IFAD
Investing in rural people

**Pakistan**

# Economic Transformation Initiative - Gilgit Baltistan

# Supervision Report

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| Mission Dates: | 30 May to 20 July 2022 |
| Document Date: | 10/08/2022 |
| Project No. | 2000000836 |
| Report No. | 6173-PK |

Asia and the Pacific Division
Programme Management Department

## Abbreviations and Acronyms

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| **4Ps** | Producer, public, private partnerships |
| **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 |
| **G-B** | Gilgit-Baltistan Province |
| **hhs** | Households |
| **IFAD** | International Fund for Agriculture Development |
| **JICA** | Japan International Cooperation Agency |
| **Km** | Kilometer |
| **M&E** | Monitoring and Evaluation |
| **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 aproval |
| **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

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

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| Approval Date: | 22/04/2015 | Last audit receipt: | 28/12/2021 |
| Signing Date: | 26/10/2015 | Date of Last SIS Mission: | 20/07/2022 |
| Entry into Force Date: | 16/09/2015 | Number of SIS Missions: | 16 |
| Available for Disbursement Date: | 06/04/2016 | Number of extensions: | 0 |
| First Disbursement Date: | 11/04/2016 | Effectiveness lag: | 5 months |
| MTR Date: | 14/10/2019 | | |
| Original Completion Date: | 30/09/2022 | | |
| Current Completion Date: | 30/09/2022 | | |
| Financial Closure: | not available yet | | |

### Project total financing

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

## Current Mission

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| Mission Dates: | 30 May to 20 July 2022 |
| Days in the field: | 20 |
| Mission composition: | Hubert Boirard, Country Director/Mission Leader; Fida Muhammad, Country Programme Officer/Co-Mission Lead-Economist; Nilushana Sooriyaarachchi, Value Chain/Rural Finance; Abdul Hakeem Khan, Rural Infrastructure/SECAP; Arsalan Haneef, Financial Management and Procurement; and Sumaira, Country Programme Analyst, KM/transversals. Lilis Suharti, FMD Officer, contributed remotely. |
| Field sites visited: | Oshikhandas, Sultanabad and Danyore in Gilgit District; Asqurdass, Thole and Minapin in Nagar District; Aliabad, Ganish, Baltit and Khyber Gojal in Hunza District; Bunner, Chilas, Goharabad, Darel, Kindodas in Diamer District; Ditchal, Kakan, Kinidass and Nasirabad in Astore District; Kachura, Gol e, Kharfaq, Kharku, and Khaplu in Ghanche District; Kamangu, Daghuni, Balghar, Thaleey and Parangus in Kharmag District, Marakunja and Churka in Shigar District and Sherqila, Glodass, Dahimal, Pingal, Hundur and Ishkoman in Ghizer District. |

## B. Overall Assessment

| Key SIS Indicator #1 | ∅ | Rating |
|---|---|---|
| Likelihood of Achieving the Development Objective | | 4.15 |

| Key SIS Indicator #2 | ∅ | Rating |
|---|---|---|
| Assessment of the Overall Implementation Performance | | 4.42 |

| Effectiveness and Developmental Focus | 4 |
|---|---|
| Effectiveness | 4 |
| Targeting and Outreach | 5 |
| Gender equality & women's participation | 4 |
| Agricultural Productivity | 4 |
| Nutrition | 3 |
| Adaptation to Climate Change | 4 |

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

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

| Relevance | 5 |
|---|---|

## C. Mission Objectives and Key Conclusions

**Background and Main Objective of the Mission**

1. The Economic Transformation Initiative in Gilgit-Baltistan (ETI-GB) is an USD 120 million programme, approved by IFAD's Executive Board in April 2015 with a SDR 48.55 million highly concessional loan. It entered into force on 16 September 2015 with a completion date of 30 September 2022. The project is co-financed for an amount equivalent to USD 23 million by the Italian Cooperation. A Project Coordination Unit under the Planning and Development Department of the Provincial Government of Gilgit-Baltistan is responsible for project implementation through three regional coordination units and two implementing partners.

2. ETI-GB's development objective is to increase agricultural incomes and employment for at least 100,000 rural households in the Gilgit-Baltistan region, where over 90% of the population is engaged in agriculture. The project focuses on: (i) increasing agricultural production by organizing farmers, developing value chains for high-value cash crops and linking farmers to local markets and private sector; (ii) developing support infrastructure including new irrigated land and rural roads; and (ii) developing support systems for small-holder farmers including land titling systems and improving access to financing. The project components are: (i) Economic infrastructure (comprising of two sub-components; irrigation and land development and farm-to-market roads); (ii) Support Services/PPPP for Value Chain Development; and (iii) project management and policy support.

3. The ETI-GB multi-phase supervision mission took place from 30 May to 28 June 2022 in the field, and with subsequent updates as of 20 July 2022, with the objectives to: : (i) assess the progress made, (ii) identify the bottlenecks and current issues, (iii) review the fiduciary aspects and (iv) propose potential corrective measures implementable during the remaining timeframe. During the mission, meetings were held in Islamabad and Gilgit with various stakeholders including EAD, Additional Chief Secretary, GB, as well as with the Provincial key departments (Planning and Development, Agriculture, Livestock and Fisheries, Water Management and Irrigation). The mission also conducted different working sessions with the ETI-GB Project Management Unit, the key service providers (AKRSP – VCTA), visited over 30 Village Agriculture Cooperatives, 25 infrastructure schemes (ILD, FMR and bridges) as well as a representative sample from 4Ps, nurseries and orchards. The supervision mission which benefitted from the active participation of the Planning and Development Department representatives during all the field visits, had also prospective discussions with the new regional farmers' association representatives of Gilgit, Diamer and Baltistan. EAD participated in the field mission. The first debriefing meetings were held with the PCU on the 8 June 2022 and 13 June with EAD. Discussions with EAD was also held in early July to provide the latest performance status of the ETI-GB and exchange views regarding the relevance and duration of the no cost extension requested by the GoGB and GoP.

**Key Mission Agreements and Conclusions**

4. ETI-GB has made significant progress since the last implementation support mission in February 2022, reaching most of the key achievements requested for a no cost extension of the ETI-GB completion date.

5. For Component 1, 82% of the irrigation schemes are now completed (64/78). The land titling policies has become effective (approval by the GoGB cabinet in 2022) and translated into action at field level by the GoGB Revenue Department with (i) land titles already distributed to the farmers for 12 % of the completed irrigation scheme (8/64) and (ii) all documentation under process at Revenue Department level for the remaining scheme. A new dynamic of cultivation has been observed after the land titling distribution, with more than 50% of the completed scheme with crops or plantation initiatives. The mission also observed significant progress in the Farm to Market Roads component (from 285 km in February 2022 to 317 km completed in June 2022 out of 382 km initiated). The longstanding discussions regarding the handing over between the ETIGB project and the Civil Work Department (CWD) has also been solved. As of today, 3 FMRs (out of 57) and 1 bridge (out of 7) have been transferred to the Civil Work Department. The documentation and inspection are on-going at CWD level in order to expedite and finalize the process by end of August 2022.

6. On Component 2, major improvement has been observed and the 2022 agricultural campaign seems now well on track to be delivered as expected. The 162 cooperatives formally registered in 2020 / 2021 (around 42 000 members) have all submitted and received approval of their business plans. Today the implementation level is satisfactory with 100% of the cooperative having received at least 85% of the total BP budget (justification of at least the two first tranches). Some adjustment and close follow up need to be done during the coming marketing implementation period.

7. Three months before completion date (30 September 2022), the overall IFAD loan disbursement is 70.77%. SDR 17.6 million remain unspent on the IFAD loan (saving mainly due to the exchange rate difference). The Italian EUR 20 million is now effective (financing agreement signed, bank account open, integration of the co-financing in the AWPB of ETIGB). The ETI-GB supervision mission met on 7 June with the Italian Cooperation mission in Gilgit and discussed the operationalization of the Italian co-financing, on the basis that the IFAD loan no cost extension will be approved. The PMU in collaboration with the two major ETI-GB service providers (AKRSP and VCTA) were able to implement and achieve most of the targets of the 2021 – 2022 AWPB. The court case related to the ETI-GB staff has been solved in early 2022. The ETI-GB recruitment process has been suspended since 2022 as the conditions to accept a no cost extension of the completion date for ETI-GB were not met.

8. Today, based on the fact that (i) ETI-GB programme has demonstrated its unique and clear impact in terms of livelihood and income generation improvement for more than half of the Gilgit Baltistan rural population, (ii) the GoGB has been able to address the operational and policy issues and make ETI-GB an effective and innovative programme for the benefit of the smallholder farmers; and vis-á-vis (iii) the importance to consolidate the institutions and partnerships initiated (cooperatives, VAC, 4Ps) and (iv) the opportunity to respond to the farmers' and the GoGB's request for full expression of the ETI-GB potential impact in the province with the Italian cooperation, the IFAD mission is in favour of the no cost extension of the ETI-GB programme.

## D. Overview and Project Progress

9. **Justification of rating**

10. Significant progress have been made since the last supervision mission. Most of the infrastructure schemes are now completed. Progress on land development, distribution and cultivation has been initiated and consolidated. Construction of FMRs went generally very well while all bridges are now rendering benefits to the communities. The quality of infrastructure construction has been satisfactory where required standards and measures have been taken into account. Design and construction were noted to be SECAP compliant for all the infrastructure schemes. In terms of value chain support, the project has achieved significant progress since the last mission by completing the registration process of all VACs and financing the representative business plans with the ongoing cultivation season. Overall, the quality of the procured machinery, equipment and inputs is satisfactory and some of the VACs have already started reaping benefits through the intervention as a result of the cumulative effect of effective social mobilisation, technical assistance and extension support.

11. **Component-1: Economic Infrastructure**

12. **Sub-Component 1.1 Irrigation and Land Development**: The hard and difficult work (physically as well as socially) under this sub-component is remarkable. Overall, 78 irrigation schemes were initiated to the benefit of 29,300 HHs and to irrigate 42,617 acres of land against the target of 50,000 acres. As of 30 June 2022, 64 schemes (52 at last SM) have been completed. The last Mission in September 2021 had recommended the completion of all ongoing schemes latest by June 2021, however, delays persist and to date 14 schemes (26 at last SM) for irrigating 15,022 acres are yet to be completed.

13. Land distribution has been initiated in 57 schemes at household level, 8 schemes at clan/settlement level, while 8 schemes have yet to be started. Land development has been initiated in 58 of the completed schemes where 2,266 acres of land has been developed and agricultural activities have been initiated on 54 schemes. Cultivation of wheat, maize, potato, vegetables and fodder can be seen around 16 channels in Ghizr, 5 in Astore, 11 in Diamer and 22 in Ganche. About 250,000 fruit and forest plants have also been planted in the newly developed lands. District-wise distribution of developed land is 451 acres in Diamer, 284 acres in Astore, 485 acres in Ganche, 1,026 acres in Ghizr and 20 acres in Skardu. The formation of 53 VACs has been completed, however, they need capacity building and support to ensure speedy payback and efficient management.

