Investing in rural people

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Mission Dates:	1 June to 17 July 2023
Document Date:	15/08/2023
Project No.	2000000836
Report No.	6590-PK

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

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

A. Project Overview

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

Approval Date:	22/04/2015	Last audit receipt:	30/12/2022
Signing Date:	26/10/2015	Date of Last SIS Mission:	17/07/2023
Entry into Force Date:	16/09/2015	Number of SIS Missions:	22
Available for Disbursement Date:	06/04/2016	Number of extensions:	1
First Disbursement Date:	11/04/2016	Effectiveness lag:	5 months
MTR Date:	14/10/2019		
Original Completion Date:	30/09/2022		
Current Completion Date:	30/09/2025		
Financial Closure:	not available yet		

Project total financing

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

Current Mission

Mission Dates:	1 June to 17 July 2023
Days in the field:	7
Mission composition:	Arnoud Hameleers, Country Director; Sumaira, Country Programme Analyst, Mission Leader (Mainstreaming/M&E and KM); Fida Muhammad, Country Programme Officer, Co-Mission Leader (Component 2); Qaim Shah, Portfolio Advisor (Component 3); Abdul Hakeem Khan, SECAP/ Infrastructure Specialist & Comp 1; Maida Zafar, Financial Inclusion for Cooperative and 4Ps; Arsalan Vardag, Financial Management and Procurement (TBD by FO); Naeem Abbas, Procurement
Field sites visited:	Diamer Region (Bunner, Chilas, Goharabad, Darel, Astore), Baltistan Region (Shardu, Ghanche, Kharmang, Shigar, Khaplu) Gilgit Region (Oshikhandas, Danyore, Hunza, Nagar, Gojal)

B. Overall Assessment

Key SIS Indicator #1	∅	Rating
Likelihood of Achieving the Development Objective	4.11	

Key SIS Indicator #2	∅	Rating
Assessment of the Overall Implementation Performance	4.08	

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

Project Management	**5**
Quality of Project Management	4
Knowledge Management	5
Value for Money	5
Coherence between AWPB and Implementation	4
Performance of M&E System	4
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	5
Exit Strategy	5
Potential for Scaling-up	5

Financial Management and Execution	**4**
Acceptable Disbursement Rate	3
Quality of Financial Management	3
Quality and Timeliness of Audit	4
Counterparts Funds	4
Compliance with Loan Covenants	4
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 for an amount of SDR 48.55 million highly concessional loan. It entered into force on 16 September 2015 with an original completion date of 30 September 2022. The project was designed to be co-financed for an amount equivalent to Euro 20.5 million by the Italian Agency for Development Cooperation – Agenzia Italiana per la Cooperazione allo Sviluppo (AICS). IFAD approved, in August 2022, a three years no-cost extension of the project period for operationalization of the Italian parallel -financing, to expand coverage to entire GB under component 1, and to allow time for the realization of benefits linked to the policy reforms and consolidation investments in cooperatives. The first tranche of the Italian co-financing has been credited to a new Revolving Fund Assignment Account on 31 May 2023 and will be utilized as per approved work plan from 1 June 2023.

2. The development objective of ETIGB is to increase agricultural incomes and employment for at least 100,000 rural households in Gilgit-Baltistan. The overall goal is to improve incomes and reduce poverty and malnutrition in the region. The project initially focused on four core districts and two value chains (potato and apricot) supplemented by small pilots in dairy, potato seed and innovative solar lift-irrigation schemes. At mid-term the scope of the project was opened to additional value chains under component 2 and since extension (effective from 01 Oct 2022) to cover all the districts under component 1. The project has three components i.e. (i) component 1 – economic infrastructure (irrigation and land development and farm to market road); (ii) support services for value chain/4Ps; and, (iii) project management and policy support.

3. This joint supervision mission by IFAD and AICS was carried out in the field during 01-15 June 2023, with the main objective to review the overall progress of project; progress against agreed actions and recommendations of the implementation support missions; and, progress since no-cost extension. The mission also aimed at identifying key challenges and finding solutions to overcome these. The mission visited field activities in 8 districts and held meetings with project teams, relevant government departments, additional chief secretary, GB Rural Support Programme, Rupani Foundation, Apex & Co investment, and several cooperatives and communities related to new Irrigation and Land Development (ILD)/Farm to Market Roads (FMR) schemes. A wrap meeting was held with Chief Secretary, Government of Gilgit-Baltistan on 14 June 2023. The final wrap with Ministry of Economic Affairs (MoEA) was held on 17July 2023.

Key Mission Agreements and Conclusions

4. The priority areas, to be addressed immediately, are the following:

- Revise the Government owned design document (PC-1) and get administrative approval for 3 years extension and to reflect necessary amendments.
- Regarding ILD schemes, shift the implementation of the schemes from the SMTs (scheme management teams) to the registered cooperatives to ensure legal compliances and sustainability.
- Ensure all infrastructure schemes comply with IFAD's obligations regarding environmental assessments, as applicable.
- A partial credit guarantee fund should be established that facilitate access to finance for cooperatives and agribusinesses.
- Special attention needs to be paid to ensure compliance with requirements, as per the design report, regarding social inclusion, gender and nutrition.

D. Overview and Project Progress

5. The overall progress of the project is rated moderately satisfactory. Programme activities slowed down in the second half of 2022 awaiting decision on extension. Since the extension, the progress accelerated on the identification of investment opportunities under component 1 (both ILD and FMR) under component 1. Under component 2, support to cooperatives has been provided in undertaking audits and carrying out annual general meetings/elections of board of directors. Financial disbursement of the IFAD financing (out of total US$67 million) is 78.2% (US$52.57 million) with 74% actual utilization while AICS has disbursed an initial first tranche amounting to EUR 5 million with no utilization to date.

6. **Component 1: Economic Infrastructure**. Progress is rated moderately satisfactory. The project, since the beginning, has cumulatively completed 75 irrigation schemes out of the 78 initiated schemes covering 42,673 acres of total surface area of which the net cultivated area is estimated at 27,700 acres (against a total target of 50,000 acres cultivated area). Land development is about 23.67 percent of the total command area while payback has been started in the case of 22 schemes. Four ILDs (1,968 acres) have received damages from the floods of 2022 and are not operational. ETIGB has engaged with Gilgit-Baltistan Disaster Management Authority (GBDMA) for rehabilitation of these schemes. The 71 Farm to Market Roads (FMRs) with 385 km length (against the target of 400 km) were already completed by the original project completion (Sep 2022). These roads were coupled with reinforced cement concrete (RCC) and wooden bridges of 191 meters length (against total target of 220 meter). All completed roads have been handed over to the Public Works Department- (PWD) for operation and maintenance. Since the extension, 463 applications have been received for 289 ILD and 179 FMR schemes. To date, 28 ILDs covering 16,887 acres have been identified; 8 have been approved while work has been started on 4 (4,753 acres) where agreements have been signed while 11 schemes are under technical sanction process. Identification of 20 new FMRs with a total length of 116.52 km has been completed and work has been started on 5 having a length of 22.91 km. So far, 3 bridges with a length of 80.79 m have been identified. Out of these, AICS has proposed to undertake 10 ILD, 10 FMR and 2 bridges to be included in the first two years, as per Work Plan that will be finalized during this mission. The final number of schemes will be jointly decided on the basis on the final assessment of schemes. An interim land titling has been approved and applied to an ILD scheme. The proposal developed by the SMBR for land titling is endorsed by the mission. A total of 68 cooperatives have been formed around ILD schemes with

primary role to ensure land development, payback, O&M and reinvestment of payback.

