PCU | 10/2025 |
| **Establish Revolving mechanism for sustainable fruit plants nursery development**<br><br>The project will advocate with the provincial government to establish a structured revolving fund mechanism and ensure the inclusion of a dedicated budget line in the Agriculture Department's annual allocation, thereby supporting sustainability, enabling continuous reinvestment, and ensuring a reliable supply of certified planting material to farmers. | PCU | 07/2026 |
| **Renewal of Contracts of Agri-Tech Fellows**<br><br>Agri-tech fellows need to be formally attached with VACs/communities with specific TORs and implementation plans for nutrition awareness in community, specifically targeting women groups. | PCU/GBRSP | 08/2026 |
| **Restructuring of Logframe**<br><br>Assess the need for a Level 2 restructuring of the logframe in light of the project's remaining duration. If a restructuring is not pursued, ensure that any discrepancies and required adjustments are adequately explained in the Project Completion Report (PCR). | IFAD/PCU | 09/2026 |
| **Assessment of the 15 women-led VACs**<br><br>Document well-performing and any inactive groups. Examine the value chains in which they are engaged, production capacity and marketing outcomes, access to finance, leadership dynamics, mobilization processes and key operational challenges. The assessment should also capture success stories and lessons learned to better understand the factors enabling or constraining the performance of women members in VACs. | Gender and Poverty/ Value Chain/M&E | 09/2026 |
| **Women leadership and membership in cooperatives**<br><br>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**<br><br>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 | |
| **Women and youth Access to Financial Services**<br><br>Enhance women's and young women's access to agricultural loans and matching grants, particularly in crop-related value chains - Immediate and continuous | PCU | |
| **Sustainability and Scaling up** | | |
| **Formal Institutional Arrangements for VACs and Eco-Friendly Tourism**<br><br>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 |
| **Develop MIS with complete data of VAC memberships (both component) and provide access to cooperative, agriculture and GBRSP**<br><br>Complete MIS with necessary details that facilitate access to all beneficiaries. | PMU/GBRSP/Cooperative/ Agri Department | 12/2023 |
| **E-commerce platform and online accounting system made functional for VACs**<br><br>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 |
| **Documentation of Successful and Innovative Experiences**<br><br>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 |
| **Develop revised plan for implementation**<br><br>GBRSP will develop and submit revised plan of activities under component 2 to accelerate implementation | GBRSP/PCU | 06/2025 |
| **Revise Exit Strategy**<br><br>In consultation with implementation partners, develop a clear revised exit strategy to include post project institutional arrangements for continuation of support by public and private sector institutions, particularly identification and engagement of an institutional home for VACs and PCGS. | PCU | 09/2025 |

| | | |
|---|---|---|
| **Review and updating VAC business plans**<br><br>Review and update business plans of VACs, incorporating realistic data on market demand, production volumes, business activities and financial status | PCU/GBRSP | 12/2025 |
| **Develop KM products around evidence based innovative models**<br><br>Develop at least 3 KM products and prepare strategy for dissemination at government policy level form and development partners | PCU | 12/2025 |
| **Work with partners to establish an exit strategy for the PCGS**<br><br>In conjunction with bank, modify guarantee structure to enhance and ensure wider coverage, reflecting more accurately risk born by each partner and develop mechanisms for internal generation of management costs. | PCU/GBRSP/HBL | 06/2026 |
| **Establish monitoring mechanism to ensure compliance of 4P agreements with VACs**<br><br>The project should establish a robust monitoring mechanism to assess partnership performance, track progress, ensure compliance with 4P agreements, and promote price transparency and accountability. | PCU/GBRSP | 07/2026 |
| **GRM for VACs**<br><br>Roll out a clear GRM mechanism within VACs, outlining information on how complaints and feedback can be submitted, addressed, and communicated back to members to ensure effective grievance resolution and closure. | Value Chain Team/PCU | 07/2026 |
| **Improved Performance of Water Management and Irrigation Department**<br><br>PCU shall ensure regular and strengthened field presence of the department and particularly resolve the issue of timely processing of bills SMTs. | PCU/Water Management and Irrigation Department | 07/2026 |
| **Adequate and timely availability of alfalfa seed**<br><br>The Project and Forest Department shall make arrangement including financial resources for provision of demand based alfalfa seed to farmers under ILD | PCU/Forest Department | 07/2026 |
| **Documentation of Successful and Innovative Experiences**<br><br>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 | 12/2026 |
| **Formalize 4P arrangement for Seed Potato Production**<br><br>Formalize agreements between private partners and contract growers to produce certified seed potatoes at the farm level for supply to companies under clear and agreed terms and conditions. | PCU | 03/2027 |
| **Explore partnership with development partners in GB**<br><br>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**<br><br>on a continuous basis | PCU | |
| **Farmers trainings in biocontrol agents**<br><br>on a continuous basis | PCU/Agr. Dept | |
| **Ensure quality production of plants from Agriculture Department nurseries - From the beginning until transplantation in 2027** | PCU | |
| **Farmers trainings in biocontrol agents - on a continuous basis** | PCU/Agr. Dept | |
| **Consolidation of VACs - on a contiuous basis**<br><br>Focus on consolidation and strengthening of VAC | PCU/GBRSP | |
| **Completing Reform Institutionalization and Exit Sustainability Measures (Ongoing)**<br><br>Complete the institutionalization of key policy reforms by supporting Cabinet approval of pending policies, advancing land record digitization and titling, and supporting sustainability arrangements for the PCGS and community institutions beyond project completion. - Ongoing | PCU | |
| **Governance and Monitoring of VAC-4P Partnerships**<br><br>Ensure that formal agreements between VACs and 4P partners are clearly defined, effectively implemented, and regularly monitored to guarantee that all roles, responsibilities, and obligations are fully met and reported. - Ongoing | PCU/GBRSP | |
| **Project Management** | | |
| **Undertake pilots of innovative irrigation technology**<br><br>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 |
| **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**<br><br>Carryout a case study of the cost efficiencies of project infrastructure activities and its impact | PCU/GBRSP | 12/2025 |
| **Streamlining GBRSP proposal approval and flow of funds.**<br><br>The project shall ensure timely approval of GBRSP proposals particularly for land development and consider to awarding advance land development financial resources to GBRSP or community themselves in set timeline. | PCU/GBRSP | 07/2026 |

| | | |
|---|---|---|
| **Procurement Completion and Endline Evaluation Timeline**<br><br>Initiate preparation of the Terms of Reference and procurement for the endline evaluation to ensure findings are available in time to inform the Project Completion Report (PCR). The evaluation should follow IFAD's Core Outcome Indicator (COI) methodology and build on the Outcome Survey 2026. - Procurement completed by December 2026. Endline Evaluation Report available by July 2027. | PCU | 07/2026 |
| **Suitable site and space selected for operating the machinery under CAF**<br><br>Ensure that the space and site for machinery is suitable under CAF.<br>Continuously monitor the operations for hygiene, food safety and environmental compliance. | PCU | 08/2026 |
| **Provincial-Level Agri-Business Expo October 2026**<br><br>Provincial-Level Agri-Business Expo in 2026 to showcase innovations, strengthen stakeholder engagement (including private sector), and promote market linkages in Gilgit-Baltistan. | PCU/GBRSP | 10/2026 |
| **Prepare one consolidated project video.**<br><br>Prepare one consolidated project video to showcase overall project achievements, impacts, and outcomes. | PCU | 03/2027 |
| **Disseminate knowledge products**<br><br>Use social, print and electronic media to disseminate knowledge products | PMU | |
| **Learning Events**<br><br>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.**<br><br>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.**<br><br>on continuous basis | PCU | |
| **Document Best Practices and Innovations - on an ongoing basis**<br><br>Ensure continued documentation and dissemination of emerging best practices and innovations, particularly in the areas of infrastructure development, value chain development and climate resilience | PCU | |
| **Showcasing COP29**<br><br>Build on the momentum of the COP29 showcase by exploring opportunities to share learnings in other national and international forums to support policy dialogue and scaling up. | PCU | |
| **Follow Core Outcome Methodology for Outcome and Endline Surveys**<br><br>For the upcoming outcome and endline surveys, the project must closely follow the methodology outlined in the Core Outcome Indicator (COI) guidelines for data collection. It's important to ensure that all indicators in the project logframe are included. This will improve the reliability of the survey results and provide a clearer picture of the project's outcomes. | PCU | |
| **Involvement of Agriculture Department - on a continuous basis**<br><br>Active involvement of Agriculture Department in land development to advised on the type of plantation and its proper method | CPU/GBRSP | |
| **SECAP Compliance Reporting**<br><br>Regular reporting on SECAP compliance and GRM | CPU/RCUs | |
| **Ensure quick and just Resolution of complaints - on a continuous basis** | CPU/RCUs | |
| **Strengthen systematic consolidation**<br><br>Strengthen systematic consolidation of project knowledge and evidence into structured products, including thematic briefs, policy notes, and lessons learned papers, to support wider dissemination, government engagement, and scaling-up of successful models - ongoing | PCU | |
| **Continued Strengthening of the Web-Based MIS**<br><br>Continue strengthening the web-based MIS to enhance analytical reporting and support evidence-based decision-making during the remaining implementation period. - Ongoing | PCU | |
| **Financial Management & Execution** | | |
| **Timely Submission of AWPB**<br><br>AWPB to be submitted to IFAD for NO at least 60 days before the start of the financial year | Programme Coordinator<br>Director Finance | 04/2024 |
| **Monthly Random Contract Monitoring**<br><br>Procurement staff to conduct random contract monitoring of community<br>procurement, identify gaps and provide necessary advice/training in liaison with<br>GBRSP | PC/PS | 08/2024 |
| **Revision of PIM**<br><br>Procurement officer to ensure PIM revision with a view to ensure alignment with<br>the country procurement framework. | DFA/PO | 10/2024 |
| **Ensure insurance of project vehicles and other assets** | PCU | 12/2025 |
| **Strengthen internal coordination and contract monitoring**<br><br>Establish a formal and effective mechanism for internal coordination and systematic sharing of contract implementation, payment, and performance information with the procurement section to timely update the OPEN and CMT. | PC/DFA | 08/2026 |

| | | |
|---|---|---|
| **Monitor and report the project extension conditions.**<br><br>The project should monitor steadfastly the project extension conditions around disbursement, irrigation schemes and common asset grants for VACs. | PMU | 09/2026 |
| **Acceleration of Government Counterpart Financing for Priority Investments**<br><br>Accelerate the mobilization of government counterpart financing to support the completion of critical irrigation, land development, and other priority investments. 30 Sep 26 | ETIGB/GoG | 09/2026 |
| **Strengthen Financial Management Capacity and Controls at VAC Level**<br><br>Strengthen financial management at VAC level by improving record keeping, financial reporting, internal controls, and ensuring the regular conduct of internal and external audits. Consider re-introduction of Field Finance Controllers.<br><br>ETIGB PMU 30 Jun 26 | ETIGB PMU / GBRSP | 09/2026 |
| **Develop VAC Financial Sustainability and Financing Strategy**<br><br>Develop and implement a VAC sustainability and financing strategy, including measures to improve cash flow and assessment of alternative financing mechanisms such as revolving funds, PCGs, membership contributions, and income-generating activities, as appropriate. | ETIGB PMU / GBRSP | 09/2026 |
| **Submission of Comprehensive Asset Register and Utilization Report for Common Assets**<br><br>Submit a comprehensive asset register and functionality report for all project-financed common assets deployed to VACs. Selected assets will be verified during the next implementation support mission. | ETIGB PMU | 09/2026 |
| **Track and monitor the project extension conditions.**<br><br>The project should monitor steadfastly the project extension conditions around disbursement, irrigation schemes and common asset grants for VACs. | PCU | 10/2026 |
| **Ensure insurance of project vehicles and other assets**<br><br>Ensure project assets are insured. | ETIGB PMU | 12/2026 |
| **Strengthen controls around cooperatives financial management**<br><br>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.<br><br>Further training and handholding of the management of the Cooperatives to be provided to ensure better financial management of the Cooperatives.<br><br>Update 02/06/2025<br>The documentation process for cooperative payments is ongoing, with teams currently compiling training manuals, procurement documents, etc. Capacity building for cooperative management has also been planned to be integrated into a quarterly work plan/ calendar, with specialized financial training sessions for VACs scheduled throughout the year. | Director Finance | 12/2026 |
| **Enhance monitoring and supervision of implementing partners**<br><br>Monitoring reviews including oversight and supervision visits should be performed quarterly. Reports of such visits should include the issues identified and recommended actions for improvement. ETIGB PMU. | PCU | 12/2026 |
| **Institute project internal audit**<br><br>Hire the private audit firm. The terms of reference established for the internal auditor must be submitted to IFAD for no objection, as well as the procurement file for the selection of the firm or an individual. The appointment and removal of the internal auditors are also subject to IFAD's no objection. ETIGB PMU August 2025 | PCU | 12/2026 |
| **Convene DAC and resolve current year audit issues**<br><br>i. Non-collection of payback amount of ILD schemes- Rs. 617.061 million<br>ii. Non-functionality and non-handover of completed Irrigation and Land Development Schemes - Rs. 291.522 million<br>iii. Inefficient utilization of funds resulting in delay of Irrigation and Land Development (ILD)Schemes - Rs. 425.086 million<br>iv. No wrap-up procedures for invested amount - Rs. 560.00 million<br>v. Unauthorized increase in salary of the Project Coordinator leading to excess payment - Rs. 4.402 million<br>vi. Unauthorized provision of two terminal benefits in violation of PIMRs. 1.641 million<br>vii. Unauthorized investment and loss of potential benefit to the Fanners due to low interest rate on investment - Rs. 16.250 million<br>viii. Inefficient utilization of funds resulting in delay of Fann to Market Road Schemes - Rs. 373.768 million<br>ix. Non-Conducting of internal audit | ETIGB Management | 12/2026 |
| **Convene DAC and resolve audit issues - Prior period**<br><br>i. Non-completion of titling of land record – Rs. 42.50 million and non-receipt of vouched accounts against land titling record – Rs. 12.324 million.<br>ii. Non-recovery of advance payment from VCTAT-ASF – Rs. 2.648 million<br>iii. Non-collection of payback amount of ILD schemes – Rs. 973.605 million<br>iv. Irregular sub-letting of work without approval of Program management – Rs. 26.214 million<br>v. Non-Conducting of Internal Audit for the Financial Year 2023-24 | ETIGB Management | 12/2026 |
| **Submit a closing financial plan**<br><br>Submit a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs. ETIGB PMU. | PMU | 12/2026 |
| **Enhancement of Accounting System and Timely Financial Reporting (IFRs and WAs)**<br><br>Complete the remaining customization of the accounting software to enable automated IFR generation and ensure timely submission of IFRs and Withdrawal Applications. | ETIGB PMU | 12/2026 |
| **Internal controls**<br><br>Management should take appropriate action to strengthen internal oversight arrangements. | PC/DPC | 09/2027 |
| **Risk mitigation measures of procurement under CAF initiative**<br><br>PCU to closely coordinate with GBRSP to ensure that procurement decisions at VACs level are driven by demonstrated needs, supported by adequate technical preparation, subject to appropriate oversight, and linked to clear accountability for the effective utilization of CAF-financed assets. | PC/DPC/VCS | 09/2027 |

| | | |
|---|---|---|
| **Timely Submission of Interim Financial Reports (IFR)**<br>Quarterly IFRs need to be submitted within 30 days of the end of each quarter. | Director Finance | |