14. **Sub-Component 1.2 Farm to Market Roads.** Good progress and quality were observed on FMR in almost all areas. The three regions had initiated 71 FMRS of 382 km length for benefiting 27,128 HHs against a target of 400 km. So far, 67 roads (56 at last Mission) have been completed with a total length of 347 km. benefiting 25,922 HHs. The remaining ongoing 4 schemes which will benefit 1,236 HHs are also more than 98 percent complete and are expected to be completed in the next few days. Accounts closure of the newly completed FMRs is being processed. All of the seven RCC bridges have already been completed. The quality of most of FMRs and bridges is quite good. The project aims to complete the ongoing FMRs by 31 July 2022.

15. The landmark activity of transferring land titles to HHs in the completed irrigation schemes has started with the approval of the land titling policy by the BD government on 14 February 2022, when the Senior Member Board of Revenue and the concerned district administration have been authorized to issue land titles. The process has started in the three regions of the project where documentation of 47 completed schemes having 20,023 ac command area benefiting 12,621 HHs/individuals has been completed and handed over to the concerned district Revenue Departments . The government has issued 15 titles in Astore and 490 in Ganche districts with the condition of fully developing and cultivating the given land within three years (condition for full and final allotment of lands).

16. Similarly, another important process of transferring FMRs to the GB government has been initiated for its sustainability. So far, 32 FMRs of 165.64km and all 07 bridges with a length of 191 meters have been handed over to PWD. Documentation for the remaining 30 FMRs has been completed and submitted to PWD to be handed over at the latest 31 July 2022.

17. The two sub-components have very important impact on the economy and people of the area where about USD 9.75 million have been injected through infrastructure development. FMRs and bridges are now connecting 70 villages, facilitating the communities in expanding and diversifying their agriculture with increase in productivity and cultivating high value crops due to easy and quick access to markets.

18. **Component-2: Support Services/PPPP for Value Chain Development**

19. **Sub Component 2.1: Value Chain Support Fund and Technical Assistance**

20. As one of the key components to derive immediate benefits to smallholder farmers in the project area, the component has gained a significant momentum during the last year with 227 VACs (VCTAT: 162, AKRSP: 38 & SMD: 27) been formed against the target of 225 VACs, with an overall membership of 45,218 farmers. The registration process has been completed for 216 VACs (VCTAT: 162, AKRSP: 38 & SMD: 11) and the remaining 11 VACs are in the process of registration under the Diamer region. The project has disbursed PKR 1.248 Bn for 160 VACs[1] under the prescribed milestone structure, out of which, 159 VACs have received their initial advance (55%), 152 VACs with initial advance and the 2nd milestone (85%) and 11 VACs have received 100% of the ETI-GB contribution. The mission noted that 2 VACs have not been financed due to social constraints and internal disputes among the members. This is a significant improvement in terms of fund disbursement considering the progress observed in the previous supervision mission and the follow-up mission (Sep-Oct, 2021), where only 79 VACs were financed with the initial advance (25%) as per the original milestone payment structure.

21. In terms of implementation, the mission observed a variability in adaptation rate of the promoted model, with exceptional performance in certain VACs (Ex: Hundur, Ganish, Gindai & Green Treasure VACs etc.) and average to below the expected level performance at the same time in others. The different level of adaptation and performance levels could be attributed to i) level of progressiveness of the communities in different geographical locations, ii) recruitment of key staff and appointment of BODs, iii) availability of funds to carry out prescribed activities and iv) awareness and understanding of the business model and the prescribed activities.

22. At present, a total of 10,076 members (25%) have started reaping benefits of the intervention, with PKR 243.47 Mn circulated as payments for the farmer produce. Out of which, vertical farming has shown the highest impact with an average incremental income of PKR 30,000-50,000 per engaged beneficiary followed by fruits value addition (apricot, cherry & apples). In addition, the mission observed that few VACs (Ganish & Green Treasure) have gone beyond the prescribed activities through further value addition (e.g.

jam, ciders and organic fertilizer/pesticides etc.) which is commendable and to be further encouraged. Moreover, it's understood that some of the VACs have already completed their existing activities prescribed in the business plan and in demand for additional financing, especially for vertical farming for additional members. On the other hand, some of the VACs are struggling to complete their activities although they have been provided with the funds in advance. Therefore, the mission recommends the PMU to provide a deadline to those VACs on a reasonable basis and to re-allocate the remaining funds to progressive VACs, if the expected physical and financial progress has not been reached on the set deadline. This is applicable for the 2 VACs which are yet to be operationalized and the allocated funds under respective business plans would need to be re-allocated for the VACs who have successfully completed their activities with further demand for scale-up.

23. Moreover, it has been noted that several VACs have requested changes in their respective business plan regarding the selected value chains, especially the open field cultivation activities (notably Ideal– okra to french beans; Ganish – onion to buck wheat etc.). The mission would recommend such changes to be incorporated within the total budget of the business plan with the approval of PMU to avoid further delay in implementation as the cropping season has already begun.

24. [1] There is no additional budget allocation for the VACs developed under ILD schemes (AKRSP & SMD) as the business plans to be financed through the proposed pay-back mechanism.

25. **Sub Component 2.2: Social Mobilization**

26. The development of individual and institutional capacities through an effective social mobilization is paramount for the success of the overall component. It should be emphasised that the role of each value chain actor and the supporting environment need to be well identified and operationalized with clearly distinguished roles & responsibilities through a collective mobilization effort. Under the original design of the project, the focus was only on two specific value chains namely; i) potato and ii) apricot under informal village producer groups (VPGs) and individual orchards respectively. Considering market demand and the overall potential in establishing more formalized business structures, a fresh approach was introduced during the 2020 supervision mission, driven on value chain development approach with strong community participation in planning and implementation of activities in setting up VACs, with a sense of ownership and extended scope of value chains (20).

27. Under such set up, the selected service providers (VCTAT, AKRSP) have played an integral role in group identification, mobilization and converting such groups into formalized entities which would facilitate the provision of economic services to their members and the community as a whole. The business model is based on a market study, integrated into a business plan, with a clear break-even point, profit objective, professional management team and with a critical membership of 200 to 300 farmers. The professionalization of the VAC provides credibility at both client level and farmer/production levels where clear, tangible and immediate benefits could be transferred to each and every member of the organization in a transparent manner and where the sense of ownership is reflected in sustainability of the overall model.

28. Overall, 227 groups have been identified (Gilgit: 81, Baltistan: 81 & Diamer: 65), out of which 162, 38 and 27 groups have been mobilized by VCTAT, AKRSP and the regional PMU of Diamer respectively. The business plans have been developed for 191 VACs (VCTAT: 162 & AKRSP: 29) with the ongoing support for the implementation of the business plans and the institutional development.

29. 4Ps: Under 4Ps, 13 contracts have been signed with promoters, out of which, 5 contracts are still operational, covering 3 specific value chains namely; i) potato, ii) dairy & iii) apricot respectively. Overall, 7,579 HHs benefit from the established partnerships, and the project has disbursed PKR 152.49 Mn (71%), out of an overall allocation of PKR 215.41 Mn. Further, there are additional 20 new 4Ps (9,937 HHs) with an overall ETI contribution of PKR 93.31 Mn to be implemented upon finalization of pre-contractual requirements from the promoter's end. However, the mission would recommend the PMU to prioritize the existing contractual obligations under the 5 ongoing 4Ps prior to signing of new contracts between new promoters, as the implementation of new 4Ps would depend on the extension of the project. Moreover, the impact of the implemented 4Ps need to be captured through the annual outcome survey (AOS) and the proposed impact assessment to justify the roll-out of new 4Ps.

30. **Sub Component 2.3: Agriculture Extension**:

31. The project is closely working with the Agriculture Extension Department (GoGB) in the Province to provide services in relation to land use & land development planning for newly irrigated lands, soil testing and training. However, the mission identified that the linkage between the established VACs and the relevant government departments for extension support is limited, except for few cases where VACs have obtained services of the Government technical officers for the provision of training programmes related to fruits value addition & open field cultivation which needs to be further encouraged.

32. **Sub Component 2.4: Agriculture Research**

33. No further work is being carried out under this sub component after MTR decision to drop the implementing agency for unsatisfactory performance.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Re-allocate the funds for progressive VACs**<br><br>Conduct a rapid assessment on implementation levels of all VACs and cater the additional demand of VACs who have already completed their prescribed activities through fund re-allocation. | PMU | 06/2022 |
| **Ensure the hand over from ETIGB to CWD department of all completed FMR and Bridges** | PMU | 07/2022 |
| **Finalize the disbursement/contractual obligations under ongoing 4Ps prior to signing of contracts with new 4Ps (20)**<br><br>Prioritize the implementation of ongoing 4Ps with the implementation of the new 4Ps (20) being subject to the extension of the project. | PMU & VCTAT | 07/2022 |
| **Finalize the remaining Irrigation scheme and hand over to VAC**<br><br>Provide the necessary support to finalize the remaining irrigation scheme and to hand over them to the VAC. | PMU & AKRSP | 08/2022 |
| **Ensure the distribution of the land title on all completed irrigation schemes**<br><br>Provide the necessary support to the Revenue Department for the distribution of the land title to farmers on all completed schemes. | PMU | 08/2022 |
| **Support Cooperatives Business Plan implementation**<br><br>Provide the necessary support and monitoring for the full implementation of the 162 approved business plan. | PMU & VCTAT | 09/2022 |
| **Provide flexibility on changing value chains in business plans within the approved budget.**<br><br>Allow greater flexibility in replacing previously selected value chains with more viable options with the approval of PMU | PMU & VCTAT | |

# E. Project implementation

## a. Development Effectiveness

### Effectiveness and Developmental Focus

| **Effectiveness** | **Rating: 4** | **Previous rating: 4** |
|---|---|---|

**Justification of rating**

34. Moderately satisfactory. The project has achieved most of the targets under both components while some progress has recently been achieved on the necessary policy reforms. The community driven development approach has resulted in strong ownership, cost efficiency and effectiveness with respect to implementation of activities. The secure land tenure through a policy that has been approved is a step towards transformation of agriculture in GB. Land titling, roads O&M policy and provincial water management policy remains to be achieved yet but are pursued by the PMU. The project would need a no-cost extension to allow for the realization of the development objectives, ensuring outreach, facilitating co-financing and achieving full financial progress.

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

35. The project log frame remains valid in terms of the relevance of indicators, data sources as well as all key assumptions while a time extension is necessary to achieve outreach and realisation of the development objective to the fullest extent. Owing to the saving realised due to devaluation of local currency and community led implementation, additional outreach (of up to 30-40 percent) is expected.

### Development Focus

| **Targeting and Outreach** | **Rating: 5** | **Previous rating: 4** |
|---|---|---|

**Justification of rating**

36. Satisfactory. The project follows an inclusive targeting approach for component 1 and a demand driven targeting under component 2.