7. Both Irrigation & Land Development (ILD) and Farm to Market Roads (FMR) should comply with the IFAD obligations regarding environment assessments, concerning also water resources management and conservation, Disaster Risk Reduction (DRR) and disaster resilient sustainable agriculture infrastructure as Hazard, Risk and Vulnerability Assessments (HVRAs) of infrastructure schemes, are available in national as well as provincial regulations. The procedures shall be incorporated in the project management manual (PIM). Therefore, all the infrastructure Projects including ILD, FMR, bridges and retaining walls for the control of floods and erosion is considered necessary. AICS intend that the existing organization involved with AICS in GB, for example EVK2-CNR and EPA, could be potentially used to execute the above studies before execution of the ILD/FMR under AICS financing. As a normal practice, IFAD compliance requirement are being adhered to by the project as enshrined in the PIM.

8. A strong foundation has been laid down and the project has gained necessary experience both social and technical (design and implementation) to implement the project activities related to ILD and FMR. The payback process has started in a number of scheme and needs to be expedited. The mission observed during field visits some operational issues and damages to irrigation channels resulting from the floods during August 2022. The mission also notes that project undertake monitoring of land development however a continuous engagement with the completed ILDs is required to ensure, (a) scheme's operation and to guide the community/VAC on technical and operational issues, (b) monitor and expedite land development and payback process, (c) guide VAC on the maintenance of the scheme.

9. The mission notes good progress on the identification and processing of applications from communities for new ILD and FMR which is commendable. Some improvement is suggested in documentation notably social, economic and environmental feasibility. The mission also noted that relatively smaller schemes at higher altitudes (with limited cropping potential) are among the approved schemes. In this regard, the PMU should develop a prioritization criterion and process sanctions in lots as against case by case appraisals. Environmental aspects like impacts on biodiversity, disaster risk reduction (DRR), loss of pastures and disposal of silt/sand (e,g, Shamshal and Hopper ILD) and maintenance of pipe systems should also be better assessed in the appraisals. To expedite land cultivation, the project should promote innovations such as sprinkler and drip irrigation which will help minimise earthen works.

10. The project continues to implement ILD schemes through the informal Scheme Management Team (SMT) whereas the agreed mechanism during MTR was to use legally incorporated village agriculture cooperatives. This has been addressed during the mission and the project is in the process of transforming the SMT into VAC in the case of initiated scheme and will use VACs as the implementer and custodian of irrigation channel, land development and payback. There exists a real need and also a legal requirement by the cooperative department to have internal manuals for the village organizations to improve transparency, internal and external controls. The recruitment process for the third-party supervision consultants is being initiated. The feasibility studies for reclamation of land from rivers is also being initiated.

11. **Component 2: Support Services for Value Chain Development**. Performance is rated moderately satisfactory. Over 40,900 farmers have been organized in 162 registered Village Agriculture Cooperative (VAC) including 15 VACs owned, run and managed by women. Business plans for all VACs were prepared and most of the planned activities have already been completed during 2022. ETI-GB invested over Rs. 1.4 billion to support farmers around 20 agriculture commodities to address pre and post-harvest loses, quality improvement, collective marketing and linkage development. GB Rural Support Programme (GBRSP) has provided Rs. 31 million in loan to 12 cooperatives. According to an assessment of VACs carried out by the PCU, the programme interventions have been successful in terms of productivity enhancement, access to financial services and markets, resulting in increased incomes of farmers. However, challenges remain in the functioning and management of VACs including record keeping, financial management and provision of economic services to shareholders of cooperatives necessary for sustainability and commercial viability.

12. In order to further expand the domain of the Value Chain Development and to strengthen the VAC, the following activities will be introduced, in particular for women, according to the needs: a) livestock, small ruminants for milk and meat for additional income during non-agricultural season; b) improvement in processing plants for fruits and vegetable; c) eco-friendly agro-tourism such as training for porters on English language and environment aspects, strengthen the camp sites and facilities (on improved waste management and sanitation), traditional cuisine, shops for tourists, horse and bike riding, improved communication facilities, video on preservation of environment; d) rehabilitation of heritage cultural sites; and, e) improved management of medicinal plants.

13. The project teams have been successful in providing clarity with regards to revolving fund among cooperative leadership. The mission noted that in many instances, cooperatives have significant sum of project grant money lying unutilised (perceived as savings) while the project needs to ascertain and propose its utilization. It has been noted that the collection of revolving funds by cooperatives from its members has started in some cases while in others it is anticipated in the coming season. It was apparently owing to the lack of clear manuals for the internal financial management of the cooperatives. There exists an urgency to develop and implement these.

14. The 4Ps proposals which were obtained in 2020 and its evaluation being subjective warrants starting the process afresh. Similarly, the unsolicited expression of interest for challenge grant needs to be converted to solicited call for expression. The project needs to develop grant management manual for the project's internal use but also for the benefiting cooperatives.

15. The project is in the process of developing an overall strategy for strengthening of cooperatives and establishing 4Ps and more importantly finding a sustainable model concerning access to finance, both for cooperatives and its members, which will help in the realization of the full potential of this component. The PCU assessment of cooperatives and mission's visits confirms the need for building management capacity of cooperatives, clear distinction between social and economic role of cooperatives, and clarity among management of board of directors (BOD) and members regarding the revolving fund. As part of the exit strategy and sustainability, an agreement has been reached at PCU and Planning and Development Department (P&DD) for putting in place

formal institutional arrangements for regulatory oversight, access to finance, and continued provision of economic services to the established VACs and its networks. For these roles, a MoU/MoA will be finalised with the Department of cooperative and GBRSP. In addition there is potential for collaboration with Rupani Foundation/Apex & Co investment.