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

: Logical Framework

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-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 (2026) | Cumulative Result (2026) | Cumulative Result % (2026) | Source | Frequency | Responsibility | |
| **Outreach** | 1 Persons reached by project-supported activities | | | | | | | | | | |
| | Males (number) | | | 250 000 | | **383 971** | **153.588** | | | | |
| | Females (number) | | | 250 000 | | **399 644** | **159.858** | | | | |
| | Total number of persons receiving services (number) | | | 500 000 | | **783 615** | **156.723** | | | | |
| | 1.a Corresponding number of households reached | | | | | | | | | | |
| | Women-headed households (number) | | | 10 000 | | **11 684** | **116.8** | | | | |
| | Non-women-headed households (number) | | | 90 000 | | **92 798** | **103.1** | | | | |
| | Households (number) | | | 100 000 | | **104 482** | **104.5** | | | | |
| | 1.b Estimated corresponding total number of households members | | | | | | | | | | |
| | Household members (number) | | | 750 000 | | **783 615** | **104.5** | | | | |
| **Project Goal**<br>Improved incomes and reduced poverty and malnutrition in rural areas of Gilgit- Baltistan region | Reduction of poorest households (approx. 5,000) | | | | | | | Pakistan Social and Living Standards Measurement (PSLM) surveys. ETI assessments against BISP scorecard. | | | Political and social stability in the region. New developed land equitably distributed including to women and landless poor. Climatic abnormalities and natural calamities remain within acceptable tolerance levels. Higher production, combined with nutritional education and improved road access, will make substantive dent in malnutrition rate. |
| | Households (%) | | | 50 | | | | | | | |
| **Development Objective**<br>Increased agricultural incomes and food security for at least 100,000 rural households in 7 districts of Gilgit Baltistan on a sustainable basis | target hhs and value chain operators have increased their agriculture income by at least 25% | | | | | | | WFP mapping of settlements and programme activity reports. | | | Programme activities implemented as per phasing. Govt and partners are able to timely predict and respond to natural disasters and localised hazards. |
| | Households (%) | | | 60 | | **87** | **145** | | | | |
| | 1.2.4 Households reporting an increase in production | | | | | | | | | | |
| | Total number of household members (number) | | | | | **477 222** | | | | | |
| | Households (%) | | | 90 | | **60.9** | **67.7** | | | | |
| **Outcome**<br>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) (number) | | | 50 000 | | | | | | | |
| | Women-headed households (number) | | | | | **1 411** | | | | | |

| Results Hierarchy | Indicators: Name | Baseline | Mid-Term | End Target | Annual Result (2026) | Cumulative Result (2026) | Cumulative Result % (2026) | Means of Verification: Source | Frequency | Responsibility | Assumptions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total no. of households reporting improved access to land (number) | | | 50 000 | | **48 354** | **96.708** | | | | |
| | Households increase sales | | | | | | | Farmers' organizations' records. | | | |
| | Households (%) | | | 60 | | **86** | **143.3** | | | | |
| **Output**<br>Outputs 1 | 1.1.2 Farmland under water-related infrastructure constructed/rehabilitated | | | | | | | Progress Reports | annual | | |
| | Hectares of land (ha) | | | 20 000 | | **22 355.4** | **111.777** | | | | |
| | water channels/ irrigation schemes constructed, rehabilitated' | | | | | | | Progress Reports | annual | | |
| | kilometres (number) | | | 400 | **5** | **566** | **141.5** | | | | |
| | 2.1.5 Roads constructed, rehabilitated or upgraded | | | | | | | Progress Reports | | | |
| | Length of roads (km) | | | 400 | **14** | **534** | **133.5** | | | | |
| | Other productive infrastructure constructed/rehabilitated | | | | | | | Progress Reports | annual | | |
| | Plastic tunnels (number) | | | 100 | | **100** | **100** | | | | |
| | Groups managing productive infrastructure formed/strengthened | | | | | | | Progress Reports | annual | | |
| | Groups SMT (number) | | | 107 | | **200** | **186.9** | | | | |
| **Outcome**<br>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 | **0.35** | **6.05** | **12.1** | | | | |
| | Vulnerable and women-headed target households provided with land titles | | | | | | | | | | |
| | vulnerable and women-headed hh (%) | | | 100 | | **100** | **100** | | | | |
| **Output**<br>Outputs 2 | 2.1.2 Persons trained in income-generating activities or business management | | | | | | | | | | |
| | Males (number) | | | 900 | | **34 864** | **3 873.778** | | | | |
| | Females (number) | | | 650 | | **15 392** | **2 368** | | | | |
| | Young (number) | | | | | **14 478** | | | | | |
| | Persons trained in IGAs or BM (total) (number) | | | 1 550 | | **50 256** | **3 242.323** | | | | |
| | 1.1.8 Persons provided with targeted support to improve their nutrition | | | | | | | | | | |
| | Total persons participating (number) | | | 50 000 | **0** | **6 111** | **12.2** | | | | |
| | Males (number) | | | 10 000 | **0** | **1 151** | **11.5** | | | | |
| | Females (number) | | | 40 000 | **0** | **4 960** | **12.4** | | | | |
| | Households (number) | | | 50 000 | **0** | **6 111** | **12.2** | | | | |
| | Household members benefitted (number) | | | 250 000 | **0** | **42 777** | **17.1** | | | | |
| | Village/community plans formulated | | | | | | | | | | |

| Results Hierarchy | Indicators | | | | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Name** | **Baseline** | **Mid-Term** | **End Target** | **Annual Result** (2026) | **Cumulative Result** (2026) | **Cumulative Result %** (2026) | **Source** | **Frequency** | **Responsibility** | |
| | Plan (number) | | | 50 | **0** | **38** | **76** | | | | |
| **Outcome**<br>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 (number) | | | | | **269** | | | | | |
| **Output**<br>Outputs 3 | 2.1.1 Rural enterprises accessing business development services | | | | | | | | | | |
| | Size of enterprises (number) | | | 60 000 | | **60 230** | **100.383** | | | | |
| | Rural enterprises (number) | | | 220 | | **269** | **122.273** | | | | |
| | Women in leadership position (number) | | | 30 | | **351** | **1 170** | | | | |
| | 2.1.6 Market, processing or storage facilities constructed or rehabilitated | | | | | | | | | | |
| | Total number of facilities (number) | | | 107 | **0** | **114** | **106.5** | | | | |
| | Processing facilities constructed/rehabilitated (number) | | | 100 | **0** | **8** | **8** | | | | |
| | Storage facilities constructed/rehabilitated (number) | | | 7 | **0** | **106** | **1 514.3** | | | | |
| **Outcome**<br>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 (number) | | | 50 000 | **0** | **50 274** | **100.548** | | | | |
| **Output**<br>Outputs 4 | Staff of service providers trained | | | | | | | RIMS | | | |
| | Males (number) | | | 213 | **0** | **247** | **115.962** | | | | |
| | Females (number) | | | 212 | **0** | **24** | **11.321** | | | | |
| | Government Officials and staff trained | | | | | | | RIMS | | | |
| | Males (number) | | | 426 | **31** | **335** | **78.6** | | | | |
| | Females (number) | | | | **1** | **42** | | | | | |
| **Outcome**<br>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 (number) | | | 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 (number) | | | 50 000 | | **41 088** | **82.2** | | | | |
| | Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment | | | | | | | | | | |
| | Number (number) | | | | **0** | **1** | | | | | |

Pakistan

---

**Economic Transformation Initiative - Gilgit Baltistan**

**Supervision Report**

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

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-PK |

Asia and the Pacific Division
Programme Management Department

# Appendix 1

Pakistan
Economic Transformation Initiative, Gilgit Baltistan (ETI GB)
Supervision report aide-mémoire - Mission dates: 09 - 20 June 2026

**Financial: Actual financial performance by financier; by component and disbursements by category**

**Table 5A: Financial performance by financier as of 20-06-2026**

| Financier | Appraisal (USD '000) | Disbursements (USD '000) | Per cent disbursed |
|---|---|---|---|
| IFAD loan | 67 000 | 64.310 | 96% |
| Government | 23 630 | 12.485 | 53% |
| Beneficiaries | 6 540 | 19.900 | 304% |
| AICS | 21 115 | 2.360 | 11% |
| **Total** | **118 285** | **99 055** | **84%** |

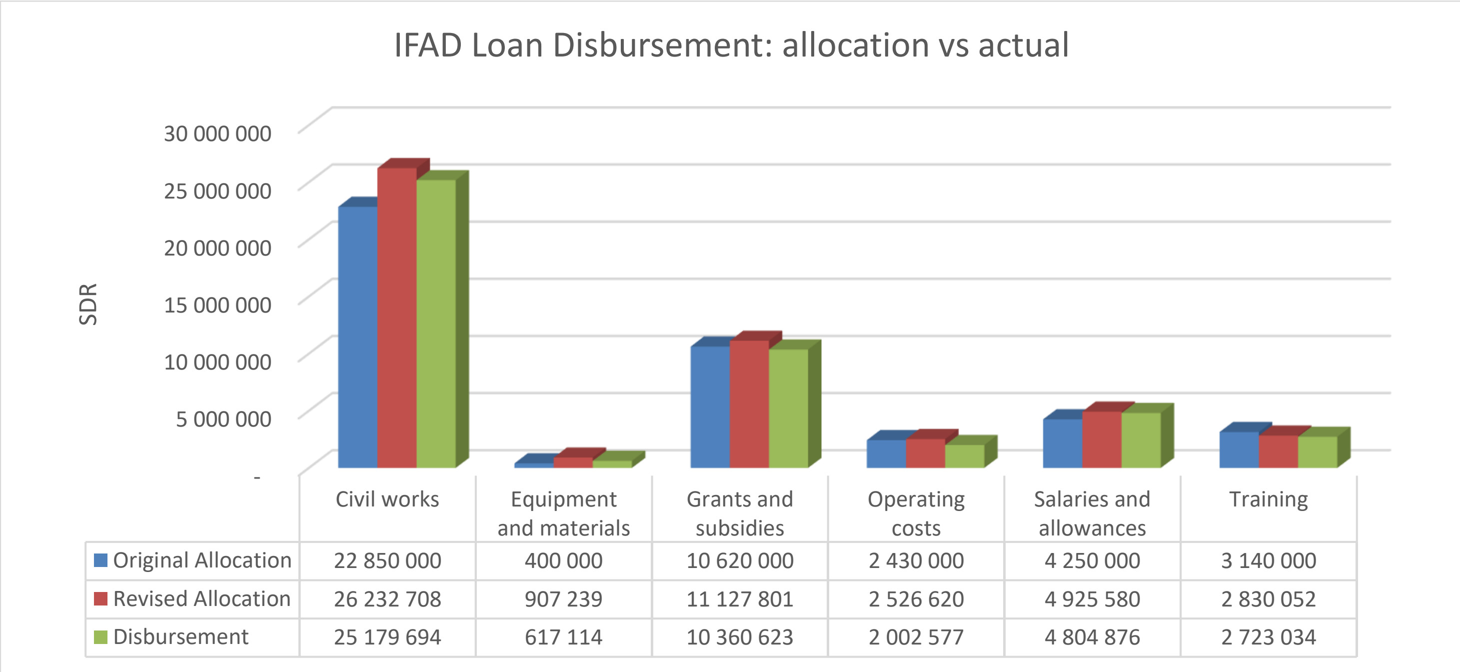
**Table 5B: Financial performance by financier by component (USD '000) as at 20-06-2026**

| | IFAD loan | | | Government | | | Beneficiary | | | AICS | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Component** | **Appraisal** | **Actual** | **%** | **Appraisal** | **Actual** | **%** | **Appraisal** | **Actual** | **%** | **Appraisal** | **Actual** | **%** | **Appraisal** | **Actual** | **%** |
| Productive Infrastructure | 37.5 | 36.1 | 96% | 15.5 | 5.1 | 33% | 6.5 | 15.0 | 231% | 12.1 | 1.1 | 9% | 71.6 | 57.3 | 80% |
| Value Chain Development | 22.6 | 19.6 | 87% | 5.0 | 3.4 | 68% | - | 4.9 | - | 7.0 | 0.5 | 7% | 34.6 | 28.4 | 82% |
| Programme Management & Policy Support | 6.9 | 7.1 | 103% | 3.1 | 3.96 | 128% | | | | 2.0 | 0.8 | 39% | 12.0 | 11.8 | 98% |
| **Sub-Total** | **67.00** | **62.8** | **94%** | **23.6** | **12.5** | **53%** | **6.5** | **19.9** | **306%** | **21.1** | **2.4** | **11%** | **118.2** | **97.6** | **83%** |
| **Initial advance** | | **1.5** | | | | | | | | | | | | **1.5** | |
| **Total** | **67** | **64.3** | **96%** | **23.6** | **12.5** | **53%** | **6.5** | **19.9** | **306%** | **21.1** | **2.4** | **37%** | **118.2** | **99.1** | **84%** |