The geographical target was pre-defined in the project design for component 1 (four poorest core districts) while component 2 extended to the entire province. At the household level, targeting is based on right holders for component 1 in the land while the project ensures that the disadvantaged and poor households are included, while their matching contribution is waived off under both components. Out of an overall target (100,000 HHs), the project has assisted 87,706 persons (87%). The target (100) with respect to support to entrepreneurs has not been reached yet. There has been significant increase in outreach resulting from investment in VACs during the recent years which corresponds to more than 50% of the persons assisted so far.

| Gender equality & women's participation | Rating: 4 | Previous rating: 4 |
|---|---|---|

**Justification of rating**

37. Moderately satisfactory. The project pursues gender equality through land titling and women's shareholding in VACs. The project contributes to all the three objectives i.e. (i) economic empowerment through participation in cooperatives; (ii) more equal voice by women - part of the board of directors in the cooperatives and its staffing; and, (iii) the technological innovations having resulted in reduced work load, combined with training which has improved the occupational and health safety aspects. However, women representation is not proportionate in the governing bodies and staffing of cooperatives. The project has developed guiding documents: Gender Equality Policy; Gender and Poverty Checklist; Gender and Poverty Action Plan which are followed but not always to the fullest extent.

**Main issues**

38. A total of 162 business cooperatives have been established with a total of 42 000 farmers (with 29% women). Of total cooperatives, 15 are women-specific with total membership of 3 864 famers where their membership constitutes more than 70% (3 317 women members). There are two cooperatives which are exclusively of women. At least one women received a land title in the first scheme where land titles have been awarded by Government of GB.

39. The related challenge is with respect to entitlement rights and land titles in the name of women and the same applies to share capital in the name of women as well as the representation in the governance of village agricultural cooperative. The representation of women proportionately in the regional and provincial farmers' organisations is an opportunity which shall not be missed out.

| Agricultural Productivity | Rating: 4 | Previous rating: 3 |
|---|---|---|

**Justification of rating**

40. Moderately satisfactory. The project's economic transformation has contributed to increased production, productivity and marketability of agriculture produce through economic infrastructure and support service for value chain development. Under the newly developed land the first cycle of cultivation has competed increasing the household production capacity for fodder ((1-2 tons per acre); and green maize corn (2-4 tons per acre) in addition planting fruit and forest trees. Marked productivity enhancement have been noted through tunnel farming (yielding (5-7 tons per acre compared to 3 tons in the open field). Through the open fields intensive cropping yield per acre has increased by (0.5 - 1 ton per acre) in the case of beans, onions and peas.

**Main issues**

41. More than two thirds of irrigation channels' construction work has been completed. However, land development, cultivation and titling processes are slowly progressing. As the essential elements for investment in land development land titling shall be completed soon, the incomplete irrigation schemes need to be concluded in the next three months.

42. The payback process has also started and about PKR 5 million have been generated.

43. A total of 162 VACs (including 15 women only VACs) have been formed in different areas of the project having received project support for establishing vertical tunnels, open field cultivation of high value crops and value addition. The next cycle of investment is critical for continuity and to maintain the productivity levels.

44. It is encouraging to note the growth in the number of women supplying milk to Momo dairy. The business model should link improvements in feed and extension services' availability, including the introduction of silage making skills for the winter months using maize stover. The marketing link has already resulted in increased productivity of up to 5-10 percent.

| Nutrition | Rating: 3 | Previous rating: 4 |
|---|---|---|

**Justification of rating**

45. Moderately unsatisfactory. Although ETIGB is not a nutrition sensitive project, efforts have been made to improve nutrition-specific awareness and knowledge. The mission noted a direct relevance of both components to the improved food security and better nutrition. Beneficiaries confirmed that with increased income, the first two priorities are nutrition and better education for the children. In the four priority districts (under component 1) there has been an increased per capita availability of land while under component 2 there has been improved quality of processed fruit at the household level, both contributing to better household nutrition and dietary diversity.

**Main issues**

46. Since the start of the project, 226 nutrition sessions were organized benefiting 6,111 participants (4,960 women & 1151 men).The project should take the opportunity of trainings under VPGs to increase awareness regarding nutrition and food safety.

| Adaptation to Climate Change | Rating: 4 | Previous rating: 5 |
|---|---|---|

**Justification of rating**

47. Satisfactory. The main climate change related challenges in the project area are extreme weather events, change in rain and snowfall patterns and intensity, flash-floods, temperature spikes, fluctuating water flows, soil erosion and loss due to heavy rains and winds etc. ETI-GB has ensured that the design of infrastructure schemes is climate resilient with features and protection against flash floods, soil erosion and slides. The project has introduced vertical tunnel farming in the project area to enable the farmers to control production cycles, using the same for off-season and weather-safe processing and drying of products. Where possible, intakes of irrigation channels have been provided with gates to cater against fluctuations. Similarly, provisions have been made in FMRs against sliding and flooding.

## b. Sustainability and Scaling up

| **Institutions and Policy Engagement** | **Rating: 4** | **Previous rating: 3** |
|---|---|---|

**Justification of rating**

48. Moderately satisfactory. The GB government has approved the land tilting policy and has authorized the Senior Member Board of Revenue and the concerned district administrations to initiate land titling to right holders in the completed ILD. The start of land entitlement coincided with the mission timing. Similarly, the transfer of rural infrastructure - FMRs and bridges - has also started where 3 FMRs and one bridge have already been transferred. The Water policy is yet to be notified while no progress is noted on road master plan development. It is after 36 years that land titles have resumed in the region and thus necessary procedures and systems were in abeyance, warranting investment in the equipment and capacity.

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

**Justification of rating**

49. Satisfactory. In addition to the previously implemented 4Ps (13), the project with the support of service providers has developed additional 20 4Ps with private sector entities/entrepreneurs. Such partnerships would further strengthen the market linkages with established VACs and promote value addition for the farmer produce which is commendable. In addition, the mission acknowledges efforts exerted by the PMU to collaborate with the IFAD regional grant (APFP/FO4A/ARISE) which provides a platform to envisage synergies between the country programme and the regional grant. The mission notes as well that some cooperatives have also developed by themselves some commercial contracts with private sectors actors based in Lahore or Islamabad.

50. The implementation of the ARISE loan scheme has been already completed with 100% recovery rate which is commendable. Further, 2 VACs have been supported under the “Challenge Fund” under APFP which has been utilized for activities related to livestock value chains. Similarly, several VACs have benefited from the credit line offered by GBRSP (PKR 30 Mn) and it’s further encouraged to develop such partnerships to offer flexibility in terms of financing economic services under the respective VACs. Several VACs have requested additional funding for working capital requirements; i.e., seeds, fertilizer and agrochemicals etc., and the mission recommends the PMU to provide such requirement through the 2nd round of ARISE implementation which is about to be launched through the National Implementation Agency (NIA) assigned for Pakistan (ASF) and via other credit lines (Ex: GBRSP).

| ***Agreed Action*** | ***Responsibility*** | ***Agreed Date*** |
|---|---|---|
| **Facilitate additional financing requirement of VACs**<br><br>Strengthen the existing partnerships with IFAD regional grant (APFP/FO4A/ARISE) & formalise partnership with GBRSP to provide additional support for VACs. | PMU | 08/2022 |

| **Human and Social Capital and Empowerment** | **Rating: 4** | **Previous rating: 5** |
|---|---|---|

**Justification of rating**

51. Moderately Satisfactory. The project follows a community driven implementation approach; hence the human and social empowerment is embedded within the model itself which is key for the overall sustainability of the intervention. The beneficiaries under both components are having full control over the economic resources extended by the project and they are the primary decision makers in both scheme management teams and cooperatives. Youth and women empowerment are considered as a priority criterion in terms of staffing and the election of BODs under VACs. With the support of service providers, all VACs have completed their staffing process (95% youth & 19% women) which is one of the essential elements in professionalization of the VACs.

**Main issues**

52. Although, the previous supervision mission (October 2021) recommended for an extensive training on marketing, finance, quality hh (Grading & standards) & organization management, it has not yet materialized, which could be identified as one of the determining factors for the incompetency of recruited staff and the poor awareness of the BODs as well. Therefore, the mission re emphasizes the importance of conducting trainings covering the above four specific areas which would strengthen the operationality of the respective VACs. In addition, it is required to conduct an assessment for all existing recruited staff to evaluate their competency level and to replace the ones necessary, with documented justification.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Capacitate professional Staff and BODs through Training Programme**<br><br>Arrange training on financial, marketing, quality and organization management | PCU & VCTAT | 07/2022 |
| **Conduct a formal assessment on professional Staff of VACs**<br><br>Conduct an assessment and replace incompetent staff with a formal recruitment process | PCU & VCTAT | 08/2022 |

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

**Justification of rating**

53. Satisfactory. The mission noted that the PMU and the service providers have created feedback channels in the form of online groups to share the updates on implementation which promotes an effective two-way communication between involved parties and a positive engagement. Overall, the majority of the project activities are identified in a community driven manner, are managed by community institutions and cooperatives and promotes greater participation of the beneficiaries and the overall community as a whole, inclusive of marginalised, poor and vulnerable households.

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

**Justification of rating**

54. Satisfactory. ETI-GB is a multi-stakeholder project involving both public as well as private sector entities and service providers, including the Government of GB (P&D, Agriculture, Water Management, Local Government and Cooperative Departments), community organizations, private sector for construction material and agricultural inputs, and implementing partners ( Social Mobilization Partner and VCTAT). In general, the performance, especially during 2021 – 2022, of service providers has significantly improved leading to the delivery of the expected results.

| | | |
|---|---|---|
| **Environment and Natural Resource Management** | **Rating: 4** | **Previous rating: 5** |

**Justification of rating**

55. Moderately Satisfactory. 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 FMRs and bridges do not involve any land acquisition, as communities manage this aspect through customary practices, community-based compensation and under the right of way procedures. The use of agrochemicals under VACs is guided through focused training programmes which are under implementation.

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

**Justification of rating**

56. Satisfactory. The inherent attributes of the overall project design are implemented coherently aligning both the components, which provides a systematic exit strategy framework for execution. The infrastructure development component is driven on a community centric model with established VACs that are mobilized for the effective maintenance of the irrigation channels and the subsequent land development with the embedded pay-back mechanism. Similarly, the sustainability of the established VACs and the exit strategy need to be stemmed through the 3 Regional Farmer Organizations (RFOs) and the Provincial setup (Apex body).

| | | |
|---|---|---|
| **Potential for Scaling-up** | **Rating: 5** | **Previous rating: 4** |

**Justification of rating**

57. Satisfactory. ETI-GB is highly recognized by the farmers, the GoGB, the GoP, the partners and donors in the country for having being able to (i) develop component 1 (irrigation scheme and Farm to Market road) generally in less than 4 years (in the past, all previous experiences needed between 10 to 15 years to complete these tasks on much easier schemes / roads) and with a super cost efficiency ratio, (ii) provide land titles to farmers (a ban of land titling was existing in Gilgit Baltistan, and ETI-GB was able to provide the first land titles to farmers since 1986 (36 years)), (iii) to organize around half of the rural population of the overall province through 223 effective agri-business cooperatives (before ETIGB, there were only 83 cooperatives registered in total in Gilgit Baltistan mainly as microfinance institutions) with very limited membership. The success of ETIGB has generated new requests from the IFAD target groups, backed by the Government's intention to extend the project area which could be easily satisfied with ETIGB having the necessary know-how in terms of identification and implementation of project activities.