16. **Component 3: Project Management.** Performance is rated moderately satisfactory. The long-awaited recruitment of key staff against the vacant positions has been completed including; 3 Regional Programme Coordinators, Infrastructure Specialist, Value Chain Lead, Social Mobilization Coordinators, Admin and HR Manager. In line with the proposed in-house implementation arrangement, MoUs with Government line departments needed addendum/revision in light of the roles envisaged during the extension period which has been completed.

17. The Project Steering Committee (PSC) has been meeting regularly for the provision of strategic guidance, oversight, progress review and approval of AWPB. The project management has strengthened by the recruitment of Project Director, regional coordinators and staffing of the regional coordination offices. However, 32 positions including staff in finance, procurement, administration and social mobilisation are still vacant which needs to be filled at earliest.

18. The agreed actions/recommendations of the implementation support mission of Jan 2023 have been partially achieved. On some important recommendations, actions are warranted such as third-party supervision consultancy services for ILD; concluding implementing arrangement for component 2; finalizing proposal for strengthening of the office of the Senior Member Board of Revenue (SMBR) for land records and secure land titling and MoU with GBDMA.

19. Agriculture Research and Extension Departments under the project sub-component are increasingly converging their activities towards project assisted cooperatives which is benefiting the project target group. The departments have also provided tangible support under other government project for example certified wheat and hybrid vegetables seed.

20. The M&E team has been gathering and collating data as per the log frame requirement and has done ad hoc studies which provide useful insights and informs the decision making/course correction. The project has GIS based planning, monitoring and reporting coupled with MIS. Data on indicators needs to be analysed specifically in terms of outreach (unique households), outcome indicators, actual cultivable land area under each scheme, implementation status of business plans and status of revolving funds/pay back at minimum.

21. **Disbursement.** Actual disbursement of IFAD loan is at 78.2% (US$52.57 million out of US$67 million) while total utilization is USD 80 million (66.6%) including beneficiary contribution. For the extension period of three year, ETIGB has a total outlay of US$17.58 million on account of IFAD loan and Euro 20.5 million on account of Italian parallel -finance. In addition, the counterpart financing of US$15.03 million and US$ 5.2 million (need proper accounting/projections) will be contributed by Government and beneficiaries respectively.

22. **Fiduciary**. The Project needs to assess staffing needs considering the extension and complete the recruitment of vacant positions including the finance team. Accounting software needs to be evaluated for customisation to manage AICS funding. Detailed Financial Projections (District, Component and Category wise) need to be prepared due to extension and discussed and agreed with the financiers. PC-1 needs to be revised and request for amendment in financing agreement with IFAD to be submitted, if required. Disbursement mechanism in the financing agreement with the AICS needs to be revised to ensure uninterrupted fund flow.

23. **Procurement review**. The function is managed by a procurement assistant who needs continuous handholding until a procurement manager and/or officer is recruited. The project procurement has been undertaken (most being pending) while all other procurement aspects are not monitored and tracked. In the meantime, a manager/officer with procurement capacity shall be assigned on an additional charge basis or hire a procurement specialist (consultant) immediately to expedite pending procurements. Currently, the PC is the head of procurement committee and grievance redress committee simultaneously which is not in accordance with acceptable standards. Therefore, the rectification of the composition of the committee should precede its notification. PIM needs revision with a view to ensure alignment with the country procurement framework (public procurement rules 2004 (Amended) and subsequent regulations). The country procurement framework may be referred to when contracting with local entities, record keeping, processing payments and closing of contracts, as deemed appropriate.

24. Following are the key agreed actions and recommendations of the mission.

25. **Component 1 – Economic Infrastructure.** The project has yet to fully implement the recommendations of the latest implementation support mission. These include; (i) reassessing the target of 20,000 acres under new ILD schemes in order to achieve the overall minimum target of 50,000 acres of crop/orchard cultivable land; (ii) hiring of third party supervision consultancy services; and, (iii) pre-qualification of suppliers of key raw material and supplies needed in the schemes (ILD/FMR/bridges) as well as for the competitive grants to cooperatives. In addition the following are the key agreed actions of the current supervision mission;

    1. Scheme completion and hand over shall be understood to encompass; (i) functionality of the water delivery channels including monitoring of the off take and tail end performance of channel; (ii) payback plans and business plans for the VACs around ILDs; (iii) follow up plans for land development and cultivation; and, (vi) estimation of O&M cost, plan for log keeping of O&M management and identification of O&M team (of cooperatives);
    2. As SMT is not a legal entity to receive public funds, it was agreed in MTR to use VACs as the implementing body for implementation of ILD schemes – SMT/procurement committee and separate account under the existing VACs (ILD/value chain) shall be used as the implementation arrangement – PIM shall be revised.
    3. Development and implementation of clear guidelines and manuals for the producer organizations/cooperatives.
    4. Environmental screening and assessment and DRR of infrastructure schemes is considered necessary as embedded activities to reduce losses, environmental degradation and enhancing the life of schemes (implementation to the extent consistent with IFAD compliance requirement as per approved PIM)

5. For improvement of infrastructure schemes, short training of technical staff and arrangements for a third-party supervision consultant(s) is required.

26. **Component 2 – Support Services for Value Chain/PPPP.** The agreed actions of the latest implementation support mission that are still outstandinginclude (i) completion of the audit and AGM of all 233 cooperatives; (ii) recovery of the revolving fund of all 162 cooperatives; and, (iii) pilot of a partial credit guarantee scheme (PCGS). In addition, the following are the agreed actions of the current supervision mission;

    1. Finalise institutional implementation arrangements with a focus on; (i) development and implementation of clear internal management manuals for the cooperatives and management of revolving fund reinstatement; (ii) VACs' management capacity building; (iii) accounting and procurement system (computerised/online); (iv) access to finance utilizing PCGS; (v) completion of a centralised MIS of cooperative membership; (vi) market access through e-commerce platform and explore alternative channels as well as contract farming – finalise the engagement with GBRSP latest by 31st July 2023.
    2. The project should develop a grant management manual and devise value addition models for matching grant (challenge fund) having a specific focus on value addition/processing units as per the potential in each cluster – explore joint cooperatives proposals if costs exceed the limit on capital expenditure and prioritise financing under PCGS on an overall 50:50 matching basis as a revolving fund.
    3. Develop RFP for 4Ps around cold storages, washing/grading and packing of dried fruit; pack houses for fresh produce and processing (dairy, pulp/juices etc. – not dehydration). – Develop a grant manual and submit for IFAD's NOC.
    4. Link research and extension services on Integrated Pest Management and Tissue Culture for potatoes to cooperative. Develop a concept note of upgrading IPM and certified potato seed production and submit for IFAD's no objection.
    5. Include pilot activity in the AWP&B 2023/2024 around digital-tech and economic transformation as well as nutrition awareness campaigns through school and VACs- , develop TORs and hire 50 Agri-technical personals under GBRSP component for awareness, education and training regarding agribusiness, agripreneurship, tech and digital innovations, and food value creation/gastronomy and nutrition campaigns targeting ETIGB's cooperatives, high schools/colleges and universities.