**Table 5C: IFAD loan disbursements (SDR, as at 20-06-2026)**

| Category | Category description | Original Allocation | Revised Allocation | Disbursement | Balance | Per cent disbursed |
|---|---|---|---|---|---|---|
| 200003 | Civil works | 22 850 000 | 26 232 708 | 25 179 694 | 3 039 275 | 96% |
| 200011 | Equipment and materials | 400 000 | 907 239 | 617 114 | 347 347 | 68% |
| 200012 | Grants and subsidies | 10 620 000 | 11 127 801 | 10 360 623 | 853 516 | 93% |
| 200016 | Operating costs | 2 430 000 | 2 526 620 | 2 002 577 | 630 437 | 79% |
| 200018 | Salaries and allowances | 4 250 000 | 4 925 580 | 4 804 876 | 414 098 | 98% |
| 200019 | Training | 3 140 000 | 2 830 052 | 2 723 034 | 211 870 | 96% |
| | Unallocated | 4 860 000 | | | | |
| | Initial advance | | | 1 135 790 | (1 095 797) | |
| | Total | 48 550 000 | 48 550 000 | 46 823 706 | 4 400 746 | 96% |

**Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement**



IFAD
Investing in rural people

**Pakistan**

---

**Economic Transformation Initiative - Gilgit Baltistan**

**Supervision Report**

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

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-PK |

Asia and the Pacific Division
Programme Management Department

## Appendix 2: Physical progress measured against AWP&B 2025-2026 (01 July 2025 - May 2026)

| Component/Outcome<br>*Sub-component or Output* | Indicator | Unit | Period: 1- July 2025 - May 2026 | | | Cumulative Actual | Appraisal Target | % |
|---|---|---|---|---|---|---|---|---|
| | | | AWP&B | Actual | % | | | |
| **Component 1 /Outcome** | | | | | | | | |
| *Output 1.1.2* | water channels/ irrigation schemes constructed, rehabilitated | Km | 66 | 30 | 45% | 566 | 600 | 94% |
| | Land levelling/ De-stoning etc. | Acres | 11,776 | 1831 | 15% | 17,207 | 70,000 | 24% |
| *Output 1.2.1* | Roads constructed, rehabilitated or upgraded | Km | 161 | 44 | 27% | 534 | 700 | 76% |
| **Component 2 / Outcome** | | | | | | | | |
| *Output 2.1.1. On-Farm Grants* | Increase in production & productivity of priority value chain | Grants | 0 | | | 6,510 | 2,950 | 100% |
| *Output 2.1.2. Off-Farm Grants* | Households reporting adoption of new/improved inputs, technologies or practices | Grants | 126 | 33 | 26% | 451 | 500 | 90% |
| *Output 2.1.4 &2.3.2. Trainings* | Persons trained in income-generating activities or business management | Persons | 1522 | 374 | 25% | 51,690 | 60,000 | 86% |
| *Output 2.2.1* | Rural producers' organizations supported | *Rural PO Supported (No.)* | *0* | *0* | *0%* | *257* | 220 | 100% |
| | Rural enterprises accessing business development services | Size of enterprises | | | | 60,218 | 60,000 | 100% |
| **Component 3 / Outcome** | | | | | | | | |
| *Output 3.1.2.* | Government and private agricultural services are sustainably improved | P/day | 404 | 65 | 16% | 372 | 300 | 100% |

Investing in rural people

**Pakistan**

---

**Economic Transformation Initiative - Gilgit Baltistan**

**Supervision Report**

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

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-PK |

Asia and the Pacific Division
Programme Management Department

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

| Section | Covenant | Target/Action Due Date | Compliance Status/Date | Remarks |
|---|---|---|---|---|
| Section B.6 Section B.7 | Opening of a designated account, a PCU program account and 3 RCU sub-accounts | At program start | Complied | 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 27th May 2024. |
| Section B.8 | Provision of counterpart financing of approx. USD 24 million from the GoGB. | Throughout program implementation | In progress | Government counterpart financing stands at 53 per cent, with US$12.5 million disbursed against a commitment of US$23.6 million. Increased government financing is required to ensure achievement of project development objectives, particularly completion of irrigation and land development schemes. In PKR terms, counterpart financing is higher at 83 per cent, with PKR 2 billion contributed against an appraisal allocation of PKR 2.4 billion, reflecting USD appreciation against PKR. |
| Section E.1 (i) | Appointment of Program Coordinator and Finance Manager | Condition precedent to withdrawal | Complied | |
| Section E.1 (ii) | No objection from IFAD on the draft Program Implementation Manual | Condition precedent to withdrawal | Complied | PIM was initially prepared and approved at the start of the Project. Thereafter it was revised and approved again in 2019. |
| 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 | The mission noted improvements in accounting and financial reporting following further customization of the accounting software. However, additional |

| Section | Covenant | Target/Action Due Date | Compliance Status/Date | Remarks |
|---|---|---|---|---|
| | | | | enhancements are needed to enable the automated generation of Interim Financial Reports (IFRs). Delays in the submission of IFRs and Withdrawal Applications (WAs) were also noted and continue to affect the timeliness and efficiency of financial reporting and disbursement processing. |
| Schedule 1 – II.8 | Establishment of a Program Steering Committee at GB provincial level, headed by the Chief Secretary | At program start | Complied | |
| 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 | Complied | |
| Schedule 1 – II.12 | Conduct of a Mid-Term Review jointly by the Borrower and IFAD. | By end of 2018 | Complied | |
| GC-Section 7.01 (b) (ii) | Submission of AWPB to IFAD for its review and comments | 30 April each year | Continuous. Compliance with delays. | AWPB 2024-25 was initiated in July and received IFAD NO in September. 2025-26 AWPB has not been submitted to for NO. 2025-26 AWPB was submitted in June 2026 and received IFAD NO in July 2026. 2026-27 AWPB has not been submitted to IFAD as of 20 June 2026. |
| 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 | Financial management practices at the Village Agriculture Cooperative (VAC) level require further strengthening. The mission noted weaknesses in record-keeping, irregular or absent internal and external audits, irregular annual general meetings of the cooperatives' shareholders. and weak cash flow management, with many VACs maintaining insufficient cash balances to meet short-term operational needs. |
| GC-Section 7.08 (a) | Insurance of program assets in accordance with sound commercial practice | Throughout program implementation | Not complied | 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. |

| Section | Covenant | Target/Action Due Date | Compliance Status/Date | Remarks |
| --- | --- | --- | --- | --- |
| GC-Section 7.11 | Health & accident insurance for project staff | Throughout program implementation | Complied | Health and Life insurance of staff have been obtained |
| GC-Section 8.03 (a) | Submission of progress reports to IFAD | Quarterly | Partially | 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 | Continuous | Financial statements have been submitted on time in the past three years. |
| GC-Section 9.03 | Submission to IFAD of audit report and reply to management letter | 31 December each year | Continuous | Financial statements have been submitted on time in the past three years. |
| GC-Section 11.01 (c) | Taxes not to be paid from IFAD financing | Throughout the program implementation | Continuous | Gilgit Baltistan is exempt from taxation |

IFAD
Investing in rural people

**Pakistan**

---

**Economic Transformation Initiative - Gilgit Baltistan**

**Supervision Report**

## Appendix 4: Technical background analysis

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-PK |

Asia and the Pacific Division
Programme Management Department

# Appendix 4: Technical background analysis

## Technical Annex - Enhancing and Securing the future of the PCGS

The PCGS has been successfully implemented in collaboration with GBRSP and HBL Microfinance Bank. The scheme has received an overwhelming response from VAC member farmers and during the first year of implementation, a total of Rs. 1.5 billion (about US$ 5.4 million) was disbursed to 4,912 VAC farmers, exceeding the annual target set for the scheme. Women and youth beneficiaries constitute 27 and 18 percent of the processed loans respectively. Rs. 1.15 billion are outstanding at end of April 2026. To date there has been no meaningful default in the portfolio and the management committee has extended the first interest rate subvention to borrowers upon successful loan completion. Awareness sessions for introduction of PCGS including loan products and terms and conditions were conducted for VAC members in all districts. A PCGS management committee consisting of the representatives of the Planning and Development Department, Department of Agriculture, Cooperatives Department, ETI-GB, GBRSP, and HBL Microfinance Bank have been constituted to oversee the PCSG operations.

The PCGS, as currently designed, has reached its portfolio limit with HBL, and any further growth of the portfolio is contingent upon 1) availability of additional resources to underpin support (Approximately $2MM USD deposit, supports a portfolio outstanding coverage of $4MM) and 2) potentially a corresponding performance based interest subvention. The portfolio ceiling limits the scheme's outreach and expansion under the current shared risk arrangement, highlighting the need to reassess resource allocation to sustain momentum and ensure continued access to financing for target beneficiaries. To ensure sustainability and improved coverage of the PCGS, it is recommended as part of the exit strategy to discuss with partners modifications to the PCGS which will move from a loan guarantee with 1-1 risk sharing to more sustainable, growth ready options such as a portfolio first loss guarantee, which will provide wider coverage and benefits, and better reflect the actual risks being undertaken by the partners. With an established track record of clients (i.e. history of client segments), and a steady reliable pipeline, the partner bank will be interested to continue to expand beyond the current limitations, viewing the guarantee facility as a sweetener and risk mitigator as a way of testing new clients towards generating bank customers. The project should pursue a longer-term solution that continues to reach new borrowers while supporting viable, growing clients who may remain outside conventional banking but are profitable, repay reliably, and can eventually use other bank products to strengthen their livelihoods or businesses.

The document provides a mini guide on designing a first-loss guarantee fund aimed at facilitating lending to untested borrower segments by addressing market failures and ensuring proper risk-sharing and governance structures. This should be supported by an experienced consultant.

- **Rationale for first-loss guarantees:** First-loss guarantees should be reserved for launching lending into untested segments with viable but not traditionally bankable borrowers, designed as market-opening devices with clear migration paths rather than permanent features or volume-pushing tools. They do not reduce borrower credit risk but transfer risk to encourage lending.
- **Target clientele and sizing:** The fund must precisely define target borrowers using concrete inclusion criteria such as first time borrowers, absence of real-estate collateral, and loan size ceilings, anchored in repayment capacity. The first-loss layer should be tightly capped (5–10% of portfolio), covering unexpected losses only, to maintain lender incentives for screening.

- **Structural and moral hazard controls:** A layered risk-sharing structure is recommended, with a first-loss tranche followed by a pari passu sharing layer to keep meaningful lender skin-in-the-game and avoid full coverage that insulates lenders from losses. Moral hazard must be controlled by accrediting lenders, conducting loan audits, setting suspension triggers, and avoiding disclosing guarantees to borrowers or relying solely on pricing.
- **Governance, monitoring, and exit planning:** The fund requires clear institutional identity, governance roles, and negotiation of terms with participating financial institutions and implementing agencies. Reporting and monitoring mechanisms should track portfolio quality, additionality, and fiscal risk, with a defined exit or graduation path to avoid permanent subsidy.

## Designing a First-Loss Guarantee Fund

### 1. Anchor the rationale — why first-loss, not pari passu

| DO | DON'T |
|---|---|
| • *Reserve first-loss for launching lending into an untested segment.*<br>• *State the market failure it solves: viable-but-not-bankable borrowers, not bad credits.*<br>• *Design it as a market-opening device with a clear migration path.* | • Use first-loss to push volume in a segment banks already serve (no additionality).<br>• Treat it as a permanent feature of the facility.<br>• Confuse risk transfer with risk reduction — the borrower is no more creditworthy. |

### 2. Define the target clientele precisely — this is the whole game

| DO | DON'T |
|---|---|
| • *Set concrete inclusion/exclusion proxies: first-time borrowers, no real-estate collateral, lagging districts, women-owned, below a loan-size ceiling etc.*<br>• *Keep underwriting anchored in repayment capacity and forward-looking cash flow.* | • Let eligibility drift upward into larger, already-bankable firms once volume targets bite.<br>• Confuse “underserved” with “unable to repay.” |

### 3. Size the first-loss layer — the single most important number

| DO | DON'T |
|---|---|
| • *Cap the layer tight — typically 5–10% of the portfolio, set to expected losses plus a stress margin.*<br>• *Benchmark against expected default for the segment; aim to cover unexpected, not expected, loss.* | • Set a thick layer (20–30%) — it absorbs where most defaults sit and removes the lender’s incentive to screen.<br>• Stack first-loss with high coverage (>80%) and automatic (portfolio) issuance — this automates the fund’s own losses. |

### 4. Build a layered structure — first-loss plus a sharing layer above

| DO | DON'T |
|---|---|
| • *Put a pari passu layer above the first-loss tranche: fund absorbs the first ~8–10%, then fund and lender share proportionally.*<br>• *Keep meaningful lender skin-in-the-game in upper layers.* | • Offer 100% cover on any layer.<br>• Let the lender control which loans are covered and be fully insulated from their losses. |

### 5. Control moral hazard — the structural risk of first-loss

| DO | DON'T |
|---|---|
| • *Vet and accredit lenders before access; restrict first-loss to institutions whose underwriting you’ve assessed.*<br>• *Run ex-post loan-file audits; tie continued participation to portfolio quality.*<br>• *Set suspension triggers linked to default-rate signals.* | • Disclose the guarantee to the end borrower — it weakens repayment discipline.<br>• Rely on pricing alone to fix moral hazard.<br>• Treat the fund as a write-off facility for the lender’s worst loans. |

### 6. Set coverage, pricing and claims terms

| DO | DON'T |
|---|---|
| • *Keep coverage moderate (50%) even within the guaranteed layer; pair with risk-based fees.* | • Make claims so easy lenders treat the fund as a write-off. |

| | |
|---|---|
| • *Define objective claim triggers (90–180 days in arrears), a settlement timeframe (≤30–60 days), and pari passu recovery.* | • **Make settlement so slow that lender trust collapses.** |

### 7. Govern fiscal risk and plan the exit

| *DO* | DON'T |
|---|---|
| • *Ring-fence the first-loss capital, size it against stressed scenarios, and report exposure transparently.*<br>• *Define a graduation path — migrate toward pari passu and lower coverage as the segment is proven.*<br>• *Monitor additionality (first-time / no-collateral), not volume.* | • **Blend the first-loss window into core operations.**<br>• **Let it become a permanent subsidy with no additionality.**<br>• **Omit a sunset clause and separate monitoring.** |

# From Principles to Set-Up: What to Nail Down

## 1. Identity — the three foundational pillars

*Fix these first; everything downstream hangs on them.*

- **Who manages it (institutional home).** Ring-fenced window in an existing institution or a stand-alone vehicle. Settle who holds the first-loss capital, who issues guarantees, who can authorise claim payments, and who the fund answers to. Put it in writing — the most contested point.
- **Who it serves (client segment).** Define the target borrower in measurable terms: size, sector, geography, loan-size ceiling, and exclusion proxies (first-time borrower, no real-estate collateral, lagging district, women-owned). This is what makes additionality demonstrable later.
- **What it offers (product).** Specify the guarantee product: covered loan types, coverage ratio, first-loss layer size, tenor, and any preferential terms. One tight product to start, not a menu.