## c. Project Management

| | | |
|---|---|---|
| **Quality of Project Management** | **Rating: 5** | **Previous rating: 5** |

**Justification of rating**

58. Satisfactory. The Project management has been constrained by a long standing issue on the recruitment process. But thanks to the GoGb and the new project director, key actions have been taken in order to ensure that ETIGB will reach its target. The mission particularly appreciated the achievements obtained with effective PSC engagement and buy in at the highest levels of government under the new leadership especially pertaining to land titling, as well as FMR/Bridges handover to the PWD department. Recently, improvement in the relations and better coordination between the PMU and the service providers (AKRSP and VCTA) has drastically helped to remove delivery issues.

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

**Justification of rating**

59. Satisfactory. The project's M&E system and MIS has the capacity to manage significant data at the output and outcome levels that can be used to produce good quality progress reports and a range of KM products. Currently, data is selectively used to produce knowledge products for dissemination using social media channels and project presentations. The project has compiled case studies and video documentaries which are of high quality. The project can produce many more KM products under both component 1 (ILD/FMR) but more importantly, under the village agricultural cooperatives. The policy reform with respect to land titling represents an opportunity to produce a policy note and its implications regarding transformation of agriculture especially on the newly developed land. The project has a KM plan and integrates it into the AWP&B/PP.

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

**Justification of rating**

60. Satisfactory. The project interventions follow a community driven development approach which has proved to be efficient and effective under both project components. The input to out ration is more than 1:2 when compared to market prices where input to outcome ration is 1:1.5 in most interventions (especially the value chain components). With few exceptions, the value chain components, quality of the delivery is acceptable; with the outliers mainly due to high transportation costs and capacity gaps among the newly established cooperatives. The implementation arrangements have resulted in significant savings.

**Main issues**

61. **Value for Money Review**

62. The value for money review for the project components is given below;

- Irrigation and land development schemes. Under the schemes where cultivation has started, households have realised good return on investment (1:2.5). The per acre cost for irrigation and land development is on average Rs. 70,000 (USD438) per acre while its average value has increased up to Rs. 1 000 000 (USD5 000). The expected return per acre is estimated to be Rs. 30,000 per acre during the first 5 years which shall offset, in most cases, the initial investment in less than 3 years.
- Farm to market roads: The average per km cost is noted to be less than Rs. 4 million which is significantly lower than the average cost of similar roads developed under the Government regular programme, mainly due to compensation paid for land. Due to community led implementation, a saving of up to 15 percent has been realised in the per km cost compared to design estimates. The mission noted significant social and economic benefits of the roads including (i) a reduction in transportation cost – in most cases a reduction of more than 90%; (ii) road access enabling cultivation of lands especially diversification to high value crops – more than doubling the income; (iii) reduced risks to life while crossing streams; (iv) access of tourists deeper in the valleys – source of enhancing income for local communities.
- Value chain development: The project investments in the cooperatives have resulted in (i) increased quality of produce and thus enhancing prices in the range of 50% - 200% depending on the products; (ii) reducing losses by more than 50%; (iii) increasing productivity by 15-20%. In the case of vertical farming, the return on investment is 25% – 50%.

63. In order to have a more systematic value for money analysis, there is a need to; (i) collect, collate and enter into MIS outcome/impact level data mainly capturing the log frame and SDGs' related indicators; (ii) undertaking compilation of data on the procurement undertaken by at least 30% of the cooperatives to analyse the variation for same inputs/material etc.; and, (iii) completing third party outcome survey to enable input to outcome analysis.

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

**Justification of rating**

64. Satisfactory. The project was able to maintain coherence between planned and actual activities throughout the year. The AWPB 2021-22 envisaged spending an amount of PKR 2.3 billion against which the actual expenditure was PKR 2.17 billion—92.5% of the target as of by 30th June 2022. Most ILDs and FMRs are complete and work on the remaining is at an advanced stage of completion. Activities under value chain component have picked up and VACs have implemented their business plans. The table depicts financial performance against the AWPB 2021-22 and cumulative progress.

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

In millions (PKR)

| Sr.No | Description | Financial Year 2021-22 | | | | | | | Cumulative Progress | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Budget 2021-22 | | | Actual Expense as of June 30 2022 | | | Actual Expense as of June 30 2022 | | | | | |
| | | IFAD | Gov | Total | IFAD | Gov | Total | %age total | IFAD | Gov. | Total | Benf. | Grand Total |
| 1.1 | Irrigation Development | 793.0 | 87.0 | 880.5 | 385.4 | 50.1 | 435.5 | 49.0% | 2,226.5 | 286.2 | 2,512.7 | 718.0 | 3,230.7 |
| 1.2 | Farm to Market Roads | 254.6 | 25.2 | 279.8 | 192.5 | 19.8 | 212.2 | 76.0% | 1,396.7 | 159.0 | 1,555.7 | 1,063.9 | 2,619.6 |
| 2.1 | Value Chain Support Fund and Technical Assistance | 876.2 | 26.4 | 902.6 | 1,271.9 | 25.9 | 1,297.7 | 144.0% | 1,955.6 | 128.9 | 2,084.5 | 567.7 | 2,652.3 |
| 2.2 | Social Mobilization | 27.6 | 16.2 | 43.8 | 18.2 | 10.5 | 28.7 | 65.0% | 185.2 | 108.9 | 294.1 | | 294.1 |
| 2.3 | Agriculture Extension | 21.4 | 10.5 | 31.9 | 25.9 | 13.6 | 39.5 | 124.0% | 144.1 | 69.4 | 213.6 | | 213.6 |
| 2.4 | Agriculture Research | - | - | - | - | - | - | | 93.3 | 19.0 | 112.3 | | 112.3 |
| 2.5 | Land Titling System, | 31.1 | 10.6 | 41.7 | - | - | - | 0.0% | 2.0 | 1.0 | 3.0 | | 3.0 |
| 3 | Programme Coordination | 116.0 | 56.5 | 172.5 | 106.7 | 54.9 | 161.6 | 94.0% | 650.6 | 332.0 | 982.6 | | 982.6 |
| | **Total** | **2,120.0** | **232.7** | **2,352.7** | **2,000.5** | **174.7** | **2,175.2** | **92.5%** | **6,654.1** | **1,104.4** | **7,758.6** | **2,349.6** | **10,108.2** |

65. The project included a target of 129 km for channels (ILDs) and 157 km of FMRs for FY 2021-22. Against these targets, the project completed 91 km of the channels (70%) and 67 km of FMRs (70%) respectively till date. The project completed relatively easy ILDs and FMRs previously and it is not working is extremely tough and precarious terrain which explains why the established targets could not have been achieved. Cumulatively, the project has completed 411 km (93%) of the channels and 377 km (94%) of the FMRs till the reporting date.

66. The project established 55 VACs planned for the FY 2021-22 and also met the cumulative target of establishing 162 VACs. Most VACs have completed planned procurements and other actions during the year with support/facilitation from the project. The process of land distribution around the ILDs has picked up a momentum during the year with the project achieving 87% of the annual and cumulative targets. Mission also noted that the recovery of payback has finally started and the project was able to achieve 41% of the annual and cumulative target during the FY 2021-22. The project has also handed over 31 out of the 71 FMRs to the government which reflects a strong project ownership with the government. Details are provided in Appendix-2.

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

**Justification of rating**

67. Satisfactory. The project has a strong M&E system with elaborate mechanisms laid out between the project and the partner organisations' personnel. The data collection and validation procedures are defined, understood and adhered to. Data is regularly collected and updated on the basis of field visits. The M&E functions can trace the progress in ongoing activities an alert in case of delay. Each beneficiary is registered in the system on the basis of his/her unique identification document (national ID card number). The use of GIS enables presentation through animation and real time visual links to the project sites.

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

**Justification of rating**

68. Satisfactory. This project was designed prior to the current mandatory SECAP guidelines. However, the PDR did contain an ESRN note. There has been no new design during the last year or so that the ongoing schemes could be completed. The selection criteria and design robustness of the economic infrastructure schemes had a number of built in SECAP features and safeguards. Guidelines adequately address potential issues of conflict with regards to land distribution, access to water, use of local labor and materials and dispute resolution. Adequate measures have been taken in the design and during construction to guard against landslides, erosion and floods. HDPE pipes have been laid and properly buried for protection against slides. Both in channels as well as FMR, proper facilities like culverts, wooden bridges and pipes have been provided for drainage and crossing.

**SECAP Review**

69. The economic infrastructure sub-component is a community led and executed activity starting from identification to planning to implementation to management and operation and maintenance of the schemes. The schemes are selected only in the absence of conflicts, if land acquisition is not required, nor resettlements, nor deforestation, or protected areas and only if no threat to wildlife. According to this participatory approach, the concerned communities would choose a representative body called Scheme Management Team (SMT) to be responsible for all activities under the irrigation, small bridges or FMR schemes. All teams being local minimize conflict and increase efficiency. Major activities include the construction of irrigation channels for bringing water to lands with potential for agriculture development. The source of water is usually a stream or river that would supply water to the concerned scheme without disrupting supplies or disturbing water rights of other schemes or communities. All schemes are drawing run of the river or stream water with no interventions in the watersheds. The channels are completed first and linked to the source at the end to minimize water pollution.

70. Mostly, the channels are small in size and do not involve huge excavations of soils or borrow material. The design is climate and environment resilient and has taken into consideration possible measures to protect against flash floods, GLOF and seismic movements. At the same time, there is no history of GLOFs while most of the irrigation schemes fall in areas much above potential flooding. Being in mountainous terrain, all channels are constructed with locally available stone without involving borrow areas. Drainage facilities have been provided where required to control erosion and soil degradation. Where required, channels have been covered with concrete slabs against potential sliding. Most of the areas under this project are cultivated in spring and summer when

enough water is available in the sources and when they are not affected by the current hydrological variabilities and climate change, unless in case of an unusual change in rain pattern and intensity. The construction of properly designed channels with proper controls would improve water management and efficiency of water for increased productivity and income of the users.