27. **Component 3 - Project and Policy Support.** The recommendations of the last ISM that are still outstanding include: (i) development of coordination among various line departments and implementing partners (ii) complete the following M&E tasks: (a) estimate the overall area of cultivable land covered by ILD; (b) the number of unique beneficiary households covered by project activities; (c) make a list of the human resources assigned to gender/poverty aspects; (d) draw up a GIS map of all roads/ILD and value chain activities; (e) devise an exit strategy and generate knowledge products. In addition the key recommendations of this supervision mission are;

    1. Conclude an MoU with the Cooperative Department for the remaining project period to seek support in: (i) annual audit; (ii) AGM; and, (iii) computerised MIS database of the total membership of cooperatives – sign the MoU by 30th June 2023.
    2. Develop a part PC1 for the SMBR component and give direction to SMBR for strengthening capacity with regards to land record management and secure land titling – complete by July 2023.
    3. Complete PC1 revision incorporating agreed actions and adjusting exchange rates.
    4. Finalise AWP&B and PP 2023/2024 aligning these with the agreed actions.
    5. The unit costs shall be considered in the dollar value terms as per the prevailing dollar to rupee exchange rate. Approval from the PSC shall be obtained at the time of AWP&B approval or on a six-monthly basis, if required.
    6. Complete hiring of staff including personnel in procurement, finance and other technical staff. Also regularise the Finance Director, Infrastructure specialist and Deputy Programme Director.
    7. Revision of the PIM to align it to the public procurement rules and regulations.
    8. Align the salary structure with the special pay scales as per relevant government regulations.

Agreed Action	***Responsibility***	***Agreed Date***
Finalize the remaining Irrigation scheme and hand over to VAC 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 Provide the necessary support to the Revenue Department for the distribution of the land title to farmers on all completed schemes.	PMU	08/2022
Prequalify suppliers and vendors Complete the process of pre-qualification of suppliers of key raw material and supplies needed under; (i) the schemes (ILD/FMR/bridges); and, (ii) the competitive grants to cooperatives.	PMU	03/2023
Expedite Payback under all ILD schemes Develop implementation schedule for the payback under all ILD schemes through the regional coordination offices in association with engagement of GBRSP.	PMU	03/2023

Partnership/co-financed activities with AKRSP Develop partnership/co-financed activities with AKRSP including; (i) nutrition using the model of “Sehatmand” programme; and, (ii) digital technology/skills development under the cooperative regime. The concept shall be submitted to IFAD.	PMU/AKRSP	03/2023
Integration of the Italian cooperation’s technical assistance For utilization of the tied component, the PMU will submit concept notes on; (i) the establishment of accredited food quality testing laboratory/system, (ii) storage/pack houses with possible 4Ps proposals; (iii) ToR/refresher training in disaster preparedness, climate change adaptation, post-harvest handling; and, (iv) proposal for feasibility for 3 pilot project of river training/reclamation of land.	PMU	03/2023
ILD and FMR to focus on non-core districts Focus shall be on schemes in the non-core districts with the exception of; (i) FMR linked to already completed schemes; (ii) where payback for ILD schemes has been reached at least 50%; and, (vi) innovations (syphons/full-length pipe/left channels etc.).	PMU	04/2023
Achieve Target of 50 000 acre cultivated land Reassess the target of 20,000 acres under new ILD schemes in order to achieve the overall target of 50,000 acres cultivable land. Share with IFAD and Italian cooperation the list of completed and potential schemes clearly showing the 50 000 acres achievement	PMU	04/2023
MoU with GBRSP for co-finance Develop concept in collaboration with GBRSP for; (i) co-financing for cooperatives by GBRSP from its own resources; (ii) access to finance through a partial credit guarantee scheme for US$ 2 million and line of credit through selected participating banks for both cooperatives and its shareholders; (iii) tailored capacity building programme of cooperatives with a focus on management of revolving funds and recovery; (iv) undertaking a joint GBRSP, Cooperative and Agriculture Department survey for developing MIS/databases	PMU/GBRSP	04/2023
Reinstatement of the recovery of revolving fund under cooperatives A schedule shall be agreed with VAC by end of March 2023 with full recovery of revolving fund by March 2024.	PMU	04/2023
Competitive grants for Cooperatives Develop a concept and evaluation criteria for competitive grant (50:50) package for USD25 000 per cooperative (5 per districts open to all 233 cooperatives) to be awarded to cooperatives demonstrating; (i) legal compliance; (ii) have satisfactory recovery; and, (iii) have innovative ideas preferably value addition/processing.	PMU	04/2023
Identify 200 km farm to market roads (FMRs) in core and non-core districts All FMRs to be identified ensuring district-wide equity and keeping in view the road mater planning (valleys connecting with KKH and connecting ILD schemes)	PMU	06/2023
Complete audit, annual general body meeting and elections for all cooperatives Facilitate the fulfilment of the legal obligations of audit, annual general body meetings and elections of cooperatives for all 233 cooperatives, through Department of Cooperatives.	PMU/DoC	06/2023
Third party supervision consultancy services for infrastructure schemes. A third-party supervision TA shall be hired as against the in-house consultants to avoid potential conflict of interest and unjustified delays	PMU	07/2023

Complete feasibility on reclamation of land from river Undertake 3 feasibility studies – one in each region where potential exist for reclamation of land from river clearly identifying the need for technical assistance under Italian Cooperation for its implementation.	PMU	09/2023
Competitive grants for Cooperatives 2 Initiate a Partial Credit Guarantee (PCG) scheme for an amount of US$2 million, concept to be finalised by Feb 2023 to enable extending credit to cooperatives by Sep 2023 in collaboration with GBRSP.	PMU	09/2023
priority: revise PC-1 Revise the Government owned design document (PC-1) and get administrative approval for 3 years extension and to reflect necessary amendments.	PMU	09/2023
priority: compliance Guideline to be developed and adopted for ensuring compliance with social inclusion, gender and nutrition requirements, as per the design report.	PMU	09/2023
Ensure sanctioning of 100% of the additional ILD Ensure that 50% of ILD schemes are sanctioned by June 2023 and all remaining by December 2023	PMU	12/2023
priority: partial credit guarantee fund A partial credit guarantee fund should be established that facilitate access to finance for cooperatives and agribusinesses.	PMU	12/2023
priority: ILD schemes Regarding ILD schemes, shift the implementation of the schemes from the SMTs (scheme management teams) to the registered cooperatives to ensure legal compliances and sustainability.	PMU	
Priority: environmental assessments Ensure all infrastructure schemes comply with IFAD's obligations regarding environmental assessments, as applicable.	PMU	

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

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

Justification of rating

28. Moderately satisfactory. The project has achieved the output targets having completed 78 ILD scheme with a cultivable land of 27,700 acres (55% of the target), 96% of the FMR and 233 cooperatives for value chain strengthening. The project interventions are effective in terms of generating additional income resulting from, increased production, enhanced productivity and diversification into high value crops. The interventions are contributing to improved food security. The community led implementation has demonstrated strong ownership and effectiveness of the implementation approach. The involvement of the government institutions has further strengthened effectiveness and sustainability of project activities. Specifically, the capacity building activities by agriculture research, agriculture extension and legal compliances of the cooperatives through audits and annual general meetings by Department of Cooperatives. Steps have been taken to achieve secure land titling, roads O&M policy and provincial water management policy. Under the Italian co-financing utilization is yet to commence.