## 2. Governance and roles — who does what

- **Oversight structure.** Board / oversight body and its composition (sponsor, PFI representation if any, independent members).
- **Separate the three functions.** Capital provider, guarantee issuer/administrator, and supervisor — don't let one party be all three.
- **Decision authority.** Who approves PFI accreditation, who signs off on coverage, who authorises claim payments — with limits at each level.
- **Delegated-authority matrix.** What the fund manager can decide alone vs. what needs board approval.

## 3. The PFI relationship — what to negotiate with the bank(s)

*The negotiation that makes or breaks the fund — capture it in a Master Guarantee Agreement.*

- **Risk-sharing split.** Coverage ratio and the first-loss / pari-passu layering. Hold the line on meaningful lender skin-in-the-game.
- **Accreditation criteria.** What a PFI must demonstrate to participate: financial strength, SME-lending track record, underwriting capacity, reach.
- **Eligibility & origination rules.** Who decides which loans are covered (individual vs portfolio) and the agreed filters.
- **Claim terms.** Trigger conditions (e.g. 90–180 days in arrears), settlement timeframe (push for ≤30–60 days), documentation required.
- **Recovery.** Who pursues recovery after a claim and how proceeds are shared (pari passu recovery keeps incentives aligned).
- **Moral-hazard controls.** Non-disclosure to the end borrower, portfolio-quality conditions for continued participation, suspension triggers on default signals.
- **Pricing.** Guarantee fee, who pays it, flat or risk-based.

## 4. Negotiating with the implementing agency / PMU / government

- **Legal status & autonomy.** How far the fund operates at arm's length vs. under the agency's administrative control.
- **Capital & disbursement control.** Who releases the first-loss capital, on what schedule, against what milestones.
- **FI-selection authority.** Does the fund or the agency choose PFIs? A common conflict point — resolve it explicitly.
- **Fiscal treatment.** Whether claim losses sit in the ordinary budget, a special fund, or a backstop — recognise the contingent liability transparently.
- **Audit, reporting & sunset.** To whom, how often, in what form — plus a time-bound review / sunset clause so the first-loss window isn't permanent.

## 5. Reporting and monitoring — define the process

- **PFI reporting pack.** Guarantees issued, outstanding exposure, defaults, claims, recoveries — by segment; monthly operational, quarterly financial.
- **Fund reporting upward.** Capital adequacy, leverage (guarantee-to-capital multiplier), portfolio quality vs. banking benchmarks.
- **Monitoring dashboard.** Default and recovery rates by sector / region / PFI / cohort, concentration, and additionality indicators (first-time / no-collateral share).
- **Early-warning triggers.** Default thresholds that prompt review, pause new coverage, or trigger PFI suspension.
- **Impact evaluation & audit.** Scheduled additionality evaluation with a dedicated budget line; external annual audit; public disclosure of key risk indicators.

## Aide-Memoire – Template

1. The Economic Transformation Initiative - Gilgit-Baltistan (ETI-GB) is a 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). The Project entered into force on 16 September 2015 with an initial completion date of 30 September 2022. IFAD in August 2022 approved a three years no-cost extension of the Project period to September 2025 for operationalization of the Italian Agency for Development Cooperation (AICS) co-financing, and to allow time for realization of benefits linked to the policy reforms and consolidation of investment in community institutions.

2. The Government of Pakistan submitted a request in January 2025 for an additional two-year no-cost extension of the IFAD Loan. A one year no cost extension was approved by IFAD subject to conditions of completion of all irrigation schemes; achieving a total disbursement of US$ 65 million and disbursement of at least US$ 4.5 million annually; delivery of 40 common asset grants for VACs under the value chain component; all three conditions to be met by September 2026. The new completion and closing dates are 30 September 2027 and 31 March 2028 respectively. In case of non-achievement of the extension conditions, the project completion date would be 31 December 2026.

3. 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.

4. The Supervision Mission was undertaken during 09-19 June 2026 with the main objective to ascertain the likelihood of attaining the development objective of the project, assess progress against the extension conditions and past missions' recommendations, identify gaps, and determine the extent to which additional outreach could be achieved. The Mission also identified key challenges for a successful exit strategy and sustainability of the Project interventions and propose agreed solutions to overcome these challenges; assessed financial progress and coherence of the AWPB for the current financial and calendar year; and reviewed and assessed the quality of procurement both at PCU/RCU and community level.

5. The mission visited field activities in Skardu, Shigar, Ganche, Kharmang, Astore, Hunza, Nagar and Gilgit districts and held discussions with project beneficiaries, staff of the Project, GBRSP, HBL MicroFinance Bank, and relevant government departments.

6. A wrap-up meeting was held with the Chief Secretary, Government of Gilgit Baltistan on 17 June 2026. A debrief meeting with Ministry of Economic Affairs, Economic Affairs Division is also planned.

### Key mission agreements and Conclusions

7. The project is making strong progress in outreach, irrigation infrastructure, land development (ILD), Farm to Market Roads (FMR) and bridges for rural communities' access to markets and social services, and value chain development. Village Agriculture Cooperatives (VACs) members have shown a clear improvement in capacity and attitudes, with encouraging progress in strengthening operations and expanding their role in local agribusiness development. The Partial Credit Guarantee Scheme (PCGS) received an overwhelming response from VAC member farmers during the first year of implementation. Project-supported policy initiative of the Gilgit Baltistan Water Policy, Road Master Plan, and Operation and Maintenance has been completed and is ready for submission to the cabinet for approval.

8. Given the challenges posed by financial resources constraints of significant number of beneficiaries; proximity of some new lands from villages; beneficiaries are mainly engaged in their current livelihood/agriculture activities and could work on land development in their spare time only; and limited availability of planting stock, the land development under the Irrigation and Land Development initiatives will require sustained long-term support which may extend beyond the Project life.

9. Scheme Management Teams (SMT) of the ongoing irrigation schemes reported that because of US-Iran conflict fuel shortages and price hike and inflation caused more than two fold increase in prices of material like cement and labour costs in March 2026. These costs have increased more than double of the original design costs (especially for cement, steel and labour.

10. The Gilgit-Baltistan Rural Support Programme (GBRSP) is currently party to a tripartite agreement with GoGB and HBL Microfinance Bank for the provision of PCGS-related services until 2031. However, in view of the need

for post project continuous support, the Mission recommends that GoGB/PCU establishes the requisite institutional arrangements and allocate adequate financial resources to enable GBRSP to continue its support and facilitation role, particularly for land development activities anticipated to continue beyond the current Project completion date and for sustained support to VACs following the closure of the IFAD project.

11. A recent Outcome Survey (February 2026), of the Project reveals significant positive impacts on household incomes, agricultural productivity, market access, institutional development, and poverty reduction through its integrated approach combining ILD, FMRs, value chain development, and community institutions. Overall, the project is well placed to achieve its development objectives.

12. The Project has largely met, or is progressing satisfactorily toward meeting the conditions required for the completion date to be confirmed for September 2027. These include: (i) completion of the ongoing irrigation schemes; (ii) cumulative disbursement of at least US$ 65 million, with annual disbursements of no less than US$4.5 million; and (iii) delivery of 40 common asset grants to Village Agricultural Cooperatives (VACs) under the value chain component by September 2026. Most of the recommendations of IFAD supervision and implementation support missions have either been complied with or are in process of implementation.

13. IFAD financing has reached 96.4 percent disbursement, with XDR 46.8 million (equivalent to US$ 64.4 million) disbursed against a total allocation of XDR 48.6 million (equivalent to US$ 67 million). Reported expenditure stands at 94 percent, amounting to XDR 45.7 million (equivalent to US$ 62.8 million). The project is well positioned to fully utilize the IFAD loan allocation. The overall AWPB implementation is at 37 percent, The IFAD-financed component has achieved 73 percent implementation. While annual physical implementation against AWPB targets is below expectations in some components, cumulative physical achievements are substantial, with irrigation, roads, grants, and training activities achieving between 76% and 94% of appraisal targets.

**Agreed Actions and Key Recommendations**

14. **Exit Strategy:** The Project exit strategy should incorporate post-project institutional arrangements that provide an appropriate institutional home for SMTs and VACs, to ensure continued support for the completion of land development activities, sustain the uninterrupted implementation of PCGS, maintain support to VACs and SMTs for land development..

15. The current contract with GBRSP expiring in September 2026 shall be extended till the project completion of September 2027 by .

16. **Revision of Unit cost for material and labour for On-going Irrigation Schemes:** In view of the increased financial burden on the communities, the Project should establish a mechanism to counter price changes for the on-going infrastructure work based on current market prices.

17. **Land Development.** The project shall ensure provision of financial resources and demand based planting material. The PCU may consider toward advance land development financial resources to GBRSP or community themselves in set timeline. However, priority shall be given to the extremely poor, women headed household and orphans for which details are available with every SMT.

18. **Partial Credit Guarantee Scheme:** To increase the outreach of PCGS, the project has proposed funding under AICS financing. Additionally, the Mission recommends exploring the possibilities of topping up the PCGS from savings.

19. **Financial Management:** The project shall prepare and submit to IFAD a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs, by 15 July 2026.

20. **Counter Part Funds:** Ensure the required government counterpart financing to support the completion of critical irrigation, land development, and other priority investments.

### *Key Recommendations*

| Title of Agreed action | Date of mission | Responsibility | Deadline |
|---|---|---|---|
| | | | |
| **Exit Strategy**<br>Project Steering Committee shall establish the requisite post Project institutional arrangements and allocate adequate financial resources as per the Project exit strategy. | | PSC/PCU | 31 Dec 2026 |
| **Extension of Current Contract with GBRS**<br>The current contract with GBRSP expiring in September 2026 shall be extended till the project completion of September 2027. | | PCU/GBRSP | 31 July 2026 |
| **Financial Management:**<br>The project shall prepare and submit to IFAD a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs. | | PCU | 15 July 2026 |

### *Overview and Project Progress*

| Title of Agreed action | Date of mission | Responsibility | Deadline |
|---|---|---|---|
| | | | |
| **Land Development**<br>Recognizing that land development is a long term process, the PCU and GBRSP shall come up with a realistic and implementable targeted plan for land development by the Project completion date of September 2027 and beyond. | | PCU/GBRSP | 08/2026 |
| **Rehabilitate Damaged Schemes**<br>Prepare a priority list based on least rehabilitation cost and arrange funds and rehabilitate the ILDs and FMRs | | PCU | 09/2026 |
| **Conduct Institutional Maturity Assessment of VACs**<br>Complete the institutional maturity assessment of all 162 and use the results to prioritize high-performing VACs for targeted resource allocation, including structured coaching, mentoring, and institutional strengthening, to enhance their capacity in business record keeping, financial management, adherence to procurement guidelines and governance practices. | | PCU | 09/2026 |
| **Expedite implementation of VAC/4P approved Grants**<br>Complete technical and operational capacity building for VACs under common asset financing, and ensure timely procurement and installation of machinery, and strengthen production and market linkages. | | PCU/GBRSP | 09/2026 |
| **Ensuring regulatory compliance and Food Safety Standards for VAC/4P Processing business**<br>Engage the relevant regulatory authorities (such as the food safety authority) to ensure that VAC/4P operations comply with established food safety standards and regulations. This involves coordination for registration/licensing, periodic inspections, and adherence to hygiene, processing, packaging, and storage requirements. | | PCU | 08/2026 |
| **Developing Value Chain–Driven Federated Models for VACs**<br>Support VACs in scaling aggregation and production through a federated model, with targeted efforts to strengthen market linkages and collective sales, tailored to value-chain-specific return potential. | | PCU/GBRSP | 03/2027 |
| **Tailor MIS to VAC Institutional Capacity and Infrastructure** | | PCU/GBRSP | 09/2026 |

| | | | |
|---|---|---|---|
| Conduct a capacity and infrastructure readiness assessment of VACs and tailor the MIS design, deployment, and training accordingly to ensure seamless integration and sustainable operationalization | | | |
| **Review and update VAC.4P Business Plans**<br>Review and update the VAC/4P business plans with structured mechanism to systematically allocate a portion of revenues as saving for timely repair and maintenance and replacement of the asset for sustainable operation of the business. | | PCU/GBRSP | 09/2026 |
| **Timely Completion of Second Cycle of Grants for VACs and 4Ps**<br>The project should prioritize completing the second cycle of grant disbursement to all remaining VACs and 4Ps in a timely and coordinated manner to ensure full coverage and effective utilization of funds. | | PCU/GBRSP | 03/2027 |
| **Strengthening Asset Inventory Management and Monitoring Systems**<br>The project should develop and maintain a comprehensive inventory of all common assets, along with a robust mechanism for regular record-keeping and monitoring of asset utilization and operational status during the remaining project period to ensure effective and optimal use of resources. | | PCU/GBRSP | 09/2026 |

***Effectiveness and Development Focus***

| Title of Agreed action | Date of mission | Responsibility | Deadline |
|---|---|---|---|
| | | | |
| **Restructuring of Logframe**<br><br>Assess the need for a Level 2 restructuring of the logframe in light of the project's remaining duration. If a restructuring is not pursued, ensure that any discrepancies and required adjustments are adequately explained in the Project Completion Report (PCR). | | IFAD/PCU | 09/2026 |
| **Assessment of the 15 women-led VACs**<br>Document well-performing and any inactive groups. Examine the value chains in which they are engaged, production capacity and marketing outcomes, access to finance, leadership dynamics, mobilization processes and key operational challenges. The assessment should also capture success stories and lessons learned to better understand the factors enabling or constraining the performance of women members in VACs. | | PCU | 09/2026 |
| **Establish Revolving mechanism for sustainable fruit plants nursery development**<br>The project will advocate with the provincial government to establish a structured revolving fund mechanism and ensure the inclusion of a dedicated budget line in the Agriculture Department’s annual allocation, thereby supporting sustainability, enabling continuous | | PCU | 07/2026 |

| | | | |
|---|---|---|---|
| **Renewal of Contracts of Agri-Tech Fellows** Agri-tech fellows need to be formally attached with VACs/communities with specific TORs and implementation plans for nutrition awareness in community, specifically targeting women groups | | PCU | 08/2026 |