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

## d. Financial Management & Execution

| Acceptable Disbursement Rate | Rating: 4.0 | Previous rating: 3 |
|---|---|---|

**Justification of rating**

72. Automated rating based on IFAD disbursement data. The program has disbursed SDR 32.21 million (66.35%)—inclusive of initial advance against the total allocation of SDR 48.55 million till 31 May 2022. In USD, the project has spent USD 40.72 million (60.79%) of the IFAD Loan—including the expenditure of USD 748,322.57/- for which a Withdrawal Application has already been submitted. The initial advance is not included in this expenditure figure. An amount of USD 5.06 million is committed in contractual liabilities.

**Main issues**

73. The potential disbursement—considering the project's expenditure and commitments as of 31st May 2022 works out to be 68% of the IFAD Loan. The project has spent only about USD 5 million since the last supervision mission of September 2021. At current monthly expenditure rate of USD 0.62 million since September 2021, the project is unlikely to consume the remaining USD 26.27 million by the project completion date.

74. The USD appreciated more than 74% against PKR. If we use the exchange rate used at the time of the Financing Agreement, the project expenditure under the IFAD Loan would be 83%.

75. There is notable deceleration in activities under ILDs and FMRs. An amount of PKR 876.20 million—41% of the AWPB was meant for value chain activities most of which are complete but there is capacity issue—not being addressed effectively by the project, which has made it difficult for VACs to make adjustments for the advances that they have received for the implementation of business plans;

76. The project is facing liquidity crunch with having only USD 1.03 million in its account on 31 May 2022 because about USD 3 million—60% of the IFAD's initial advance is resting with the VACs that need support/guidance to adjust this advance. In several cases, VACs have completed activities but they lack capacity and support promptly settle the advances.

77. The Italian financing of USD 22.98 million has not been operationalized though the project opened a Designated Account to receive the agreed amount of USD 5 million as initial advance and the project included several activities to fund with this financing in its AWPB 2021-22. The project's remaining life being too short, and the disagreement on priority districts are two key issues hampering progress in this direction.

### Fiduciary aspects

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

**Justification of rating**

78. Overall, the project has maintained its quality of financial management despite massive increase in workload. Of the 12 actions recommended by the mission, only (4) have been fully or partly implemented whereas progress under other actions is negligible. All positions of FM staff are filled in the PUC and RCUs except for Finance Manager (Baltistan). The value of advances has increased from PKR 49 million (August 2021) to PKR 571 million—more than 1000% till the end of May 2022 which is a matter of concern. The quality of documentation in PCU has improved. Internal controls—however, need strengthening especially at VACs that hold 95% of the advances referred to above.

**Main issues**

79. **Staffing:** All FM positions at PCU/RCUs are filled except for the position of Manager Finance (Baltistan). The FM team was advised during the last mission to do proper cash forecasting to bring operational bank accounts' balances to zero toward the end of June to avoid audit observations. This is not being done. The field finance controllers (FFCs) are now underutilized as ILDs and FMRs are on the verge of completions. There is scope to direct this resource to capacitate VACs.

80. **Accounting and Financial Reporting:** The last mission strongly recommended that all board members and permanent staff at VACs be given trainings and simplified tools to make governance, and financial management—including procurements more transparent and accountable as significant amounts were being transferred to VACs. However, this remains to be done. The long-standing issue of segregating the inputting and verification functions in the accounting system has been put in abeyance as the project is in completion phase.

81. **Internal controls:**Review of 121 transactions amounting to PKR 194 million claimed through SOEs since last mission indicates a general improvement in the quality of support documentation. However, a few cases of overwriting on requisition slips were noted. In one case, multiple requisition slips were issued to buy a battery without any market survey. Request for repairing vehicles was not moved by drivers in some cases. Roughly 69% of the project's procurement plan for 2021-22 comprised procurements at VACs level,

and an amount of approximately USD 3 million—equivalent to 60% of initial advance of IFAD's Loan has been given to them for executing business plans. During field visits of 10 VACs, the mission found that the gaps noted during the last supervision mission—because of the flaws in approved procurement procedures, persist. Fresh graduates and/or individuals not meeting the basic qualification requirements of the posts of accountant and manager have been recruited. VACs and permanent staff need to be capacitated to handle the associated fiduciary risks as stated above.

82. **Treasury and funds flow.** The progress toward recovery of payback amount (50% of the total cost of each scheme) remains negligible but it is likely to accelerate as land distributions under the ILDs has begun. Under the value chain component, recovery of loans has not started as agreed in the contract agreements and recommended in previous missions. The flow of counterpart funding has improved notably vis-à-vis previous years. The project has also not started taking steps toward the recovery of IFAD's Initial Loan as required.

83. **Co-Financing:** The agreement for co-financing of € 20.5 million by the Italian government has been signed on 1 June 2020 and a dedicated account set up for this purpose on 14 June 2020. However, money has not been transferred to the dedicated project account nor any activity executed though the AWPB 2021-22 was revised to reflect co-financed activities. Since the project completion is less than three (3) months afar, the co-financing is unlikely to be operationalized.

84. **Beneficiaries' contributions:** The program is measuring beneficiaries' contribution-both in cash and in kind. Overall, the cash contribution amounts to USD 0.267 million whereas in-kind contribution (value of land provided for ILDs, and FMRs at rate notified by provincial government) is estimated at USD 13.42 million. Recovery of beneficiaries' 50% share against the cost of ILDs through pay back mechanism remains negligible.

85. **Internal Audit:** Internal Auditor completed internal audit for FY 2019-20 and obtained management inputs on its findings. The Audit Report could be finalized as a meeting of the Audit Committee could not be convened till the Internal Auditor left the position in January 2022.

| ***Agreed Action*** | ***Responsibility*** | ***Agreed Date*** |
|---|---|---|
| **Submit recovery plan to IFAD** | PCU | 07/2022 |
| **Provide training for VAC staff in proper accounting, financial reporting, procurement, etc and for Board members in managing work transparently and accountably** | PCU/VCTAT | 08/2022 |
| **Strengthen internal controls at VACs level**<br><br>Including:<br>i. Deploy Field Finance Controllers (FFCs) with VACs to strengthen capacity and speed up processes<br>ii. Improve procurement guidelines—incorporating basic principles of fairness and transparency;<br>iii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs;<br>iv. Develop simple tools/guidance for accounting and financial reporting by VACs;<br>v. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information;<br>vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports. | PCU/VCTAT | 08/2022 |

| **Quality and Timeliness of Audit** | **Rating: 4** | **Previous rating: 3** |
|---|---|---|

**Justification of rating**

86. The audit report and management letter were received on time and were prepared mostly in accordance with IFAD requirements. Further improvements are required to enhance the Financial Statements and their Notes.

**Main issues**

87. The audit report and management letter were received on time. The audit was conducted by the SAI in accordance with ISSAI and the audit opinion is unqualified. The management letter raised some internal control recommendations which management have agreed to implement. A DAC meeting was held in Novemeber 2020 to discuss last year audit findings, however none of the findings were settled in the meeting.

88. Some of the information included in the project overview page does not match IFAD project information (completion and closure dates), these should be reported in accordance with official dates as agreed with IFAD in the Financing Agreement not only PC-1.

89. Audit review recommendations for last year in relation to improving the finanical statements and the Notes were not implmeneted. Project is advised to conisder these recommendations and coordinate with the auditors to implement them.

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Request official DAC meeting to provide evidence of completing and complying with audit findings for FY 20-21**<br><br>1-Non appointment on key positions - expedite the hiring process<br>2-Loss due to unauthorized allotment of ETI office space - Rs. 2.339 million<br>3-Non-deduction of 10% Security - Rs. 185.322 million<br>4-Non-refund of Savings of completed schemes - Rs. 80.903 million<br>5-Irregular retention of Liquidation Damages - Rs. 3.902 million<br>Official minutes of the DAC meetings should be sent to IFAD asap to show progress on settling the audit findings<br>-------<br>Update February 2022<br>Letter has been sent to Federal AG Audit for SDAC. The project will try to clear as many audit paras as possible. | PMU | 06/2022 |
| **Include Statement of cash payment and receipt and improve the notes to financial statement**<br><br>Add Statement of cash payment and receipt as per IPSAS requirements. To be checked if included in the unaudited FS. | PMU | 10/2022 |

| **Counterparts Funds** | **Rating: 4** | **Previous rating: 3** |
|---|---|---|

**Justification of rating**

90. 17. The availability of counterpart funding has improved significantly in the current financial year. The AWPB 2021-22 requires the counterpart funding amounting to PKR 232.74 million against which the government allocated PKR 809.55 million. The government released an amount of PKR 190.59 million till the end of 31 May 2022 which was more than that required for project implementation during the period. Sufficient budget/funding is available to meet the requirement of counterpart funding for June 2022.

**Main issues**

91. In each of the preceding three (3) financial years, the funds allocated for AWPB were less than amounts required under the AWPB. The flow of funds under this financing previously followed an established pattern: (a) small allocation vis-à-vis AWPB at the start; (b) delayed releases subsequently to match the progress of expenditure; and (c) project doing bridge-finance to meet the requirement of counterpart funding. With the notable increase in budget allocation, this problem has been resolved. The government needs to maintain this improvement in the remaining life of the project.

| **Compliance with Loan Covenants** | **Rating: 3** | **Previous rating: 3** |
|---|---|---|

**Justification of rating**

92. Compliance with the Loan Covenant is rated moderately unsatisfactory. The project is persistently not in compliance with many provisions of the Loan Covenant which negatively affect the achievement of project objectives. These include absence of full time PC and Director Finance, non-availability of sufficient and appropriate guidance and enabling tools for VACs in PIM, no health insurance cover for the project staff and no insurance for the project vehicles. These issues have been flagged from time to time but remain to be resolved.

## Procurement

| **Procurement** | **Rating: 4** | **Previous rating: 4** |
|---|---|---|

**Justification of rating**

93. Moderately Satisfactory. There was only modest physical progress under component 1 (ILDs and FMRs) though procurements under value chain component has picked up momentum. The mission feels that VACs will need sustained support from the project to complete the remaining procurements within established timelines. Review of procurements indicates that IFAD's guidelines have been duly applied at PCU and RCUs whereas the gaps continue in procurements at VACs. The project has implemented three (3) of the seven (7) actions recommended by the supervision mission. Procurement committees have been notified by the P&DD and the liquidate damages—not applied earlier on, have been recovered from the contractor for the delay in completing RCC bridges.

**Procurement Review**

94. The procurement plan 2021-22 includes goods and consulting services amounting to PKR 1,020.48 million. Already, procurements worth PKR 763 million—or 75% out of the procurement plan have been executed. The plan included the renewal of MS Office, procurement of staff health insurance, furniture/fixture and equipment for the Board of Revenue, hiring of vehicles for Cooperative Departments, procurement of farms inputs/furniture/equipment by VACs. Community level procurement by VACs make up about 69% of the procurement plan.