Log-Frame Analysis & Main Issues of Effectiveness

29. The project log frame remains valid in terms of the relevance of indicators, data sources as well as all key assumptions. The achievement of the outreach (unique households) needs to be figured out while the net cultivable land also needs to be ascertained. The project needs to revise the log frame in view of the possibility to achieve additional outreach and outputs.

Agreed Action	*Responsibility*	*Agreed Date*
revise project targets The output and outreach needs to be reworked inline with the extended period and saving realised as part of the PC1 revision	PMU	09/2023

Development Focus

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

Justification of rating

30. Moderately satisfactory. Until MTR, the project focused on the four poorest districts of GB i.e. Astore, Diamer, Ghanche and Ghizer under the economic infrastructure component. The value chain component covered the entire GB with a focus on potato and apricot sub-sectors. The project now covers all the 10 districts under both components. The project's current outreach against the original target HH of 100,000 is 92,094 (92%), including 49% women. This includes 44,038 HH through economic infrastructure development and 55,962 HH benefited from 4P based value chain development and support services.
With the extended geographic scope for all the project activities the project will be not only achieve the original outreach of 100 000 household but an additional 10-15 percent of households. The project has a well-structured Youth and Gender Engagement Strategy. Youth were provided remunerative skills to engage in infrastructure construction so that they can get gainful work on schemes being implemented under ETI and government funded schemes. An estimated 29,000 youth were employed for the construction of economic infrastructure and 228 unemployed graduates were trained in different construction related fields. Women participation and empowerment is ensured through equitable share for women headed HH in the newly developed irrigated lands and participation of women in the Village Agriculture Cooperatives. Around 12,377 women are registered members of VACs and 15 VACs are led and managed by women with a membership of 3,317. Overall 351 women are in leadership roles in SMTs, VAC and VPG management.

Main issues

31. While the project’s inclusiveness approach in infrastructure development activities is pursued, poverty targeting could be strengthened under the value chain component to ensure equitable benefit of the project investments. This should be pursued in the current membership campaign. The updated log-frame shows a total of 9,960 women households having been reached against a target of 10 000.

32. Under the project’s irrigation and land-development activities, the poorest segments consisting of women-headed households, poor, landless and vulnerable, are targeted on priority basis and all women-headed and landless households receive equitable share in the newly developed lands. The inclusive targeting has been made a condition in the MOUs signed with beneficiary communities.

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

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

Justification of rating

33. Moderately satisfactory. The project has been following the gender action plan and has been promoting gender equality through participating in social mobilisation process, encouraging active participation of women, men and youth in identification and implementation aspects. Women are not only shareholders in village agriculture cooperatives (VACs) but are also members of the board of directors and in instances there are women only VACs. Under all components, targets for women participation is 25%. In registered VACs around ILD, women shareholders are <9% while women representation in the governing bodies is <14% in value chain related VACs. The staffing of cooperatives stands at <17%. The project had developed guiding documents before MTR i.e. Gender Equality Policy; Gender and Poverty Checklist; Gender and Poverty Action Plan which the project is updating to improve women and youth participation and re-validate women-headed HH, women members of VACs particularly under ILD.

Main issues

34. A total of 230 cooperatives have been established with a total membership of 46 613 (Female 11 723 and Male 34 386). These include 68 cooperatives under component 1 with 8% female members while 162 cooperatives have been registered under component 2 with 28% female members. Under component 2, there are 15 women-specific cooperatives with total membership of 3 864 famers in which case women membership constitutes more than 70% (3 317 women shareholders). There are two cooperatives which are exclusively of women. Women BOD members accounts for 12% Female and 88% male members. The PDR envisaged 20 women specific groups (cooperatives) which is expected to be reached by end of project. The underlying

reasons are socio-cultural factors in one region while for remaining regions a rigorous social mobilisation can play a role to increase membership during the current campaign.

35. As the recommendation of MTR and this mission the VPGs around ILD are in process of formal registration as cooperatives. In this ongoing process, the M&E and Gender team is in the process of verification and re-validation and also mobilisation to increase women membership in VAC.

36. Overall women participation is around 25% while 30% is the target as per PDR. The major reasons of less women participation in VACs, especially in leadership positions, are cultural barriers (particularly in Diamer region), less literacy among females and cultural difficulties to reach women encountered during the social mobilisation in the process of VAC formation. However, to overcome this challenge, local religious leaders should be engaged to make social mobilisation more effective. In the remaining two regions; Gilgit and Baltistan the women participation in both roles can be enhanced through rigorous engagement through social mobilisation and some trainings on financial literacy that can be managed through GBRSP and also the translation of Gender Equality Policy; Gender and Poverty Checklist; Gender and Poverty Action Plan into action.

Agreed Action	*Responsibility*	*Agreed Date*
Revise/update gender strategy and action plan to support achievement of the gaps The revised gender strategy and action plan shall clearly suggest pathways for reaching the appraisal targets.	PMU	09/2023
Women leadership and membership in cooperatives Develop specific actions to increase membership in cooperatives especially women participation as shareholders as well as representation in the governing bodies – the project should reach the minimum target of 30%.	PMU/GBRSP	
Achieve women staffing requirements as per the PDR The 20% and 15% women staffing at PCU and RCU shall be adhered by taking into account gender parity in recruitment of remaining vacant positions. .	PMU	

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

Justification of rating

37. Moderately satisfactory. Land development and cultivation under ILDs, tunnel farming through 162 VACs, establishment of 513 orchards, 39 nurseries and FMRs are all contributing to increasing agricultural productivity in the region. Major input, water, for crop productivity is now available in the completed irrigation schemes leading to increased land cultivation and productivity. Some of the newly developed areas have witnessed very good wheat crop this year. Tree plantation is common on most new lands. The project has conducted a survey in the last quarter of 2022 for assessing the socio-economic condition of the project beneficiaries which showed that average landholding increased from 0.60 to 1.50 ac while agricultural production of 63 percent respondent had increase as well. Similarly, income of 73 percent respondents had also increased. Significant increase is expected in agricultural productivity as land development, titling and cultivation progress.