### *Sustainability and Scaling-up*

| Title of Agreed action | Date of mission | Responsibility | Deadline |
|---|---|---|---|
| **Formal Institutional Arrangements for VACs with Cooperative department** Finalize and establish MoA with Cooperative Department immediately till the project completion period for continued regulatory and oversight support for the VACs | | PCU | 08/2026 |
| **Governance and Monitoring of VAC-4P Partnerships** Ensure that formal agreements between VACs and 4P partners are clearly defined, effectively implemented, and regularly monitored to guarantee that all roles, responsibilities, and obligations are fully met and reported. | | PCU/GBRSP | Ongoing |
| **Review and updating VAC/4P business plans** Review and update the business plans of VACs to incorporate robust mechanisms for savings dedicated to repair, maintenance, and timely replacement of machinery at the end of its useful life. | | PCU/GBRSP | 12/2026 |
| **Enhance and Systematize assessment of VACs** Strengthen current VAC measurement tool to reflect VACs objectives for ensuring their business model, including governance, finance and operations and apply on a regular basis to the VACs to track progress. | | PCU/GBRSP | 12/2026 |
| **Work with partners to establish an exit strategy for the PCGS** In conjunction with bank, modify guarantee structure to enhance and ensure wider coverage, reflecting more accurately risk born by each partner and develop mechanisms for internal generation of management costs. | | PCU/GBRSP/HBL | 06/2027 |
| **Establish monitoring mechanism to ensure compliance of 4P agreements with VACs** The project should establish a robust monitoring mechanism to assess partnership performance, track progress, ensure compliance with 4P agreements, and promote price transparency and accountability. | | PCU/GBRSP | 07/2026 |
| **Formalize 4P arrangement for Seed Potato Production** Formalize agreements between private partners and contract growers to produce certified seed potatoes at the farm level for supply to companies under clear and agreed terms and conditions. | | PCU | 03/2027 |
| **GRM for VACs** Roll out a clear GRM mechanism within VACs, outlining information on how complaints and feedback can be submitted, addressed, and communicated back to members to ensure effective grievance resolution and closure. | | Value Chain Team/PCU | 07/2026 |
| **Improved Performance of Water Management and Irrigation Department** PCU shall ensure regular and strengthened field presence of the department and particularly resolve the issue of timely processing of bills SMTs | | PCU/Water Management and Irrigation Department | 07/ 2026 |
| **Adequate and timely availability of alfalfa seed** | | PCU/Forest Department | 07/ 2026 |

| | | | |
|---|---|---|---|
| The Project and Forest Department shall make arrangement including financial resources for provision of demand based alfalfa seed to farmers under ILD | | | |
| **Documentation of Successful and Innovative Experiences**<br>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 | 12/2026 |

***Project Management***

| Title of Agreed action | Date of mission | Responsibility | Deadline |
|---|---|---|---|
| **Streamlining GBRSP proposal approval and flow of funds.**<br>The project shall ensure timely approval of GBRSP proposals particularly for land development and consider to awarding advance land development financial resources to GBRSP or community themselves in set timeline. | | PCU/GBRSP | 07/2026 |
| **Prepare one consolidated project video**<br>To showcase overall project achievements, impacts, and outcomes. | | PCU | 03/2027 |
| **Provincial-Level Agri-Business Expo October 2026:** Organize a Provincial-Level Agri-Business Expo in 2026 to showcase innovations, strengthen stakeholder engagement (including private sector), and promote market linkages in Gilgit-Baltistan. | | PCU/GBRSP | 10/2026 |
| **Licensing requirements under Gilgit-Baltistan Food Act 2021**<br>The VACs involved in processing, packaging, or distributing food should obtain a license and is subject to inspections for food safety and hygiene compliance particularly those under Common Assets Financing. | | PCU/Food Department | 09/2026/ |
| **Suitable site and space selected for operating the machinery under CAF**<br>Ensure that the space and site for machinery is suitable under CAF.<br>Continuously monitor the operations for hygiene and environmental compliance. | | PCU | 08/2026 |

***Financial Management and Execution***

| Title of Agreed action | Date of mission | Responsibility | Deadline |
|---|---|---|---|
| | | | |
| **Submit a closing financial plan**<br>Submit a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs. | | ETIGB PCU | 06/2026 |
| **Submit a closing financial plan**<br>Submit a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs. | | ETIGB PMU | 07/2026 |
| **Monitor and report the project extension conditions.** | | ETIGB PMU | 09/2026 |

| | | | |
|---|---|---|---|
| The project should monitor steadfastly the project extension conditions around disbursement, irrigation schemes and common asset grants for VACs. | | | |
| **Strengthen Financial Management Capacity and Controls at VAC Level**<br>Strengthen financial management at VAC level by improving record keeping, financial reporting, internal controls, and ensuring the regular conduct of internal and external audits. Consider re-introduction of Field Finance Controllers. | | ETIGB PMU / GBRSP | 09/2026 |
| **Develop VAC Financial Sustainability and Financing Strategy**<br>Develop and implement a VAC sustainability and financing strategy, including measures to improve cash flow and assessment of alternative financing mechanisms such as revolving funds, PCGs, membership contributions, and income-generating activities, as appropriate. | | ETIGB PMU / GBRSP | 09/2026 |
| **Submission of Comprehensive Asset Register and Utilization Report for Common Assets**<br>Submit a comprehensive asset register and functionality report for all project-financed common assets deployed to VACs. Selected assets will be verified during the next implementation support mission. | | ETIGB PMU | 09/2026 |
| **Enhancement of Accounting System and Timely Financial Reporting (IFRs and WAs)**<br>Complete the remaining customization of the accounting software to enable automated IFR generation and ensure timely submission of IFRs and Withdrawal Applications. | | ETIGB PMU | 12/2026 |
| **Timely Preparation and Submission of AWPB**<br>Prepare and submit the AWPB to IFAD for review and no-objection by 25 June. Ensure annual targets, budgets, and financing plans are realistic, aligned with implementation capacity, and reflect the project's stage of implementation. | | ETIGB PMU | 06/2026 |
| **Strengthening Audit Follow-up through SDAC Engagement and Action Plan Implementation**<br>Convene the State Development Audit Committee (SDAC) to address all outstanding audit findings and submit an updated audit action plan with clear responsibilities and timelines for resolution. | | ETIGB PMU | 12/2026 |
| **Acceleration of Government Counterpart Financing for Priority Investments**<br>Accelerate the mobilization of government counterpart financing to support the completion of critical irrigation, land development, and other priority investments. | | ETIGB/GoG | 09/2026 |
| **Ensure insurance of project vehicles and other assets**<br>Ensure project assets are insured. | | ETIGB PMU | 12/2026 |
| **Strengthen internal coordination and contract monitoring**<br>Establish a formal and effective mechanism for internal coordination and systematic sharing of contract implementation, payment, and performance information with the procurement section to timely update the OPEN and CMT. | | PC/DFA | 8/2026 |

Pakistan

---

**Economic Transformation Initiative - Gilgit Baltistan**

**Supervision Report**

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

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-PK |

Asia and the Pacific Division
Programme Management Department

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

**COUNTRY OF ASSIGNMENT/LOCATION:** Pakistan

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

**MISSION START AND END DATES:** 2 to 12 June 2026

**REPORT TO:** Fernanda Thomaz Da Rocha, Country Director and Head of Mission, Pakistan, APR.

**MISSION COMPOSITION:**

1. Fernanda Thomaz Da Rocha (Country Director), Mission Leader
2. Ghulam Nabi Marri (Country Programme Coordinator), Co-Mission Leader
3. Qaim Shah (IFAD Consultant), Team Leader, Rural Development & Institutional
4. Lorna Grace (Lead Regional Technical Specialist, Rural Finance), Partial Credit Guarantee Scheme (PCGS)
5. Sidra Zia (Country Programme Assistant), Knowledge Management
6. Ejaz Bajwa (IFAD Consultant), Monitoring and Evaluation
7. Taskeen Mansoor (IFAD Consultant), Gender and Nutrition
8. Fayaz Ahmad (IFAD Consultant), Value Chain
9. Abdul Hakeem (IFAD Consultant), SECAP and Infrastructure
10. Kayode Fagbemi (Regional Finance Officer), Financial Management
11. Naeem Abbas (IFAD Consultant), Procurement

**BACKGROUND:**

The Economic Transformation Initiative - Gilgit-Baltistan (ETI-GB) is a 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 has a parallel financing of US$ 23 million funded by the Italian Agency for Development Cooperation (AICS). The project entered into force on 16 September 2015 with an initial completion date of 30 September 2022. IFAD approved, in August 2022, a three-year no-cost extension of the project to September 2025, to allow for operationalization of the AICS co-financing and consolidation of investment in community institutions. A further two-year no-cost extension was approved by IFAD in 2025, subject to agreed conditions, with the new completion date of 30 September 2027 and financial closure of 31 March 2028. In case of non-achievement of the extension conditions, the project completion date will be 31 December 2026. The three extension conditions agreed with IFAD are: (i) the project achieving a total disbursement of US$ 65 million by September 2026 with a yearly target of US$ 4.5 million for IFAD funding; (ii) the physical targets for completing all irrigation schemes by September 2026; and (iii) the achievement of 40 common asset grants for VACs under the VACs/value chain component by September 2026.

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 10 districts of Gilgit Baltistan from initial design of 4 districts.

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 Management Unit (PMU) under the Planning and Development Department of the Provincial Government of Gilgit-Baltistan is responsible for project implementation through three regional coordination units.

As of the May 2025 Supervision Mission, the IFAD Loan was disbursed at 91% (SDR 44.1 million equivalent to USD 60.8 million). Beneficiary outreach stood at 104,482 households against a target of 100,000 (104.5%). Key areas lagging behind include: land development and cultivation (only 14,863 acres developed against a command area of 53,777 acres under completed/ongoing ILD schemes); land titling (424 titles granted against a target of 50,000); and the revolving fund recovery from VACs.

The upcoming Supervision Mission will review overall project implementation since the May 2025 Supervision Mission, assess remaining bottlenecks, provide strategic and technical guidance, and track progress against agreed actions. The Mission will place particular emphasis on the fulfilment of the three extension conditions agreed with IFAD, while supporting the PMU in addressing outstanding issues to keep the project on course for timely completion.

**MISSION OBJECTIVES AND OUTPUTS:**

Covering the period since the last Supervision Mission (May 2025) and the ongoing extension period, the main objective of the Mission is to ascertain the likelihood of attaining the development objective of the project, assess progress against the three extension conditions, identify gaps, and determine the extent to which additional outreach could be achieved.

The Mission will also assess and document overall project implementation performance and results achieved to date. In particular, it will review the project's effectiveness, efficiency, sustainability (including exit strategy), project management, and fiduciary aspects, and generate lessons learned while identifying key gaps, challenges, and areas requiring corrective action.

The specific objectives are:

- Assess the progress made since the last Supervision Mission (May 2025), in terms of project outputs and outcomes.
- Assess and verify progress against the three extension conditions: (i) disbursement target of US$ 4.5 million in IFAD funding; (ii) completion of all irrigation schemes; and (iii) achievement of 40 common asset grants for VACs.
- Assess progress on land development and cultivation, with particular attention to the strategy and action plan agreed in May 2025, and the target of cultivating approximately 14,000 additional acres.
- Assess the progress and effectiveness of Component 2 activities across all districts of Gilgit-Baltistan.
- Assess implementation capacities within the project and engagements with implementing partners.
- Review the financing proportions and identify variations in the financing structure agreed under the IFAD Financing Agreement and among the financiers (IFAD, AICS and Government of GB).
- Assess the status of implementation of recommendations of the previous Supervision Mission (May 2025).
- Assess the procurement plan and coherence of the AWP/B for the new fiscal year.
- Review progress on the Partial Credit Guarantee Scheme (PCGS) with HBL Microfinance Bank and GBRSP, including coverage of credit to cooperatives and agribusinesses.
- Review progress on land titling, digitization of land records (in partnership with Punjab Land Record Authority), and completion of remaining policy reforms (Water Policy and Provincial Road Master Plan and O&M Policy).
- Review and assess the procurement quality at both PMU and community levels.
- Assess the financial progress of the project.
- Review progress on the project exit strategy and post-project sustainability arrangements for VACs and PCGS.
- Identify actual and potential/emerging operational problems.
- Propose solutions, corrective measures or improvements required.

**INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES**

**Ms Fernanda Thomaz Da Rocha, Country Director Pakistan (Mission Leader-Joining Partially)**

The mission leader will provide overall strategic direction and quality assurance for the supervision mission. She will guide and support the team throughout the process, and review the aide memoire, supervision report and management letter, prior to their finalization. Following are the specific tasks:

(i) Provide overall strategic leadership and direction to the team; 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) Lead the discussions during the wrap-up meeting.
(iv) Review the final Aide Memoir and ORMS SV report prior to their finalisation.
(v) Any other task that is referred by the mission team for guidance and concurrence.

**Mr Ghulam Nabi Marri, Country Programme Coordinator (Co-Mission leader)**
The co-mission leader will co-lead key discussions with stakeholders and provide guidance to the mission team throughout the mission, including during the review of the final report. Specifically, the following tasks will be undertaken:

(i) Along with the mission and team leader, chair all meetings with government counterparts, including those with line departments.
(ii) Assess the overall quality of project management and oversight systems.
(iii) Identify key lessons learned, best practices, and innovations in collaboration with team members, while also assessing any data gaps or constraints that need to be addressed to improve the project's overall efficiency and effectiveness.
(iv) Assess the level of implementation of the different policies (water, land and road master planning/O&M;
(v) 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.
(vi) Assess the project's overall performance in targeting, social inclusion, community empowerment and beneficiary participation.
(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.
(viii) Critically assess overall progress against all three extension conditions and flag risks to their achievement by September 2026
(ix) Assess the adequacy of the revised exit strategy and post-project institutional arrangements, particularly for VACs and PCGS.
(x) Confirm whether Water Policy and Roads Master Plan met the October 2025 quality deadline
(xi) Update the agreed actions in ORMS and the IPRM, if needed.
(xii) Any other task requested by the CD and that is referred by the mission team for guidance and concurrence.

Deliverable(s):
- Provide input for Aide Memoir and ORMS SV report.
- Any other task that is referred to mission team for guidance and concurrence.

**Mr Qaim Shah, Team Leader, (Rural Development & Institutions)**
The Team leader will facilitate coordination of the supervision mission, draft the aide memoire, and supervision report. Following are the specific tasks:

(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) Together with co-mission lead, 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 and the partnership with Punjab Land Record Authority.
(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.
(xvii) Follow up on agreed actions from the last supervision and implementation support missions, ensuring that outstanding issues are effectively addressed.
(xviii) Ensure that key results, achievements, and lessons learned from recent surveys and studies (including the latest impact assessment) are adequately reflected in the mission findings and report.
(xix) Critically assess overall progress against all three extension conditions and flag risks to their achievement by September 2026
(xx) Assess adequacy of the revised exit strategy and its roadmap for post-project institutional arrangements
(xxi) Assess progress on Water Policy and Roads Master Plan completion (October 2025 deadline)
(xxii) Any other task requested by the mission leader.