95. The project procured/renewed licences for MS Office 365 following IFAD's guidelines. IFAD has granted NOC on 28th June 2022 for hiring of service provider for staff health and life insurance. The project already advertised this and the deadline for submission of proposals was fixed 26th July 2022. Received proposals will be open on 26th July 2022. All goods planned to be procured by VACs

are reported to have been procured with support from VCTAT. The procurements planned for the Board of Revenue, and Department of Cooperatives could not be executed. The project could not complete the procurement of a consulting firm for Road Master plan and O&M Policy due to non-responsiveness of firms. The procurement committee has recommended that the process of hiring consultants for the Road Master Plan be reinitiated whereas the Water Policy of other provinces be adopted for O&M for the ILDs. Review of record examined at PMU indicates that sufficient appropriate documentation is being maintained for procurement transactions.

96. The mission visited and examined ten (10) VACs to review compliance with IFAD's principals and agreed procedures in procurements as part of its field work. These VACs, in general, complied with the approved procedures, although the previous supervision mission's recommendations to improve procurement procedures, and to train Board of Directors (BOD), and permanent staff at VACs. were not implemented. In several cases, the staff recruited for the positions of (a) Accountant and (b) Manager were found not qualified for their respective jobs. There is need to do screening of the staff hired to retain only those who are competent to carry out their responsibilities.

97. The P&D has notified three (3) procurement committees—one each per region. However, a grievance redress mechanism remains to be notified. The project sent a proposal to P&D to constitute a grievance redress committee which needs urgent action.

98. There is only one filled position of Procurement Officer who is managing goods and services contracts with the support from technical staff. As per last mission's recommendation, the process for hiring a Procurement Assistant - along with 16 other positions - was initiated but has been interrupted because of a court's ruling whereby the staff removed by the government was reinstated. Works contracts are assigned to the Infrastructure Specialist. The PO is not able to provide the much needed support to VACs' staff in community procurement because of being overburdened. The project has uploaded all on-going contracts in the ICP-CMT.

99. The Mission noted that the project has completed 411 km (93%) of the channels and 377 km (94%) of the FMRs till the reporting date and that a much-awaited process of land distribution has begun. Similar, 63 FMRs involving 377 km—94% of the target (400 km) are complete. It is also noted that process of land distribution to communities under ILDs and the hand-over of FMRs to the government has accelerated during the year, reflecting a strong ownership of the project outcomes.

| ***Agreed Action*** | ***Responsibility*** | ***Agreed Date*** |
|---|---|---|
| **Notify the grievance redress committee**<br><br>P&D to examine the project's proposal submitted to it, and notify a committee at the earliest. PIM shall also stand modified to that extent | P&D | 06/2022 |
| **Train Board of Directors and VACs' staff**<br><br>i. Members of BoDs need to be trained in managing VACs' affairs transparently and accountably;<br>ii. Procurement procedures need to be revisited and strengthened to minimize fiduciary risks;<br>iii. Permanent staff need to be trained in managing procurements transparently and accountably<br>iv. The permanent staff hired for VACs need to be screened to retain only properly qualified staff. | PCU/VCTAT | 07/2022 |
| **Complete pending procurement**<br><br>Put the procurement planned for the Board of Revenue and Department of Cooperatives under the procurement plan 2021-22 on fast track | P&D/PCU | 08/2022 |

## e. Key SIS Indicators

| | | |
|---|---|---|
| **Likelihood of Achieving the Development Objective** | **Rating: 4.15** | **Previous rating: 4.11** |
| **Assessment of the Overall Implementation Performance** | **Rating: 4.42** | **Previous rating: 4.0** |

# F. Relevance

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

**Justification of rating**

100. Satisfactory. In the context of GB, the project design, the key interventions and implementation approach remains highly relevant. Given the increasing population and resultant continuous fragmentation of arable land, the development of new lands is critical. Linked to this is the development of farm to market access roads. The project will increase, on an average 1.6 acres to each household's existing 0.8 acres in the four priority districts. The 400 km of farm to market roads and concrete and wooden bridges will provide access to main road network. To overcome the challenges of economies of size, high aggregation cost, poor quality produce and weak market linkages is being addressed through 4-P and cooperatives. The necessary policy reforms are also reinforced by

institutional partnerships.

## G. Project Modifications

| Responsibility | Modification type | Description |
|---|---|---|
| IFAD/GOP/PMU | Completion Date | A 3 years extension of the project to consolidate ongoing activities under both components and to absorb the savingS realised for achieving enhanced outreach |
| PC | Project Area | A basic agreement has been reached to expand the coverage of economic infrastructure to all 10 districts of Gilgit Baltistan. This however is conditioned by the progress on land titling and the creation of a provincial roads master plan including O&M arrangements for the project funded roads. |
| EAD and IFAD | Reallocation | Based on the agreements reached during the MTR, and keeping in view the new Pak Rupee/Dollar parity, the PCU shall prepare a revised post-MTR budget for the project and propose a reallocation among loan categories, if needed. As for the Financiers, the Italian Government had committed to provide around 20 per cent of the project financing through a loan and a MOU has recently been signed with EAD for this purpose. Once the Financing Agreement is signed, the PCU shall keep the Italian contribution in view while proposing adjustments in loan categories |
| PC and IFAD | Logical Framework | The Logical Framework has been updated to reflect the changes agreed during the MTR. Some more IFAD core indicators have been added. |

## H. Lessons Learned

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

101. 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

102. 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.

## I. Agreed Actions

| *Agreed Action* | *Responsibility* | *Agreed Date* |
|---|---|---|
| **Overview and Project Progress** | | |
| **Re-allocate the funds for progressive VACs**<br><br>Conduct a rapid assessment on implementation levels of all VACs and cater the additional demand of VACs who have already completed their prescribed activities through fund re-allocation. | PMU | 06/2022 |
| **Ensure the hand over from ETIGB to CWD department of all completed FMR and Bridges** | PMU | 07/2022 |

| | | |
|---|---|---|
| **Finalize the disbursement/contractual obligations under ongoing 4Ps prior to signing of contracts with new 4Ps (20)**<br><br>Prioritize the implementation of ongoing 4Ps with the implementation of the new 4Ps (20) being subject to the extension of the project. | PMU & VCTAT | 07/2022 |
| **Finalize the remaining Irrigation scheme and hand over to VAC**<br><br>Provide the necessary support to finalize the remaining irrigation scheme and to hand over them to the VAC. | PMU & AKRSP | 08/2022 |
| **Ensure the distribution of the land title on all completed irrigation schemes**<br><br>Provide the necessary support to the Revenue Department for the distribution of the land title to farmers on all completed schemes. | PMU | 08/2022 |
| **Support Cooperatives Business Plan implementation**<br><br>Provide the necessary support and monitoring for the full implementation of the 162 approved business plan. | PMU & VCTAT | 09/2022 |
| **Provide flexibility on changing value chains in business plans within the approved budget.**<br><br>Allow greater flexibility in replacing previously selected value chains with more viable options with the approval of PMU | PMU & VCTAT | |
| **Sustainability and Scaling up** | | |
| **Capacitate professional Staff and BODs through Training Programme**<br><br>Arrange training on financial, marketing, quality and organization management | PCU & VCTAT | 07/2022 |
| **Facilitate additional financing requirement of VACs**<br><br>Strengthen the existing partnerships with IFAD regional grant (APFP/FO4A/ARISE) & formalise partnership with GBRSP to provide additional support for VACs. | PMU | 08/2022 |
| **Conduct a formal assessment on professional Staff of VACs**<br><br>Conduct an assessment and replace incompetent staff with a formal recruitment process | PCU & VCTAT | 08/2022 |
| **Financial Management & Execution** | | |
| **Notify the grievance redress committee**<br><br>P&D to examine the project's proposal submitted to it, and notify a committee at the earliest. PIM shall also stand modified to that extent | P&D | 06/2022 |
| **Request official DAC meeting to provide evidence of completing and complying with audit findings for FY 20-21**<br><br>1-Non appointment on key positions - expedite the hiring process<br>2-Loss due to unauthorized allotment of ETI office space - Rs. 2.339 million<br>3-Non-deduction of 10% Security - Rs. 185.322 million<br>4-Non-refund of Savings of completed schemes - Rs. 80.903 million<br>5-Irregular retention of Liquidation Damages - Rs. 3.902 million<br>Official minutes of the DAC meetings should be sent to IFAD asap to show progress on settling the audit findings<br>-------<br>Update February 2022<br>Letter has been sent to Federal AG Audit for SDAC. The project will try to clear as many audit paras as possible. | PMU | 06/2022 |

| | | |
|---|---|---|
| **Train Board of Directors and VACs' staff**<br><br>i. Members of BoDs need to be trained in managing VACs' affairs transparently and accountably;<br>ii. Procurement procedures need to be revisited and strengthened to minimize fiduciary risks;<br>iii. Permanent staff need to be trained in managing procurements transparently and accountably<br>iv. The permanent staff hired for VACs need to be screened to retain only properly qualified staff. | PCU/VCTAT | 07/2022 |
| **Submit recovery plan to IFAD** | PCU | 07/2022 |
| **Complete pending procurement**<br><br>Put the procurement planned for the Board of Revenue and Department of Cooperatives under the procurement plan 2021-22 on fast track | P&D/PCU | 08/2022 |
| **Provide training for VAC staff in proper accounting, financial reporting, procurement, etc and for Board members in managing work transparently and accountably** | PCU/VCTAT | 08/2022 |
| **Strengthen internal controls at VACs level**<br><br>Including:<br>i. Deploy Field Finance Controllers (FFCs) with VACs to strengthen capacity and speed up processes<br>ii. Improve procurement guidelines—incorporating basic principles of fairness and transparency;<br>iii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs;<br>iv. Develop simple tools/guidance for accounting and financial reporting by VACs;<br>v. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information;<br>vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports. | PCU/VCTAT | 08/2022 |
| **Include Statement of cash payment and receipt and improve the notes to financial statement**<br><br>Add Statement of cash payment and receipt as per IPSAS requirements. To be checked if included in the unaudited FS. | PMU | 10/2022 |

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# Economic Transformation Initiative - Gilgit Baltistan