Main issues

38. 75 out of 78 irrigation channels have been completed and the remaining 3 will be done soon, but land development and titling are progressing slowly causing less cultivation and ultimately productivity enhancement remains to be realised. Land cultivation can be expedited by innovation such as sprinkler and drip irrigation etc for which the project should develop a technical proposal.

Agreed Action	*Responsibility*	*Agreed Date*
Monitor cultivated land in each ILD to assess productivity under the project investments Use GIS for monitoring of land development and gauging cultivation level in new developed land.	PMU	

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

Justification of rating

39. Moderately unsatisfactory. A dedicated focal point overlooks gender, poverty, nutrition and social inclusion. As a result of the cultivation of barren land (over 10,000 acres) production of different commodities mainly staples have increased thereby improving food security. Under component 2 there has been improved quality of products (fresh vegetables, nuts and dried fruit) which has the potential to improve dietary diversity at the household level. The project has yet to initiate partnership with the Aga Khan Rural Support Programme (AKRSP) for nutrition campaign through leveraging ongoing nutrition sensitive projects. To address the current gaps in mainstreaming nutrition, a dedicated team of graduates is going to be engaged for delivery of food

security/nutrition campaigns in schools and colleges through delivering training on nutrition education, awareness and dietary diversity.

Main issues

40. In Pakistan, four out of ten children under five years of age are stunted while 17.7% suffer from wasting. The double burden of malnutrition is becoming increasingly apparent, with almost one in three children underweight (28.9%) alongside a high prevalence of overweight (9.5%) in the same age group. In Gilgit-Baltistan generally food security and nutrition is an important issue and major concern of the government. In particular, the most vulnerable groups are children, adolescent and women. The assumption that improved incomes of HH resulting from project activities are contributing to achieve dietary diversity and nutrition is not substantiated through evidence. The factors in general that could enhance the realization potential of nutrition outcomes may include awareness regarding importance of nutrition, nutritional value of locally available foods, practices and a general behavioural towards food consumption. Following are some of the general gaps and options to address these:

41. Project does not have clear nutrition interventions nor budget: There is also lack of mainstreamed nutrition sensitive interventions, clear targeting strategy of the most nutritionally vulnerable and lack of institutional capacity for impactful nutrition related activities. In addition, the allocated budget for nutrition related activities has long ago been exhausted on trainings. There is little evidence on the trainings conducted earlier by master trainers. Going forward, by engaging with AKRSP, the project will leverage AKRSP's activities to the project's target group. As at the moment there is no dedicated budget line in the project cost estimates, hence the nutrition related activities are sub-budgeted under each project components. This will be in line with the objective of mainstreaming nutrition, rather suggesting/implementing standalone nutrition activities

42. Limited outreach on nutrition education: Since the start of the project, 226 nutrition sessions were organized benefiting 6,111 participants (4,960 women & 1151 men) out of a target of 50,000. To increase the outreach and meet goal level indicator, the project has already initiated engagement of a government affiliated Gilgit-Baltistan Rural Support Programme (GBRSP) which will be responsible for undertaking trainings as part of the social and business mobilisation. Furthermore, to increase outreach and reinforce awareness and education on nutrition, GBRSP will engaging 50 graduates to run nutrition and food security campaigns covering all the primary beneficiary of the project and additionally conducting sessions/activities at schools and colleges across GB. This is in alignment to the government's mainstreaming strategy for nutrition and talking food insecurity. The activity is will not be budgeted separately but shall be embedded in the overall activity budget.

43. Nutrition M&E: Goal level stunting indicator is multi-sectoral and would need robust contribution analysis. As a logical cause and effect link, the project needs to identify an outcome level dietary indicator to be included and tracked through the project M&E system. There are some case studies which reports increased food security however, an effective M&E is needed in this regards. he project's goal level indicators have not been measured so far, thus a survey should be been done to know the status of nutrition related impacts as well as to assess and gauge the success of project approach. The reported results of project investments are improved dietary diversity owing to availability of more cultivable land, improved production practices and availability of agriculture extension services to communities. Hence, an indicator related to dietary diversity is more relevant to project interventions, goal and activities.

Agreed Action	*Responsibility*	*Agreed Date*
Update Nutrition Strategy and Action Plan The project should develop nutrition strategy and action plan with appropriate nutrition sensitive interventions, and consider replacing the stunting indicator with the dietary diversity indicator.	PMU	09/2023
Nutrition indicators Replace the goal level multi-sectoral stunting indicator with the dietary diversity indicator and integrate in the project M&E plan	IFAD/PMU	09/2023
Strengthen nutrition Campaign as part of the project activities As part of the project train master trainers to roll out the Nutrition education covering project beneficiaries, including VPG and VAC following the project's nutrition training guideline		06/2024
Undertake nutrition, food security and gastronomy campaigns Hire experts to develop campaign, resource kit and engage 50 graduates/master trainers to run campaigns in cooperatives, schools, colleges regarding nutrition, food security gastronomy.	PMU/GBRSP	12/2024

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

Justification of rating

44. The economic infrastructure schemes have been designed to meet the challenges of climate change. Though the design of the infrastructure was quite robust with features and protection against flash floods, soil erosion and slides but extreme events, heavy

floods of August 2022 has damaged A few schemes. The new design under the Extension Phase takes into account further the climate change, shrinking of glaciers, quality of water with respect to load of silt and sediment and use of alternative options like open channels and pipes for conveying water to the command area. Where possible, intakes of irrigation channels have been provided with gates to cater against fluctuations. Provisions have been made in FMRs against sliding and flooding. 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.

Main issues

45. The construction cost of the damaged infrastructure was PKR 28.90 million and the project will rehabilitate it through the GB Disaster Management Authority (GBDMA). The new schemes will also consider protective measures against climate change effects in their planning and design. The project will ensure the sustainable supply of water to irrigation schemes by studying the hydrology of the system especially, those drawing water from glaciers due to their shrinking behaviour in some cases. Frequency of sliding is increasing in the region which requires special attention in deign to be resilient and robust.