Deliverable(s):
- Consolidate and Finalize the ORMS SV report.
- Finalize a draft Aide Memoire for presentation at the wrap-up meeting.

**Ms. Lorna Grace (Partial Credit Guarantee Scheme)**

(i) Assess the performance of GBRSP in relation to its support to cooperatives, enhancing access to finance and roll out of the Partial Credit Guarantee Scheme.
(ii) Assess the PCGS implementation: coverage, loan portfolio quality, and product suitability for GB communities.
(iii) Assess women beneficiaries' participation in PCGS and identify measures to increase their access, particularly in crop-related value chains.
(iv) Review the MoA between ETI-GB, GBRSP and HBL Microfinance Bank and assess whether the agreed terms and conditions are being implemented as planned.
(v) Assess the adequacy of loan products offered under the PCGS in relation to the specific needs of VAC members and households in GB, and provide recommendations for product development.
(vi) Assess the sustainability and scalability of the PCGS beyond the project period, including the post-project institutional arrangements and linkages with the formal microfinance sector.
(vii) Assess the adequacy of dedicated monitoring arrangements for PCGS at the PMU level and recommend improvements where needed.
(viii) Review the revolving fund recovery status across VACs and its implications for PCGS viability.

Deliverable(s):
- Contribution to the ORMS SV report.
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (as applicable)

**Ms. Taskeen Mansoor (Gender and Nutrition)**

(i) Review the status of gender mainstreaming, gender equality, women's empowerment and participation in project activities.
(ii) Review and assess the revised Gender and Poverty Strategy and progress toward targets, including the 20%/15% women staffing requirement at PMU and RCUs.
(iii) Assess progress on increasing women's membership and leadership in cooperatives (target: minimum 30%), and women's access to agricultural loans and matching grants, particularly in crop-related value chains.
(iv) Assess the participation and leadership of women in the Partial Credit Guarantee Scheme and common asset grant program.
(v) Review and assess women's representation in land titling and ILD-related activities.
(vi) Provide recommendations to improve gender strategy, targeting and monitoring approaches.
(vii) Review project documentation and previous Aide Memoires to assess follow-up on nutrition-related

recommendations, particularly those from the May 2025 mission.

(viii) Assess the revised nutrition strategy and action plan, including clarity on nutrition pathways and how nutrition training and awareness campaigns complement project activities, particularly for VACs.

(ix) Assess the progress of implementation of planned nutrition activities, including nutrition awareness campaigns (WhatsApp, community sessions, mass media), AgriTech fellows' engagement with VACs and women's groups, and community capacity building on food processing and preservation.

(x) Assess the quality of nutrition awareness materials and their relevance to the specific context of Gilgit-Baltistan and locally available nutritious foods.

(xi) Assess the targeting approach for nutrition activities, with emphasis on women's inclusion and the role of female AgriTech fellows.

(xii) Verify how nutrition-related activities are coordinated with other sectors and stakeholders, including existing coordination platforms.

(xiii) Assess whether nutrition-related actions are included in the AWPB with adequate financial and human resources.

(xiv) Review whether nutrition output indicator 1.1.8 has been updated to reflect ongoing activities, and whether plans are in place to incorporate KAP questions in the endline survey.

(xv) Assess the separate output indicator for school children benefitting from agricultural and nutritional education, if introduced.

(xvi) Assess if other project activities pose any undesired effects on the nutritional status of the target population.

(xvii) Review and assess the project's nutrition activity tracker and priorities for the remaining project period, including follow-up on outstanding recommendations from previous missions, and provide recommendations to ensure effective implementation.

(xviii) Assess the extent to which VAC strengthening activities are contributing to women's economic empowerment, leadership and decision-making, and incorporating nutrition-sensitive approaches; identify gaps and opportunities to further integrate gender and nutrition outcomes into VAC operations and business plans.

(xix) Any other task requested by the mission/team leader.

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

- Contribution to the ORMS SV report.
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (as applicable)

**Mr. Ejaz Bajwa (Monitoring and Evaluation)**

(i) Assess the programme's M&E system including MIS and M&E plan.

(ii) Assess M&E arrangements between PMU and implementing partners, and review the updated project logframe.

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

(iv) Review the quality of M&E with respect to capturing and analysing data, the link between M&E and project reporting, identify gaps and suggest remedial measures.

(v) Assess whether all logframe indicators have clear targets and are systematically disaggregated by sex and age.

(vi) Review the status of the new Integrated MIS being developed for VACs (Automation of Accounting and Internal Lending System), including scope, timeline and readiness for post-project use.

(vii) Review the project's progress toward commissioning the independent/third-party endline survey following IFAD COI survey guidelines, including methodology, sampling and coverage of all logframe indicators.

(viii) Review recent surveys and studies (including the latest Impact assessment) to identify key results, achievements, and lessons learned for inclusion in mission findings and the report

(ix) Assess the Feedback and Complaint Response Mechanism within the project, in line with established procedures.

(x) Assess whether the project's M&E system is adequately tracking and reporting progress against the three extension conditions, and whether timely and reliable data is available to inform management decisions in this regard.

(xi) Assess the quality of M&E reports and their use as a management tool for project decision-making.

(xii) Review the Project Action Tracker and any outstanding M&E-related recommendations from previous missions; discuss with PMU and update progress status accordingly.

(xiii) Any other task requested by the mission/team leader.

Deliverable(s):

- Contribution to the ORMS SV report.
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (as applicable)
- Updated Logframe

**Mr. Fayaz Ahmed (Value Chain)**

(i) Identify actual and potential/emerging operational problems under Component 2; propose solutions and guidance on priorities for achievement of its objectives.

(ii) Critically assess progress toward the extension condition of 40 common asset grants for VACs by September 2026: identify bottlenecks, review implementation status and propose corrective actions.

(iii) Assess the level of attainment of cooperative strengthening, identify bottlenecks and provide recommendations, with specific attention to institutional capacity, governance systems, operational and managerial skills, and business plan viability.

(iv) Review progress on updating VAC business plans as living documents (due December 2025 per last SV agreement) and assess whether plans are realistic, incorporate current market data and are being implemented.

(v) Assess the level of implementation of the 4P proposals; review the 12 newly approved 4P proposals and progress against the total target of 20 4Ps; identify bottlenecks and provide recommendations.

(vi) Evaluate the PMU's capacities for implementation of Component 2, including cooperatives, 4Ps, business planning and provision of Business Development Services.

(vii) Assess the viability of business plans in the context of local and down-country markets and make recommendations with regard to market access for outputs and market development for inputs.

(viii) Evaluate current practices of cooperative management, including governance, financial management and revolving fund recovery status.

(ix) Assess the performance of GBRSP in supporting cooperatives, enhancing access to finance and rolling out the PCGS including progress on office management support to the remaining VACs.

(x) Assess the PCGS implementation: coverage, loan portfolio quality, women beneficiaries' participation, product suitability for GB communities, and adequacy of dedicated monitoring staff.

(xi) Assess progress on the Integrated MIS for VACs and the e-commerce platform/online accounting system.

(xii) Review findings of the audit and elections of cooperatives by the Department of Cooperatives to identify critical areas for continued support.

(xiii) Assess/review the current roles of RCUs, PMU and line departments in organizing farmer groups; identify strengths and weaknesses and make recommendations for improved quality of farmer organizations.

(xiv) Review the Project Action Tracker and any outstanding recommendations from previous missions concerning the assigned sections; discuss with PMU and update progress status accordingly.

(xv) Any other task requested by the mission/team leader.

Deliverable(s):

- Contribution to the ORMS SV report.
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (as applicable)

**Ms Sidra Zia (Knowledge Management)**

(i) Assess the project's progress in developing knowledge products and lessons learned, and the implementation of the revised KM and Communication Strategy.

(ii) Assess the capacity of the project and its implementing partners for knowledge management.

(iii) Review the knowledge products developed since the last Supervision Mission (videos, brochures, digital content, case studies, thematic studies) and assess their quality, packaging and dissemination.

(iv) Assess whether at least 3 KM products on evidence-based innovative models and approaches have been developed or are in progress, and whether a dissemination strategy targeting government policy forums and development partners is in place.

(v) Review the use of social, print and electronic media for dissemination of knowledge products and assess reach and engagement (including ETI-GB Facebook and YouTube presence).

(vi) Assess the organization of learning events for VAC members and other stakeholders including private sector, and plans for a provincial agribusiness expo.

(vii) Assess the follow-up on the COP29 showcase and opportunities to share ETI-GB learnings in other national and international forums.

(viii) Identify promising, innovative knowledge products and provide recommendations for improved packaging, presentation and dissemination.
(ix) Review the Project Action Tracker and any outstanding KM-related recommendations from previous missions; discuss with PMU and update progress status accordingly.
(x) Any other task requested by the mission/team leader.

Deliverable(s):

- Contribution to the ORMS SV report.
- Contribution to the Aide Memoire.
- Technical note(s)/Annex (as applicable)

**Mr Abdul Hakeem Khan (SECAP, Infrastructure)**

(i) Assess progress against the extension condition of completing all ILD schemes by September 2026; identify schemes still outstanding, causes of delays and corrective actions required.
(ii) Assess progress on land development and cultivation against the agreed strategy and action plan, including the additional target of approximately 14,000 acres of land mobilization and 900,000 fruit plants for production by early 2027; assess the level of land development in pre- and post-extension scenarios and realistic prospects for cultivating the remaining command area by project closure
(iii) Assess the quality of irrigation infrastructure and the effectiveness of PMU, GBRSP, Agriculture Extension Department coordination for land development under ILD.
(iv) Review the status of non-functional schemes (Buner Daas, Ahmadabad, Satil and others) damaged by floods; assess rehabilitation progress and prospects.
(v) Undertake value for money/cost efficiency analysis in the design and implementation of irrigation infrastructure; assess adequacy and timeliness of fund flow arrangements between the project, regional offices and beneficiary SMTs, and propose improvements wherever warranted
(vi) Assess the status of transformation of SMTs into cooperatives and the payback recovery status.
(vii) Review progress on completion of the total 700 km FMR target and outstanding roads; assess road quality and completion timelines.
(viii) Assess the status of bridge construction and handover to C&W Department.
(ix) Assess C&W Department’s O&M capacity and the adequacy of machinery/equipment allocations under the revised PC-1.

**SECAP:**

(x) Assess the progress of project activities related to Environment and NRM.
(xi) Coordinate with IFAD's Environment and Climate Change focal point (Paraskevi Peglidou) during the mission to discuss and align on key SECAP-related areas, and share relevant findings and draft report sections for her input as needed.
(xii) Assess progress and issues in project activities related to climate change adaptation; devise new interventions/demonstrations within the project’s objectives as appropriate.
(xiii) Assess and document how PMU is ensuring land for interventions is free from conflict; verify exclusion criteria for lands with ongoing disputes subject to judicial processes.
(xiv) Document best practices, lessons learned and innovations in environmental/NRM and climate change adaptation.
(xv) Report on how Environment, Social Inclusion and Climate Change aspects and risks are being incorporated in project activities.
(xvi) Review status of Grievance Redress Mechanism (GRM) monitoring and complaints log; assess whether all outstanding complaints (particularly in Baltistan and Gilgit regions) have been resolved or have a clear resolution pathway.
(xvii) Review status and progress of Stakeholder Engagement Plan (SEP) activities and broad community support for the project.
(xviii) Review/update the existing climate risk assessment specific to target areas and relevant to project intervention activities.
(xix) Identify progress, challenges and solutions in the area of SECAP implementation.
(xx) Review the Project Action Tracker and any outstanding SECAP-related recommendations from previous missions; discuss with PMU and update progress status accordingly.
(xxi) Identify up to three capacity building needs for the PCU in relation to SECAP, ECC and NRM.
(xxii) Any other task requested by the mission/team leader.

Deliverable(s):

- Contribution to the ORMS SV report
- Contribution to the Aide Memoire.

➢ Technical note(s)/Annex (as applicable)

**Mr Kayode Fagbemi (Financial Management)**

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 Risk2.

(v) Assess whether the IFAD disbursement target of US$ 4.5 million for FY2025-26 is on track.

(vi) Assess adequacy of dedicated PCGS monitoring arrangements.

(vii) 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.

(viii) 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.

(ix) 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, management of advances3, timely preparation of expenditures reports and monthly bank reconciliations. Refer to FMAQ section 3.

(x) 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).

(xi) 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.

(xii) 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.

(xiii) 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.

(xiv) 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 PIM4.

(xv) 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.

(xvi) Project Implementation Manual. Assess project's compliance with the PIM, including procedures

[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.

[3] Review register of advances (e.g. to field offices, implementing partners, service providers, staff), perform ageing analysis in respect of the rules set out in the PIM, and highlight long-outstanding advances.

[4] When the internal audit reports are not made available to the Mission (e.g. internal audit covers the entire Ministry department), the consultant can request an extract of findings and recommendations raised in respect of the project.

related to travel, staff allowances, vehicles/fuel and IT.

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

(xviii) 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.

(xix) 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.

(xx) 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.**

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

(xxii) 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.
g. 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.
h. 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.
i. After the above steps, complete Pillar 2 checklist and file this in FMDB; and

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

Deliverable(s):

- Contribution to the ORMS SV report.
- 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.

(xvi) 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.

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

(xviii) 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.

(xix) 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.

(xx) 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.

(xxi) Carry out any other activity, as required by the Senior Procurement Specialist/CD.

Deliverable(s):

- Contribution to the ORMS SV report
- Contribution to the Aide Memoire
- Technical note(s)/Annex (as applicable)

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.