## Supervision Report

## Logical Framework

| | |
|---|---|
| Mission Dates: | 30 May to 20 July 2022 |
| Document Date: | 10/08/2022 |
| Project No. | 2000000836 |
| Report No. | 6173-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 (2022) | Cumulative Result (2022) | Cumulative Result % (2022) | Source | Frequency | Responsibility | |
| **Outreach** | 1 Persons receiving services promoted or supported by the project | | | | | | | | | | |
| | Males | | | 250 000 | **10 691** | **347 254** | **138.902** | | | | |
| | Females | | | 250 000 | **10 275** | **333 637** | **133.455** | | | | |
| | Total number of persons receiving services | | | 500 000 | **20 966** | **680 891** | **136.178** | | | | |
| | 1.a Corresponding number of households reached | | | | | | | | | | |
| | Women-headed households | | | 10 000 | **312** | **9 960** | **99.6** | | | | |
| | Non-women-headed households | | | 90 000 | **2 526** | **80 584** | **89.5** | | | | |
| | Households | | | 100 000 | **2 838** | **90 544** | **90.5** | | | | |
| | 1.b Estimated corresponding total number of households members | | | | | | | | | | |
| | Household members | | | 750 000 | **20 966** | **680 891** | **90.8** | | | | |
| **Project Goal**<br>Improved incomes and reduced poverty and malnutrition in rural areas of Gilgit- Baltistan region | Reduction of poorest households (approx. 5,000) | | | | | | | Pakistan Social and Living Standards Measurement (PSLM) surveys. ETI assessments against BISP scorecard. | | | Political and social stability in the region. New developed land equitably distributed including to women and landless poor. Climatic abnormalities and natural calamities remain within acceptable tolerance levels. Higher production, combined with nutritional education and improved road access, will make substantive dent in malnutrition rate. |
| | Households | | | 50 | | | | | | | |
| | Decrease in child malnutrition (under 5 yrs old, chronic, acute-underweight and stunted) | | | | | | | RIMS survey | | | |
| | Height for age (boys) % decreased : Chronic-Stunting | | | 10 | | | | | | | |
| | | | | | | | | | | | |

| Results Hierarchy | Indicators | | | | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Baseline | Mid-Term | End Target | Annual Result (2022) | Cumulative Result (2022) | Cumulative Result % (2022) | Source | Frequency | Responsibility | |
| | Height for age (girls) % decreased: Chronic-Stunting | | | 10 | | | | | | | |
| | Weight for height (boys) % decreased: Acute-Wasting | | | 10 | | | | | | | |
| | Weight for height (girls) % decreased: Acute-Wasting | | | 10 | | | | | | | |
| | Weight for age (boys) % decreased: Underweight | | | 10 | | | | | | | |
| | Weight for age (girls) % decreased: Underweight | | | 10 | | | | | | | |
| **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 | | | | | | | |
| | 1.2.4 Households reporting an increase in production | | | | | | | | | | |
| | Total number of household members | | | | **79 841** | **152 749** | | | | | |
| | Households | | | 90 | | | | | | | |
| **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. |
| | Women-headed households | | | | **0** | **1 220** | | | | | |
| | Total no. of households reporting improved access to land | | | 50 000 | **22 822** | **40 288** | **80.576** | | | | |
| | Households increase sales | | | | | | | Farmers' organizations' records. | | | |
| | Households | | | 60 | | | | | | | |

| Results Hierarchy | Indicators | | | | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Baseline | Mid-Term | End Target | Annual Result (2022) | Cumulative Result (2022) | Cumulative Result % (2022) | Source | Frequency | Responsibility | |
| **Output**<br>Outputs 1 | 1.1.2 Farmland under water-related infrastructure constructed/rehabilitated | | | | | | | Progress Reports | annual | | |
| | Hectares of land | | | 20 000 | **0** | **17 170.4** | **85.852** | | | | |
| | water channels/ irrigation schemes constructed, rehabilitated' | | | | | | | Progress Reports | annual | | |
| | kilometres | | | 400 | **25** | **394** | **98.5** | | | | |
| | 2.1.5 Roads constructed, rehabilitated or upgraded | | | | | | | Progress Reports | | | |
| | Length of roads | | | 400 | **8** | **369** | **92.3** | | | | |
| | Other productive infrastructure constructed/rehabilitated | | | | | | | Progress Reports | annual | | |
| | Plastic tunnels | | | 100 | **0** | **100** | **100** | | | | |
| | Groups managing productive infrastructure formed/strengthened | | | | | | | Progress Reports | annual | | |
| | Groups SMT | | | 107 | **0** | **142** | **132.7** | | | | |
| **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 | **1** | **1** | **2** | | | | |
| | Vulnerable and women-headed target households provided with land titles | | | | | | | | | | |
| | vulnerable and women-headed hh | | | 100 | **100** | **100** | **100** | | | | |
| **Output**<br>Outputs 2 | 2.1.2 Persons trained in income-generating activities or business management | | | | | | | | | | |
| | Males | | | 900 | **27 613** | **34 864** | **3 873.778** | | | | |
| | Females | | | 650 | **8 491** | **15 392** | **2 368** | | | | |
| | Young | | | | **13 678** | **14 478** | | | | | |
| | Persons trained in IGAs or BM (total) | | | 1 550 | **36 104** | **50 256** | **3 242.323** | | | | |
| | 1.1.8 Households provided with targeted support to improve their nutrition | | | | | | | | | | |
| | Total persons participating | | | 50 000 | **0** | **6 111** | **12.2** | | | | |
| | Males | | | 10 000 | **0** | **1 151** | **11.5** | | | | |

| Results Hierarchy | Indicators | | | | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Baseline | Mid-Term | End Target | Annual Result (2022) | Cumulative Result (2022) | Cumulative Result % (2022) | Source | Frequency | Responsibility | |
| | Females | | | 40 000 | **0** | **4 960** | **12.4** | | | | |
| | Households | | | 50 000 | **0** | **6 111** | **12.2** | | | | |
| | Household members benefitted | | | 250 000 | **0** | **42 777** | **17.1** | | | | |
| | Village/community plans formulated | | | | | | | | | | |
| | Plan | | | 50 | **0** | **38** | **76** | | | | |
| **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 | | | | **0** | | | | | | |
| **Output**<br>Outputs 3 | 2.1.1 Rural enterprises accessing business development services | | | | | | | | | | |
| | Size of enterprises | | | 60 000 | **0** | **60 218** | **100.363** | | | | |
| | Rural enterprises | | | 220 | **0** | **257** | **116.818** | | | | |
| | Women in leadership position | | | 30 | **0** | **261** | **870** | | | | |
| | 2.1.6 Market, processing or storage facilities constructed or rehabilitated | | | | | | | | | | |
| | Total number of facilities | | | 107 | **0** | **110** | **102.8** | | | | |
| | Processing facilities constructed/rehabilitated | | | 100 | **0** | **8** | **8** | | | | |
| | Storage facilities constructed/rehabilitated | | | 7 | **0** | **102** | **1 457.1** | | | | |
| **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 | | | 50 000 | **26 740** | **50 256** | **100.512** | | | | |
| **Output**<br>Outputs 4 | Staff of service providers trained | | | | | | | RIMS | | | |
| | Males | | | 213 | **0** | **247** | **115.962** | | | | |

| Results Hierarchy | Indicators | | | | | | | Means of Verification | | | Assumptions |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name | Baseline | Mid-Term | End Target | Annual Result (2022) | Cumulative Result (2022) | Cumulative Result % (2022) | Source | Frequency | Responsibility | |
| | Females | | | 212 | **0** | **24** | **11.321** | | | | |
| | Government Officials and staff trained | | | | | | | RIMS | | | |
| | Males | | | 426 | **0** | **277** | **65** | | | | |
| | Females | | | | **0** | **32** | | | | | |
| **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 | | | 1 | **1** | **1** | **100** | | | | |
| | Land titles provided for newly irrigated lands | | | | | | | Public land registry records, PO contracts and records with farmers. | | | |
| | Number of land titles provided | | | 50 000 | **424** | **424** | **0.8** | | | | |
| | Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment | | | | | | | | | | |
| | Number | | | | **1** | **1** | | | | | |

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# Economic Transformation Initiative - Gilgit Baltistan

## Supervision Report

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

| | |
|---|---|
| Mission Dates: | 30 May to 20 July 2022 |
| Document Date: | 10/08/2022 |
| Project No. | 2000000836 |
| Report No. | 6173-PK |

Asia and the Pacific Division
Programme Management Department

**Appendix 1: Financial: Actual performance by financier; by component and disbursements by category as at 30 June 2022**

| Financier | Appraisal (USD '000) | Disbursements (USD '000) | Balance | Per Cent disbursed |
|---|---|---|---|---|
| IFAD Loan | 67,000,000 | 45,918,490.39 | 21,081,509.61 | 68.5% |
| Co-Financier | 23,630,000 | - | - | - |
| Government | 22,980,000 | 7,621,332.28- | 16,008,667.72 | 32.2% |
| Beneficiaries | 6,540,000 | 16,214,309.75 | (9,674,309.75) | 247.9% |
| **Total** | **120,150,000** | **69,754,132** | **50,395,868** | **58.06%** |

**Notes:**

1. Beneficiaries contributions comprise both cash (USD 0.31 million) and in-kind (US$ 15.90 million)
2. Withdrawal application from 18th June to 30th June 2022 amounting US$ 3.07 million have not been submitted to IFAD.
3. An exchange (1 USD = PKR 102.5) is applied for the appraisal whereas for converting disbursement from PKR to USDKR, the rate applied is 1 USD = PKR144.9

**Table 1 B: Financial performance by financier by component (in millions USD) as of 30 June 2022**

| Component | IFAD Loan | | | Government | | | Co-Financier | | | Beneficiaries | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Appraised | Actual | % | Appraised | Actual | % | Appraised | Actual | % | Appraised | Actual | % | Appraised | Actual | % |
| Economic Infrastructure for Value Chain Development | 37.0 | 25.0 | 67.7% | 15.5 | 3.1 | 19.8% | 14 | - | 0.00% | 6.5 | 12.3 | 188.1% | 73.0 | 40.4 | 55.3% |
| Support Services/PPPP for Value Chain Development | 24.9 | 16.4 | 66.1% | 5.0 | 2.3 | 45.4% | 7.04 | - | 0.00% | 0.0 | 3.9 | - | 36.9 | 22.6 | 61.3% |
| Programme Management and Policy Support | 5.2 | 4.5 | 86.7% | 3.1 | 2.3 | 73.6% | 1.94 | - | 0.00% | 0.0 | - | - | 10.2 | 6.8 | 66.3% |
| **Total** | **67.0** | **45.9** | 68.5% | **23.6** | **7.6** | 32.2% | **22.98** | **0** | **0.00%** | **6.5** | **16.2** | 247.9% | **120.2** | **69.8** | 58.1% |

**Table 1 C: Financial performance by financier by category (in millions USD) as of 30 June 2022**

| Category | IFAD Loan | | | Government | | | Co-Financier | | | Beneficiaries | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Appraised | Actual | % | Appraised | Actual | % | Appraised | Actual | % | Appraised | Actual | % | Appraised | Actual | % |
| Civil Works | 31.5 | 24.2 | 76.9% | 14.3 | 2.4 | 16.9% | 13.29 | - | 0.0% | 6.5 | 12.3 | 188.1% | 65.6 | 39.0 | 59.4% |
| Equipment & Material | 1.3 | 0.5 | 42.4% | 0.5 | 0.4 | 81.1% | 0.24 | - | 0.0% | - | - | - | 2.0 | 1.0 | 47.6% |
| Grants & subsidies | 14.7 | 12.2 | 83.2% | - | - | - | 3.82 | - | 0.0% | - | 3.9 | - | 18.5 | 16.1 | 87.2% |
| Training & Consultancies | 4.3 | 3.1 | 72.1% | 2.8 | 1.8 | 64.8% | 1.82 | - | 0.0% | - | - | - | 9.0 | 4.9 | 55.1% |
| Salaries & Allowance | 5.9 | 4.1 | 70.0% | 3.8 | 2.5 | 64.8% | 2.43 | - | 0.0% | - | - | - | 12.1 | 6.6 | 54.3% |
| Operating Cost | 3.4 | 1.7 | 51.3% | 2.2 | 0.5 | 21.5% | 1.39 | - | 0.0% | - | - | - | 6.9 | 2.2 | 31.6% |
| Unallocated | 6.0 | - | - | - | - | - | - | - | - | - | - | - | 6.0 | 0.0 | 0.0% |
| **Total** | **67.0** | **45.9** | 68.5% | **23.6** | **7.6** | 32.25% | **23.0** | - | **0.0%** | **6.5** | **16.2** | **247.9%** | **120.2** | **69.8** | **58.1%** |