Agreed Action	***Responsibility***	***Agreed Date***
Complete selection of third party supervision consultant(s) TORs for third party evaluation and supervision of infrastructure schemes shall be finalised and tendering process shall be initiated so that consultants are on board by Sep 2023	PMU	09/2023
Rehabilitate Damaged Schemes through GBDMA MoU shall be signed for rehabilitation of the 4 damaged scheme through government funding	IFAD	09/2023

b. Sustainability and Scaling up

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

Justification of rating

46. Performance is moderately satisfactory. The project design envisaged four areas of policy engagement, i.e. Land Titling, Provincial Roads Master Plan, Provincial Water Policy and Provincial seed and agriculture product certification. The project has been instrumental in the creation of the land titling policy by GoGB, an interim land titling was applied to one ILD scheme. The office of the Senior Member Board of Revenue (SMBR) has prepared a strategy and action plan for implementation of the approved policy for land titling. There is an immediate transfer of funds required from PMU to the office of Senior Member Board of Revenue (SMBR) for the timely implementation of land titling.
The process for engagement of consultants for roads master plan and water policy is in progress. The project received EOIs in the first week of June 2023 and the process is at evaluation stage. VACs are nascent institutions which needs strengthening.

Main issues

47. There are opportunities for further strengthening of institutional capacity in farmers cooperatives, including its management, business planning and revolving fund management through technical trainings and development of manuals. To ensure institutional and financial sustainability, there is a need for formal institutional arrangements and support mechanism for regulatory oversight, access to finance, and continued provision of economic services to the established VACs and its networks. In this regard, an agreement was reached with PCU and Planning and Development Department (P&DD) for putting in place formal institutional arrangements.

48. In the remaining period of the project, the focus should be on consolidation of VAC through capacity building and to increased membership/shareholders in existing cooperatives instead of creating additional cooperatives.

Agreed Action	*Responsibility*	*Agreed Date*
Transfer of Funds to SMBR Finalizing proposal for strengthening of the office of the Senior Member Board of Revenue (SMBR)	PMU/SMBR	07/2023
Formal Institutional Arrangements for VACs and Eco-Friendly Tourism MoU/MoA shall be finalised with Department of cooperative and GBRSP. In addition, potential for collaboration with Rupani Foundation/Apex & Co investment (re eco-friendly tourism) shall be explored.	PMU	07/2023
Preparation of Road Masterplan and Water Management Policy Evaluation of EOIs shall be completed and contract awarded so that policy is ready for approval by Mar 2024	PMU	03/2024

Partnership-building	Rating: 5	Previous rating: 5

Justification of rating

49. Satisfactory. The mission has observed that some VACs have been able to establish connections with the private sector (PepsiCo, Nestle, AGB) to pilot seed multiplication and production of required agriculture produce by the private sector as per their required quality benchmarks. ETI-GB has entered into MoUs in the extension period with the Cooperative Department, Board of Revenue and Agriculture department - research & extension, water management. The project has also established formal planning and review process involving government departments. There has been increased interest among development organisation to enter into partnership with ETIGB including donors funded initiatives, civil society and private sector.

Main issues

50. The mission has noted that other development partners i.e. GBRSP (provision of micro credit of PKR 30 M to 11 VACs) and AKRSP (digital and entrepreneurship trainings) have capitalized on the VACs and have implemented their own interventions through the VACs to have a greater impact on associated households. The agriculture department has provided certified seeds (vegetable, wheat and plants) and agriculture extension services to VACs that have resulted in high yield. Such partnerships would strengthen the market linkages with established VACs and promote value addition for the farmer produce.

51. As of today, the VACs lack access to stand-alone (independent of program) option for continued and sustainable access to finance both for VACs and their members impeding the sustainability, potential and scale up of the business model. The mission recommends structuring and rolling out a pilot for partial credit guarantee scheme to provide a long-term and stand-alone option for access to formal financial services to cooperative members beyond the program timeframe. The credit guarantee will provide risk coverage to banks (50% of loss sharing) on a loan-by-loan basis for the portfolio of loans to members of VACs.

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

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

Empowerment

Justification of rating

52. Moderately Satisfactory. Human and social empowerment is embedded in the overall intervention as part of the community driven model that works closely with members at the grass-roots level ensuring sustainability of the intervention. As per the VAC assessment report (December 2022), the participation of women and youth farmers was found satisfactory. Overall, the VACs benefitted over 40,613 farmers including 26% women. 15 VACs were entirely women owned, run and managed. Youth representation was 27% in the membership of these cooperatives and over 300 graduates have been provided with employment opportunities in the VACs.

Main issues

53. The beneficiaries under both components possess full control over the economic resources extended by the project and they are the primary decision makers in both scheme management teams and cooperatives. Similarly, by design of the intervention, the BoD members of VACs are fully autonomous and independent in their decision making. However, the mission has noted that BoD members in some VACs feel obligated to comply with the business plan activities identified by ETI-GB initially. There is a need to reiterate the role and responsibilities of BoD and overall vision behind the formation and legal registration of VACs so that BoD can take full ownership of their role and its scope as such thereby becoming independent and empowered in decision-making.

54. It is reported that a total 144 VACs out of 162 VACs renewed their registration, and 143 VACs are functioning, and their offices exist. However, these offices remain close and open when needed. The staff availability status confirms both staff are available at 116 VACs out of 143. The VAC staff and board require constant handholding and guidance to develop institutional capacity and business acumen to become a self-sustainable organization that can continue beyond the program timeframe, there are visible gaps in understanding of a value chain and market driven approach for product marketing and emerging as a significant value chain actor that is able to generate profit across various agriculture transactions. Training in marketing, finance, produce management (grading and standard) and governance is needed for all staff and BoD of VACs. Where necessary, existing staff should be reassessed on competence and replaced with documented justification.

Agreed Action	***Responsibility***	***Agreed Date***
Develop systems and modules for management of VACs Institutional strengthening and handholding shall commence through partnership with GBRSP.	PMU/GBRSP	03/2024
E-commerce platform and online accounting system made functional for VACs GBRSP to develop e-commerce platform and online accounting software and roll it out – 50 VACs brought on-board within 1 year.	PMU/GBRSP	06/2024

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

Justification of rating

55. The quality of target group participation and feed is satisfactory. Overall, the project activities are identified through a participatory process and are implemented and managed by community institutions and cooperatives. The CDD approach of the project more importantly, promotes inclusiveness for participation had to a certain extent benefited marginalised, poor and vulnerable households including women headed households particularly for ILD schemes. The Mission observed active beneficiary participation including women in all project interventions. The process of target group selection and beneficiary participation is facilitated by specialized social mobilization partner in all project areas except in Diamer region, where it is being pursued through in-house staff. The Mission also noted strong ownership, commitment and a sense of pride in executing irrigation and roads schemes in some very challenging sites and extremes of weather conditions. The project has a functional grievance redressal mechanism in place.

Main issues

56. The PMU and the service providers have established feedback mechanisms in the form of online groups to share the implementation progress of intervention which also lead to promotion of an effective and positive two-way communication between the projects and beneficiaries. This needs to be further strengthened through development of an MIS that has detailed about all the beneficiaries of the project (shareholders of all VACs – 230).