## FILED WORK AND PERSONS MET

**Economic Transformation Initiative Gilgit-Baltistan (ETI- GB)**
**Field Activities and List of Persons Met during the visit of Supervision Mission: 09-19 June 2026**

| Date/Day | Team | Activity/Event | Venue | Participants |
|---|---|---|---|---|
| **June 09, 2026 (Tuesday)** | **Team-1**<br>**Team-2** | • **Progress Review by PCU**<br><br>• **Karakoram VAC Kuwardo, Skardu** | Skardu | Programme Coordinator<br>Deputy Programme Coordinator<br>RPCs (BLN, GLT, DMR)<br>Director Finance<br>Infrastructure Specialist<br>Lead Value Chain<br>Gender and Poverty Manager<br>Finance Manager BLN<br>HR/Admin Manager,<br>Procurement Officer<br>Business Development Officer PCU<br>Communication Officer<br><br>**Karakoram VAC**<br>Ahmed Ali Kamal (BoD member)<br>Ghulam Rasool (General Secretary)<br>Basharat Hussain (Marketing Manager VAC)<br>Muhammad Nazir (Accountant VAC)<br>Muhammad Hussain (GBRSP) |
| **June 10, 2026 (Wednesday)** | **Team-1** | **Field work in Shiger/Skardu District:**<br>• GB Alpine Food (4P), Skardu<br>• Hashupi FMR Shigar<br>• Kalimal VAC Hurchus, Shigar | Shigar | **GB Alpine Food**<br>Ahmed Khan (C.E.O)<br>**Kalimal VAC**<br>Muhammad Taqi (President)<br>Shahid Hussain (General Secretary)<br>Abid Noor (Marketing Manager VAC)<br>Nisar Shahid (Accountant VAC)<br>Abdur Rehman Ghazi manufacturer (Ghazi Foods)<br>Hashupi FMR<br>Sakhawat Hussain (President SMT)<br>Akhtar Hussain Najmi (Manager VAC) |
| | **Team-2** | **Field work in Shiger District:**<br>• ILD and FMR Apo-Ali Gond<br>• ILD and FMR Ghorocho | Shigar | **ILD and FMR Apo-Ali Gond**<br>**SMT MEMBERS/Community Reps:**<br>Haji Muhammad Ali Khan,SMT President<br>Sakhawat Hussain,SMT Member<br>Tahir Hussain,SMT Member<br>Mehdi Ali,SMT Member<br>Mehdi Ali,SMT Member<br>Haji Imran,SMT Member<br>Nasir Hussain ,SMT Member<br>Ilyas Hussain,SMT Member<br>Haji Fida Ali ,SMT Member<br>Ali Hassan,SMT Member<br>Ashraf Hussain,SMT Member<br>Rehman,Notable<br>Muhammad Hussain ,GBRSP-BLN.<br><br>**ILD and FMR Ghorocho**<br>Syed Abbas,SMT President<br>Syed Sharaft Hussain,SMT Member<br>Sikandar Ali,SMT Member<br>Sakhawat Hussain,SMT Member |

| | | | | |
|---|---|---|---|---|
| | | | | Musharraf Hussain,SMT Member<br>Haji Shakoor ,SMT Member<br>Haji Ghulam Abbass,SMT Member<br>Muhammad Hussain ,GBRSP-BLN. |
| **June 11, 2026 (Thursday)** | **Team-1** | **Field work in Ghanche/Kharmang districts**<br>• Baidar Zarai Cooperative Gole<br>• Singay Farmer Cooperative Society Ghasing<br>• Agriculture Fruit Nursery Kharmang | Kharmang/Skardu | **Baidar Zarai Cooperative Society Gole**<br>Syed Qamar Abbas (President)<br>Syed Mubarak (Vice President)<br>Wazir Qamar Abbas (BoD Member)<br>Karamat Hassan (BoD Member)<br>Shehbaz Hussain (BoD Member)<br>Ali Muhammad (BoD Member)<br>Muhammad Qurban (GBRSP)<br>Agriculture Fruit Nursery Kharmang<br>Shujaat Hussain (DD Agriculture Kharmang)<br>Altaf Hussain (Agriculture Officer)<br>Manzoor ul Hassan ( Agri Technical Associate) |
| | **Team-2** | **Field work in Ghanche district**<br>• Kharfaq ILD<br>• Baduwa ILD<br>• Ghazithang ILD | Ganche | **Kharfaq ILD**<br>**SMT MEMBERS/Community Reps:**<br>M.Mehdi Numberdar,Subaidar Ismail,Gh.Hassan,M.Azad,Zulfiqar Ali,Ghulam Haider,Ghulam Abbas,Zulfiqar Ali,M.Hassan<br>Muhammad Hussain ,GBRSP-BLN<br><br>**Badwa ILD**<br>**SMT MEMBERS/Community Reps:**<br>Haji Muhammad Ibrahim,SMT President<br>Muhsin Ali,SMT Member<br>Babar Ali,SMT Member<br>Muhammad Ali Gulzar,SMT Member<br>SM Muhammad Khan,SMT Member<br>Ibrahim,SMT Member<br>Mir Hassan ,SMT Member<br>Abdullah,SMT Member<br>Ghulam Muhammad,SMT Member<br>Muhammad Sharif,SMT Member<br>Qayyum ,Notable<br>Nisar Hussain ,Notable<br>Muhammad Hussain ,GBRSP-BLN<br><br>**Ghazi Thang ILD**<br>**SMT MEMBERS/Community Reps:**<br>Ghulam Muhammad Numberdar,M.Zaheer,Ghulam Sarwar,Saddam Hussain,M.Issa,Haji M.Hussain,Molana Muhammad Ali,M.Baqir,Ghulam Muhammad.<br>Muhammad Hussain ,GBRSP-BLN |
| **June 12, 2026 (Friday)** | **Team-1** | **Field work Ghanche district**<br>• Fu-Kusho VAC Partuk<br>• Machulo VAC<br>• Agriculture Nursery Saling | Ganche | **Machulo VAC**<br>Mehboob Ali (President)<br>Basharat Hussain (Member)<br>Niaz Ali (Marketing Manager VAC)<br>Muhammad Khan (Accountant VAC)<br>Ali Hassan (BoD member)<br>Nisar Hussain (BoD member)<br><br>**Agriculture Nursery Saling**<br>Imtiaz Hussain (DD Agriculture Ghanche)<br>Muhammad Faizullah (Nursery Incharge) |

| | | | | |
|---|---|---|---|---|
| | **Team-2** | **Field work in Ghanche district**<br>• Thagus ILD<br>• Saling ILD/FMR | Ganche | **Thagus ILD**<br>Ghulam Ali ,SMT President<br>M.Ashraf,SMT Member<br>Khadim Hussain,SMT Member<br>Ghulam Muhammad,SMT Member<br>Syed Nisar Ali Shah,SMT Member<br>Riaz Mehdi,Notable<br>Syed Hassan Ali,Notable<br>Muzaffar,Notable<br>Shabbir Hussain,Notable<br>Syed Ashraf,Notable<br>Ghulam Mehdi,Notable<br>Basharat Ali,Notable<br>Munawar,Notable<br>Ghulam Ali ,Notable<br>Muzaffar Ali,Notable<br>Muhammad Hussain ,GBRSP-BLN<br><br>**Saling ILD/FMR**<br>Ghulam Mehdi, SMT president<br>Muhammad Ibrahim , SMT Member<br>Shakoor Ali, SMT Member<br>Muhammad Hassan,SMT Member<br>Manzoor Ahmed,SMT Member<br>Zulfiqar Ahmed,SMT Member<br>Hussain Ali,SMT Member<br>Ghulam Mehdi,SMT Member<br>Muhammad Arif,SMT Member<br>Muhammad Azad Khan,SMT Member<br>Ghulam Rasool,Notable<br>Muhammad Hussain ,GBRSP-BLN |
| **June 13, 2026 (Saturday)** | **Team-1 & Team-2** | Team 1 Travel from Skardu to Astore<br>Team 2 Travel from Skardu to Hunza Nagar | | |
| **June 14, 2026 (Sunday)** | **Team-1** | **Field work in Astore district**<br>• Fina VAC<br>• Patipoora VAC<br>• FMR Harcho Niril | Astore | **Fina VAC:**<br>Sayed Iftikhar- President VAC<br>Zeeshan (General Secretary VAC)<br>Fida Ali (Numberdar)<br>Irshad Malik Member<br><br>**Fina Bridge Visit:**<br>Rasheed SMT President<br>Arshad Malik- General Secretary<br>Sayed Iftikhar- President VAC<br>Fida Ali (Numberdar)<br>Other Notables of Fina<br><br>**Pati Poora VAC:**<br>Rashid Ali – Prsident<br>Naik Alam- General Secretary<br>Naib Khan- Member<br>Sadiq Member<br>Nahida- Member<br>Neelum Shehzadi-Member<br>Mumtaz Begum- Member<br>Irum Batool- Member<br>Other members/notables<br><br>**Harcho Nirili FMR**<br>Ejaz Ali (SMT President)<br>Abdul Nasir (Member SMT)<br>Ateeq ur Rehman (General Secretary SMT) |

| | | | | |
|---|---|---|---|---|
| | | | | Shams uddin (Member)<br>Muhammad Ali (Sarparast Alaa)<br>Notables of community. |
| | **Team-2** | **Field work Hunza district**<br>• Famol VAC, Ali-Abad<br>• Khyber ILD/FMR Schemes<br>• Misgar ILD/FMR/Bridge Schemes | Hunza | **Famole VAC Aliabad**<br>Sajida, President VAC<br>Rukhsana, Finance Manager<br>Roheela, VAC Accountant<br>Tahira VAC Member<br>Riaz Member<br>Ashfaq Ahmad (GM GBRSP)<br>Safi Ullah (GBRSP)<br>M. Ali (GBRSP)<br><br>**Khyber ILD/FMR**<br>Meherban Ali, SMT president<br>Sher Afzal, SMT Member<br>Ali Sarwar, SMT Member<br>Afzal Hussain, Sub Engineer WMID Hunza<br><br>**Misgar ILD/FMR/BRIDGE**<br>Sana Ullah, SMT president<br>Asad ullah, Finance Secretary<br>Mir Ghazi, SMT Member<br>Kareem Khan, VAC president<br>Community / notables of Misgar<br>Afzal Hussain, Sub Engineer WMID Hunza |
| **June 15, 2026 (Monday)** | **Team-2** | **Field work in Hunza/Nagar districts**<br>• Cherry Festival Hunza<br>• Minapin VAC<br>• Cherry Festival Nagar<br>• Jutai-Malang ILD | Hunza/Nagar | **Hunza Cheery Festival**<br>Javid Kareem, DD agriculture Hunza<br>Farhana, AO Agriculture Hunza<br>Benazeer, AA Agriculture Hunza<br>ETI VAC staff and members who had set up their stall.<br>Tourist and community of Hunza<br><br>**Minapin VAC**<br>Ghulam Ali, VAC president<br>Shams Ali ,VAC Member<br>Qalb Ali, VAC Manager<br>Israr Hussain, Accountant<br>Muhammad Hussain GBRSP In charge Baltistan Region.<br>Safi ullah( GBRSP)<br>M. Ali (GBRSP)<br><br>**Nagar Cheery Festival**<br>Iqbal Hussain Director Agriculture Extension Gilgit Region.<br>Shah Zaman, DD agriculture Nagar<br>Muhammad Hussain, AO Agriculture Nagar<br>Numberdars Budalas and Chaprote<br>ETI VAC staff and members who had set up their stall.<br>Tourist and community of Nagar.<br><br>**Budalas ILD**<br>Irshad Hussain, SMT President |

| | | | | |
|---|---|---|---|---|
| | | | | Abbas Ali, SMT member<br>Sher Ali, SMT Members<br>Muhammad Saleem, SMT member<br><br>**Jutay-Malang ILD**<br>Ahsan, SMT president<br>Afzal Shah, Finance Secretary<br>Sher Aman, SMT Member<br>Notables of Jutay Malang, Chaprote. |
| **June 16, 2026 (Tuesday)** | **Team-1<br>Team 2** | **Meetings with Line Departments (Agriculture Extension, Research, Cooperative Department)**<br><br>**Filed work Gilgit district** | Gilgit | **Agriculture Extension and Research Department:**<br>Mr Iqbal Hussain Director Agriculture Extension Gilgit<br>Mr Abdul Khabeer Director Agriculture Research<br>Mr Muhammad Ali Shah Focal Person for ETIGB DoA<br><br>**Cooperative Department:**<br>Mr Muhammad Amin Registrar<br>Mr Rehmat Shah Inspector Cooperative Department Focal Person for ETIGB<br><br>**Jalalabad Government Fruit Nursery Gilgit**<br>Iqbal Hussain Director Agriculture Extension Gilgit Region.<br>Syed Muhammad Ali Shah, Focal Person ETI.<br>GM Saqib, DD Agriculture Gilgit<br>**Chikis VAC**<br>Haji Kareem, VAC president<br>Fida Hussain, Manager VAC |
| **June 17, 2026 (Wednesday)** | | **Wrap-up Meeting with Chief Secretary, GB,**<br><br>**Meetings with Meeting with HBL MfB and GBRSP** | Gilgit | Chief Secretary Gilgit-Baltistan<br>Additional Chief Secretary, Gilgit-Baltistan<br>Deputy Chief NRM, P&DD, GB<br>Programme Coordinator ETI-GB<br>Deputy Programme Coordinator ETI-GB<br><br>**Meeting with HBL**<br>Mr Nooruddin Din Dinal Head of Distribution North<br>Mr Arif Hussain Regional Manager Gilgit<br>Mr Faraz Ali Area Credit Manager<br>Mr Mirbaz Khan Area Operation Manager<br><br>**Meeting with GBRSP:**<br>Mr. Ahsan Mir CEO GBRSP<br>Mr. Ashfaq Ahmed GM GBRSP<br>Mr. Abdul Basit Team Lead<br>Mr Safilluallah Business Development Expert<br>Mr Muhammad Hussain Dy Team Lead<br>Mr Asfar Ali Institutional Development Expert<br>Mr Jamil Ahmed PCGS Expert<br>And Management of ETI-GB |

| | | | | |
|---|---|---|---|---|
| **June 18, 2026 (Thursday)** | | **Debriefing meeting with PCU** | Gilgit | Programme Coordinator, ETI<br>Deputy Programme Coordinator ETI-GB<br>RPCs (BLN, GLT, DMR)<br>Director Finance<br>Infrastructure Specialist<br>Lead Value Chain<br>Gender and Poverty Manager<br>Finance Manager BLN<br>HR/Admin Manager,<br>Procurement Officer<br>Business Development Officer PCU<br>Communication Officer<br>M&E Officers |

Investing in rural people

**Pakistan**

---

## Economic Transformation Initiative - Gilgit Baltistan

## Supervision Report

### Appendix 7: Integrated Project Risk Matrix (IPRM)

| | |
|---|---|
| Mission Dates: | 9-19 June 2026 |
| Document Date: | 18/07/2026 |
| Project No. | 2000000836 |
| Report No. | 7740-PK |