**Table 1 D: IFAD loan disbursements (in SDR) as of 30 June 2022**

| CATEGORY | DESCRIPTION | ALLOCATED | DISBURSED AMOUNT | DISBURSED % | AVAILABLE BALANCE |
|---|---|---|---|---|---|
| 200003 | WORKS | 22,850,000.0 | 17,617,179.0 | 77.1% | 5,232,821.0 |
| 200011 | EQUIPMENT AND MATERIALS | 907,246.4 | 512,185.6 | 56.5% | 395,060.7 |
| 200012 | GRANTS AND SUBSIDIES | 10,620,000.0 | 5,915,414.0 | 55.7% | 4,704,586.0 |
| 200016 | OPERATING COSTS | 2,430,000.0 | 1,351,622.6 | 55.6% | 1,078,377.4 |
| 200018 | SALARIES AND ALLOWANCES | 4,250,000.0 | 3,007,615.4 | 70.8% | 1,242,384.6 |
| 200019 | TRAINING | 3,140,000.0 | 2,374,570.2 | 75.6% | 765,429.8 |
| 270001 | AUTHORISED ALLOCATION | 0.0 | 3,582,067.1 | | -3,582,067.1 |
| 290001 | UNALLOCATED | 4,352,753.6 | | 0.0% | 4,352,753.6 |
| | Total | **48,550,000.0** | | **70.8%** | **14,189,346.1** |

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

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# Economic Transformation Initiative - Gilgit Baltistan

# Supervision Report

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

| | |
|---|---|
| Mission Dates: | 30 May to 20 July 2022 |
| Document Date: | 10/08/2022 |
| Project No. | 2000000836 |
| Report No. | 6173-PK |

Asia and the Pacific Division
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# Appendix 2: Physical progress measured against AWP&B

| Component/Outcome Sub-component or Output | Indicator | Unit | Period: 01-07-2021 to 30-6-2022 | | | Cumulative Actual | Appraisal Target | % |
|---|---|---|---|---|---|---|---|---|
| | | | AWP&B | Actual | % | | | |
| **Component 1 – Economic Infrastructure** | | | | | | | | |
| 1.1 Irrigation and Land Development | Construction: Channels constructed (km) (Land under irrigation schemes constructed/rehabilitated) | km | 129 | 91 | 70% | 411 | 444 | 93% |
| | Equipment & Material (Land under irrigation schemes constructed/rehabilitated) | No. | NA | NA | NA | NA | NA | NA |
| | D. Training (Government officials & staff trained) | Persons | NA | NA | NA | NA | NA | NA |
| 1.2 Farm to Market Roads (FMRs) | Construction: (Road constructed, rehabilitated or upgraded) | Length/Km | 157 | 67 | 42% | 377 | 400 | 94% |
| **Component 2 – Value Chain Support Fund and Technical Assistance** | | | | | | | | |
| 2.1 Value Chain Funds – Grant & Subsidies | On Farm Grants (Households/percentage increase in priority value chain productions) | No. | 2,840 | 4,321 | 152% | 5,906 | 2,950 | 200% |
| | Off-Farm Grants (No. of HH reached) | No. | 205 | 194 | 95% | 203 | 500 | 41% |
| | Non-Farm Grants (Facilities constructed/rehabilitated) | No. | 2 | 0 | NA | NA | 143 | NA |
| | Trainings (No. of individuals trained) (M/F) ** | Persons | 4,360 | 4360 | 100% | 48,379 | 60,000 | 80% |
| | Salaries & Allowances | | | | | | | |
| 2.2 Social Mobilization (Farmers Organization & Institution Building) | Village Agriculture Cooperatives (VACs) | No. | 55 | 55 | 100% | 162 | 162 | 100% |
| Social Mobilization Partner | Formation of VPGs (Rural producers' organization supported) | NA | NA | NA | NA | NA | NA | NA |
| | Community Led Land distribution. | No. | 78 | 68 | 87% | 68 | 78 | 87% |
| | PayBack Process | No. | 78 | 19 | 41% | 19 | 78 | 24% |
| | Training | NA | NA | NA | NA | NA | NA | NA |
| | Recurrent Cost | NA | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2.3 Agriculture Extension | Construction: Other productive infrastructure constructed/rehabilitated (Market, processing or storage facilities constructed or rehabilitated) | No. | NA | NA | NA | NA | NA | NA |
| **Component 3: Programme Coordination Unit** | | | | | | | | |
| Investment Cost | Consultancies | Consultant Months | NA | NA | NA | NA | NA | NA |

*** As per AWBP 21/22 no budget has been allocated for trainings under VC however under on-farm grants training support is being given to farmers through VACs to train farmers in on-farm activities. So the total number reflected here are the beneficiary farmers of VACs. while cumulative figure reflects number of Farmers of VACs and farmers benefitted through other interventions such as 4Ps, and VPGs before VAC approach.*

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# Economic Transformation Initiative - Gilgit Baltistan

# Supervision Report

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

| | |
|---|---|
| Mission Dates: | 30 May to 20 July 2022 |
| Document Date: | 10/08/2022 |
| Project No. | 2000000836 |
| Report No. | 6173-PK |

Asia and the Pacific Division
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# Appendix 5: Compliance with legal covenants: Status of implementation as of 31 May 2022

| Section | Covenant | Target/Action Due Date | Compliance Status/Date | Remarks |
|---|---|---|---|---|
| **Section B.6**<br>**Section B.7** | Opening of a designated account, a PCU program account and 3 RCU sub-accounts | At program start | Done | DA at State Bank of Pakistan, Program account and sub-accounts at National Bank of Pakistan |
| **Section B.8** | Provision of counterpart financing of approx. USD 24 million from the GoGB | Throughout program implementation | Complied | In current year 2021-22 sufficient funds were allocated by GB Government and release funds in time to meet actual expenditures. bridge finance was not required from IFAD. |
| **Section E.1 (i)** | Appointment of Program Coordinator and Finance Manager | Condition precedent to withdrawal | Not done | The positions of Program Coordinator and Director Finance are not filled. The last incumbents are in the court against the government's decision terminating their services following the recommendation of the Supervision Mission 2020. |
| **Section E.1 (ii)** | No objection from IFAD on the draft Program Implementation Manual | Condition precedent to withdrawal | Partially done | SOPs of community procurement, and other guidance for VACs need to be included in the PIM. |
| **Section E. 2** | Installation and operationalization at the PCU of a computerized accounting system, acceptable to IFAD | 3 months after entry into force of FA | Done | Software is installed and operational though updating is required. It should be done if the project is extended. |
| **Schedule 1 – II.8** | Establishment of a Program Steering Committee at GB provincial level, headed by the Chief Secretary | At program start | Done | |
| **Schedule 1 – II.9 and 10** | Establishment of a Program Coordination Unit and 3 Regional Coordination Units (for Diamer, Gilgit and Baltistan regions) | At program start | Done | |
| **Schedule 1 – II.12** | Conduct of a Mid-Term Review jointly by the Borrower and IFAD. | By end of 2018 | Done | |
| **GC-Section 7.01 (b) (ii)** | Submission of AWPB to IFAD for its review and comments | 30 April each year | Not done | Submitted to IFAD on 8th June 2022 and given No Objection. |
| **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 | Procurement at community level requires streamlining, tools/guidance need to be provided to SMT/community organizations. Existing procurement procedures create significant fraud risks and these are not consistent with IFAD's guidelines. |

| Section | Covenant | Target/Action Due Date | Compliance Status/Date | Remarks |
|---|---|---|---|---|
| **GC-Section 7.08 (a)** | Insurance of program assets in accordance with sound commercial practice | Throughout program implementation | Not done | All vehicles of the project were insured till the end of FY 2020-21, but now the insurance of project vehicles not done because according to the PIM Fixed Asset minimum retention period is five years and book value is zero, so the vehicles may not be insured with zero book value. |
| **GC-Section 7.11** | Health & accident insurance for project staff | Throughout program implementation | Not done | The process was initiated but it could not be completed. |
| **GC-Section 8.03 (a)** | Submission of progress reports to IFAD | Quarterly | Not Complied | Semi-annual reports are being submitted to IFAD as per change in the requirement. |
| **GC-Section 8.04** | Submission of a project completion report | Before loan closing date | Not yet due | |
| **GC-Section 9.02** | Submission of program financial statements for each fiscal year | 31 October each year | Complied | The statements have been submitted to IFAD till March 2022. |
| **GC-Section 9.03** | Submission to IFAD of audit report and reply to management letter | 31 December each year | Done | The project has submitted audit report of FY 2020-21 in December 2021 and responded to management letter. |
| **GC-Section 11.01 (c)** | Taxes not to be paid from IFAD financing | Throughout the program implementation | | Gilgit Baltistan is exempt from taxation |
| **LTB - A - 8** | Withdrawal application to be submitted at the earliest of elapse of 90 days or disbursement of 30% of the initial advance. | Throughout the program implementation | Complied | |
| **LTB - B - 11** | Statement of Expenditure Threshold USD 50,000 | Throughout the program implementation | Complied | |
| **LTB - F - 28** | Contracts to be listed in Register of Contracts and submitted to IFAD CPM on a monthly basis. | Throughout the program implementation | Complied | All contracts have been incorporated in IFAD ICP CM. It is kept updated. |
| **LTB - G - 30** | Summary Interim Financial Reports (IFR) to be submitted to IFAD on Quarterly Basis within 45 days | Within 45 days of each quarter end | Complied | Quarterly IFR have been submitted to IFAD |
| **LTB - G - 31** | Appointment of Independent Auditors within 120 days after the beginning of each year | 30 Oct 2016<br>30 Oct 2017 | Complied | External Audit is carried out by the Auditor General of Pakistan annually and acceptable to IFAD |
| **LTB - G - 34** | Appointment of Internal Audit Firm after No Objection by IFAD. | Immediate | Complied | |
| **LTB - G - 34** | Submission of Internal Audit Report to IFAD | Immediate | Partly Complied | Audit completed and management comments have been furnished. Currently the Internal Auditor resigned from the position from 28 January 2022 |