Asia and the Pacific Division
Programme Management Department

## Overall Summary

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

| | | |
|---|---|---|
| **Country Context** | **Moderate** | **Moderate** |
| ***Political Commitment*** | ***Moderate*** | ***Low*** |

| | | |
|---|---|---|
| **Risk:**<br><br>Gilgit-Baltistan (GB) is nearly entirely dependent on Federal Government for its Public Sector Development Programme (PSDP) allocations, and emergency subsidies to sustain its economy. In view of the limited resources, successive governments have provided strong support and commitment to ETI-GB for its development contributions to the region. | Moderate | Low |
| **Mitigations:**<br><br>To mitigate, the IFAD country team will continue to support the government's efforts and pre-finance delayed counterpart financing. | | |
| ***Governance*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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 is is successfully 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 has particularly enhanced 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 hasl provide opportunities for inclusiveness, equity and transparency. | | |
| ***Macroeconomic*** | ***Substantial*** | ***Moderate*** |
| **Risk:**<br><br>Backed by an IMF Extended Fund Facility (EFF) programme and ongoing structural reform, Pakistan's economy in 2026 is experiencing a modest, stabilization-led recovery. However, significant downside risks remain due to geopolitical volatility in the Gulf region, elevated poverty rates, and high debt-servicing requirements. | Substantial | Moderate |
| **Mitigations:**<br><br>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. | | |
| ***Fragility and Security*** | ***Moderate*** | ***Moderate*** |
| **Risk:**<br><br>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.. International staff of UN agencies and diplomates are allowed to travel to the province. | Moderate | Moderate |
| **Mitigations:**<br><br>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 engagement with community organisations and cooperatives is robust. | | |
| **Sector Strategies and Policies** | **Moderate** | **Moderate** |
| ***Policy alignment*** | ***Moderate*** | ***Moderate*** |
| **Risk:**<br><br>The project is well aligned with the federal and provincial government policies and priorities and relevant SDGs. The project 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:**<br><br>IFAD's past and on-going projects and programmes have supported and will support government priorities notably for poverty reduction and agriculture development. ETIGB key contributions are the landmark Land Tenure policy to ensure that the irrigated developed land developed under the project, is allocated in equitable and fair manner among the beneficiary community and all the landless and women-headed households get an equitable share in a secure and legally enforceable manner in the new developed. The project has also supported preparation of Water Policy and Roads O&M policy which is awaiting cabinet approval. pursue policy development. | | |
| ***Policy Development and Implementation*** | ***Moderate*** | ***Moderate*** |

| | | |
|---|---|---|
| **Risk:**<br><br>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:**<br><br>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. | | |
| **Environment and Climate Context** | **Substantial** | **Moderate** |
| ***Project vulnerability to environmental conditions*** | ***Moderate*** | ***Moderate*** |
| **Risk:**<br><br>GB is a highly mountainous area having some of the largest glaciers outside polar regions. It 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:**<br><br>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<br>is guided through focused training programmes which are under implementation. | | |
| ***Project vulnerability to climate change impacts*** | ***Substantial*** | ***Moderate*** |
| **Risk:**<br><br>The main climate change related challenges in the project area are extreme weather events, change in rain and snowfall<br>patterns and intensity, flash-floods, temperature spikes, fluctuating water flows, soil erosion and loss due to heavy rains and winds etc. | Substantial | Moderate |
| **Mitigations:**<br><br>ETI-GB has ensured that the design of infrastructure schemes is climate resilient with features and protection against flash floods, soil<br>erosion and slides. The project has introduced vertical tunnel farming in the project area to enable the farmers to control production<br>cycles, using the same for off-season and weather-safe processing and drying of products. Where possible, intakes of irrigation<br>channels have been provided with gates to cater against fluctuations. Similarly, provisions have been made in FMRs against sliding<br>and flooding. | | |
| **Project Scope** | **Moderate** | **Low** |
| ***Project Relevance*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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. A recent outcome survey concluded that the project design and the Theory of Change, were highly relevant. | | |
| ***Technical Soundness*** | ***Moderate*** | ***Low*** |

| | | |
|---|---|---|
| **Risk:**<br><br>The project is technically robust and is based on lessons learnt. Component 1 benefited from 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:**<br><br>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. | | |
| **Institutional Capacity for Implementation and Sustainability** | **Moderate** | **Low** |
| ***Implementation Arrangements*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>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, startup 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:**<br><br>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. | | |
| ***Monitoring and Evaluation Arrangements*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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. | | |
| **Project Financial Management** | **Substantial** | **Moderate** |
| ***Project Organization and Staffing*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>• Ongoing implementation support is being provided by Finance Officer and Consultants to mitigate this risk.<br>• PIM includes anti-corruption clauses. The staff have not undergone training on IFAD's anti-corruption policy or its associated measures which were provided during project start-up phase. | Moderate | Low |
| **Mitigations:**<br><br>• All Financial Management and Accountants on the project should complete IFAD e-learns on financial management. | | |
| ***Project Budgeting*** | ***Substantial*** | ***Moderate*** |
| **Risk:**<br><br>• There have been consistent delays in the submission of AWPB by ETIGB. AWPB 2024-25 was initiated in July and received IFAD NO in September. The 2025/26 AWPB was submitted in June 2025 and received IFAD no-objection in July 2025. However, the 2026/27 AWPB had not been submitted to IFAD as of 20 June 2026, representing a delay of nearly two months against the expected submission timeline. AWPB implementation remains below target at 36 per cent, with expenditure of US$5.44 million against a planned budget of US$15.22 million. Performance under IFAD financing is comparatively stronger at 73 per cent (US$2.75 million).<br>• Budget variance analyses per quarter, financial year and cumulative are submitted along with the quarterly interim financial reports (IFRs). Qualitative variance analyses are not provided by the project along with the IFRs. The current budget performance on IFAD Financing is at 57% with only three months in the fiscal year. | Substantial | Moderate |
| **Mitigations:**<br><br>• Prepare and submit the AWPB to IFAD for review and no-objection by 25 June. Ensure annual targets, budgets, and financing plans are realistic, aligned with implementation capacity, and reflect the project's stage of implementation.<br>• Project should provide qualitative budget variance explanations in addition to the financial figures. | | |
| ***Project Funds Flow/Disbursement Arrangements*** | ***High*** | ***Substantial*** |

| | | |
|---|---|---|
| **Risk:**<br><br>• Given the importance of liquidity to the sustainability of VAC operations, the project is encouraged to explore alternative financing mechanisms, including greater utilization of the existing Partial Credit Guarantee (PCG) scheme, modest annual membership contributions, and the retention of earnings from group-based economic activities, where feasible..<br>• The overall disbursement of Government contribution stands at 49 percent. The lower counterpart funding can be attributed to the tax exemption in GB and devaluation of Pakistani Rupee against the US dollar. With the two-year extension, the Government contribution needs to be tracked to ensure the project meets the development objectives.<br>• There are concerns regarding the timely completion of all ongoing irrigation schemes, which remain a key condition for the extension. The project should expedite implementation and closely monitor progress to ensure completion 30 September 2026. Compliance with all extension conditions will be assessed during the October 2026 implementation support mission. Should the conditions not be met, the project completion date will be reverted to 31 December 2026. Otherwise, the project completion date will remain 30 September 2027, with a closing date of 31 March 2028.<br>• Project is nearing completion set for 30 September 2027. To facilitate an orderly closure, ETIGB should prepare and submit a comprehensive project closing financial plan. The plan should demonstrate the full utilization of IFAD financing and include adequate provisions for project completion, winding-up activities, and closure-related costs. | High | Substantial |
| **Mitigations:**<br><br>• Strengthen financial management at VAC level by improving record keeping, financial reporting, internal controls, and ensuring the regular conduct of internal and external audits. Consider re-introduction of Field Finance Controllers.<br>• Develop and implement a VAC sustainability and financing strategy, including measures to improve cash flow and assessment of alternative financing mechanisms such as revolving funds, PCGs, membership contributions, and income-generating activities, as appropriate.<br>• Accelerate the mobilization of government counterpart financing to support the completion of critical irrigation, land development, and other priority investments.<br>• Submit a comprehensive closing financial plan demonstrating full utilization of the remaining IFAD financing, including project closure and winding-up costs.<br>• The project should monitor steadfastly the project extension conditions around disbursement, irrigation schemes and common asset grants for VACs. | | |
| ***Project Internal Controls*** | ***High*** | ***Substantial*** |
| **Risk:**<br><br>• The PIM was submitted to IFAD and received IFAD NO in December 2018, more than six years ago. The PIM needs to be reviewed and revised considering current project operations and reality. For instance, the PIM is silent on AICS activities, and it was expected to be completed when AICS agreement was signed.<br>• Deployment and Functionality of Common Assets: Common assets have recently been deployed to eligible VACs. While the mission observed several assets during field visits, none were operational at the time of the visit as installation was still underway. ETIGB is requested to submit to IFAD, by 30 September 2026, a comprehensive asset register together with a status report on the functionality, utilization, and maintenance status of all deployed assets. Selected assets will be verified during the October 2026 implementation support mission.<br>• The Internal Auditor position has not been filled, contrary to the requirements of the Project Implementation Manual (PIM). The mission acknowledges the limited time remaining until project completion and the lengthy recruitment process. Nevertheless, the mission urges the Programme to give due consideration to the auditors' recommendations regarding the recruitment of an Internal Auditor and to take appropriate measures to strengthen the internal audit function during the remaining implementation period. | High | Substantial |
| **Mitigations:**<br><br>• The PIM needs to be reviewed and revised considering current project operations and reality. Draft PIM should be submitted to IFAD for NO.<br>• Submit a comprehensive asset register and functionality report for all project-financed common assets deployed to VACs. Selected assets will be verified during the next implementation support mission. | | |
| ***Project Accounting and Financial Reporting*** | ***Substantial*** | ***Moderate*** |
| **Risk:**<br><br>• The mission noted improvements in accounting and financial reporting following further customization of the accounting software. However, additional enhancements are needed to enable the automated generation of Interim Financial Reports (IFRs). Delays in the submission of IFRs and Withdrawal Applications (WAs) were also noted and continue to affect the timeliness and efficiency of financial reporting and disbursement processing. | Substantial | Moderate |
| **Mitigations:**<br><br>• Complete the remaining customization of the accounting software to enable automated IFR generation and ensure timely submission of IFRs and Withdrawal Applications.<br>• Ensure reconciliation of the differences between the GL, transaction listing and the amounts reported to IFAD in the IFR.<br>• Ensure quarterly IFRs are submitted on time - draft within 30 days and finalized on ICP within 45 days and with high quality. | | |
| ***Project External Audit*** | ***Substantial*** | ***Moderate*** |
| **Risk:**<br><br>• Project has submitted the justification and additional justification to AGP for the serious concerns raised in the audit report. The project should convene the SDAC, and report to IFAD soon as the issues are cleared. | Substantial | Moderate |

| | | |
|---|---|---|
| **Mitigations:**<br><br>• Convene with the State Development Audit Committee (SDAC) to address all outstanding audit findings and submit an updated audit action plan with clear responsibilities and timelines for resolution. | | |
| **Project Procurement** | **Substantial** | **Substantial** |
| ***A.1 Legal, Regulatory and Policy Framework*** | ***Substantial*** | ***Moderate*** |
| **Risk:**<br><br>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. | Substantial | Moderate |
| **Mitigations:**<br><br>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:**<br><br>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:**<br><br>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 Public Procurement Operations and Market Practices.*** | ***Moderate*** | ***Moderate*** |
| **Risk:**<br><br>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:**<br><br>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 Accountability, Integrity and Transparency of the Public Procurement System*** | ***Substantial*** | ***Substantial*** |
| **Risk:**<br><br>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.<br>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:**<br><br>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:**<br><br>The project started in 2015 and the community-driven modality is relatively new to the new recipients. | Moderate | Moderate |

| | | |
|---|---|---|
| **Mitigations:**<br><br>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:**<br><br>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:**<br><br>The overall risk is established as substantial given the workload and the limited experience and capacity of the procurement staff. | Substantial | Substantial |
| **Mitigations:**<br><br>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** |
| ***Biodiversity Conservation*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>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. Rather, the project has supported biodiversity through new water resources development, promoting plantation on barren lands and degraded lands. | Moderate | Low |
| **Mitigations:**<br><br>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. | | |
| ***Resource Efficiency and Pollution Prevention*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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, plantation on slopes, sustainable livestock production systems and climate and social risks mitigation actions. | | |
| ***Cultural Heritage*** | | ***No risk envisaged - not applicable*** |
| No risk envisaged | | |
| ***Indigenous People*** | | ***No risk envisaged - not applicable*** |
| No indigenous people are involved | | |
| ***Labour and Working Conditions*** | ***Low*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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. | | |
| ***Community health, safety and security*** | ***Low*** | ***Low*** |

| | | |
|---|---|---|
| **Risk:**<br><br>The project is supporting small-scale food processing units that are expected to improve food security, nutrition, and rural livelihoods. These facilities may pose minor occupational and community health and safety risks, including those related to machinery, electrical safety, food hygiene, and waste management. However, these risks are expected to be minimal and can be effectively managed through good manufacturing practices, food safety measures, worker training, use of personal protective equipment, and proper waste management. | Low | Low |
| **Mitigations:**<br><br>Mitigation measures will include following the Gilgit-Baltistan Food Act 2023 for health and safety, hygiene and waste management along with awareness creation and sensitisation of the staff involved. | | |
| ***Physical and Economic Resettlement*** | | ***No risk envisaged - not applicable*** |
| No risk pertain to this project. | | |
| ***Greenhouse Gas Emissions*** | ***Moderate*** | ***Low*** |
| **Risk:**<br><br>The risk of any significant increase of greenhouse gas (GHG) emissions and thereby of contributing to anthropogenic climate change is minimal. | Moderate | Low |
| **Mitigations:**<br><br>No specific mitigation measures are required. | | |
| ***Vulnerability of target populations and ecosystems to climate variability and hazards*** | ***Low*** | ***Low*** |
| **Risk:**<br><br>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 strategy and action plan (2023) 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:**<br><br>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 resilient infrastructure, 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. | | |
| **Stakeholders** | **Low** | **Low** |
| ***Stakeholder Engagement/Coordination*** | ***Low*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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. | | |
| ***Stakeholder Grievances*** | ***Low*** | ***Low*** |
| **Risk:**<br><br>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:**<br><br>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. | | |