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

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

Justification of rating

57. Satisfactory. ETI-GB is a multi-stakeholder project which involved 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). Effective Oct 2022, the project will largely have inhouse implementation capacity and will rely on public institutions. Coordination with implementing line departments has improved. The Agriculture Research and Extension Departments under the project sub-component are increasingly converging their activities towards project assisted cooperatives which is benefiting the project target group. The departments have also provided tangible support under other government projects like certified wheat and hybrid vegetables seed.

Main issues

58. To increase inhouse capacity, the PCU needs to establish partnerships with GBDMA and other development partners in GB such as AKRSP, Rupani Foundation, KADO and other development initiatives to build synergies and partnerships in support of the economic transformation of the province.

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

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

Justification of rating

59. Satisfactory. The successful implementation of infrastructure and agriculture development has been coupled with adequate measures to guard against natural hazards and use of chemicals. No borrow areas are involved and the excavated material is reused. Noise and air pollution is not an issue due to limited use of heavy machinery or the location of the schemes being away from populated areas. The completed ILDs contribute positively to the environment due to increased plantation, cultivation of orchards and crops. Where necessary, pipes are used for conveying water or channels are covered with reinforced concrete slabs to avoid debris and sediment flow from landslides. The Extension Phase uses scheme selection criteria considering climate change and environmental aspects including drainage facilities.

Main issues

60. A couple of ILDs and FMRs have been proposed for development at higher altitude for developing new land for single crop agriculture using existing barren land. It is important to select schemes where two crops can be grown for increasing economic benefits. Similarly, a piped scheme will be bringing sediment loaded water from a glacier to the command area. The project has been advised to look into the issue of any loss of fauna and fora and disposal of sediment to proper places.

Agreed Action	*Responsibility*	*Agreed Date*
Use initial climate change and environmental assessment template before channel selection.	PMU	
Identify schemes where initial climate change and environmental assessment has been made including impact on biodiversity and environment	PMU	
Design Report should clearly describe protection and mitigation measures against climate change and environment protection.	PMU	

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

Justification of rating

Satisfactory. The project has a written exit strategy which is based on institutional arrangements for the component, involvement

61. of the government department and legal status of cooperatives formed. The economic infrastructure – irrigation and land development is driven on a community centric model for its implementation and the payback which ensures post-project sustainability. Under the same component, the farm to market roads have been handed over to public works department for future repair and maintenance. The project is in the process of engaging GBRSP for institutional strengthening of VACs, setting up partial credit guarantee scheme and management of revolving fund. GBRSP being a local institutions will continue to provide assistance to VACs in the post-project phase.

Main issues

62. The engagement of GBRSP shall be finalised so that the necessary mechanism for reinstatement of revolving fund under the VACs as well as to facilitate access to finance. It is also important to develop capacity of the VACs and to put in place management systems as part of the exit strategy for VACs.

63. The potato seed activity needs to be commercialised and a link needs to be established with VACs for potato seed multiplication.

Agreed Action	***Responsibility***	***Agreed Date***
Revise exit strategy Incorporate VAC strengthening, reinstatement of revolving fund/pay back and credit guarantee in the project exit strategy.	PMU	09/2023
Link potato seed research with VACs Agriculture Research to establish MoU with VACs for potato seed multiplication	PMU/Agri. Research	09/2023

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

Justification of rating

64. Satisfactory. ETIGB activities are saleable and are have inherent potential for growth and replication. The payback mechanism under component 1 and revolving fund under component 2 have the potential for continuity of benefits. The successful completion of new irrigation schemes has facilitated interventions by other development partners. These include plantation and establishment of green-houses by AKRSP on the newly irrigated lands, scaling up the same model under UNDP/GLOF and provision of financial services by GBRSP to VACs. The project is currently engaging with Shell Pertroleum for block plantation of the newly irrigated lands promoting nature-based solutions and carbon capture.

Main issues

65. Government departments are increasingly engaging with the VACs under different development projects including provision of hybrid vegetable seeds, certified vegetable seeds and plantation campaign. An overwhelming focus of the government is to promote wheat cultivation in the newly irrigated lands. It is important to promote commercialization and cultivation of high value crops as against wheat which has low comparative advantage.

Agreed Action	***Responsibility***	***Agreed Date***
Evaluate the comparative economics of different cropping patterns The project should evaluate the economics of different cropping pattern of high value crops vis a vis wheat cultivation	PMU/Agri. Extension	12/2023

c. Project Management

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

Justification of rating

66. Performance is assessed as Moderately Satisfactory (4). Despite staff constraints due to recruitment issues, difficult terrain and limited work season because of harsh winters, the project management has delivered well and was able to achieve almost all the initial physical targets with an outreach of 92% HH against the original target of 100,000 HH. PSC has been meeting regularly for provision of strategic guidance, oversight, progress review and approval of AWPB. The incumbent PC who was working on additional charge basis has been notified as full time PC and there has been some progress on the recruitment of staff against vacant position, The project management has strengthened especially with the recruitment of regional coordinators and staffing of the regional coordination offices.

Main issues

67. The project focus on qualitative aspects has been lacking which is particularly reflected in the current weak institutional maturity level of the VACs and lack of clear understanding of terms of partnership and business plan by the VAC BOD, management and members and issues with the payback plans and business plan for the VACs around ILD.

Agreed Action	*Responsibility*	*Agreed Date*
Periodic Coordination Meetings In order to further strengthen the existing coordination arrangements, PMU should introduce quarterly coordination meetings involving implementing entities/line departments for progress review and for expeditious resolution of issues hindering progress.	PMU	

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

Justification of rating

68. Satisfactory. The project has dedicated KM and communications staff with elaborated KM plan that has well-defined and budgeted activities/targets. The M&E system is properly leading into the KM products development. The project frequently produces knowledge products based on adhoc studies, surveys and case studies carried by M&E section – disseminated mainly through social media, press releases, and newsletter and project presentations. The impact based short videos on project activities and documentary about the entire project is of high quality. This needs to be disseminated widely for policy advocacy especially in support of land titling and economic transformation/commercialisation.

Main issues

69. The project has a wealth of knowledge in the form of lesson learned and evidences which can be converted into policy papers and knowledge products. The pending road master plan and water policy will also provide information for development of knowledge products for Planning and Development Department of Government of Gilgit-Baltistan. As a next step, an effective communication dissemination strategy can be adopted for promoting agri-preneurship, food security/nutrition and agro-tech among the youth and members of cooperatives that will accelerate the implementation of project activities by creating the awareness and importance on the development objective of ETIGB project.

70. The project has to continue to upscale its concentrated strategy on dissemination of knowledge and information using social media, print and electronic media.

Agreed Action	*Responsibility*	*Agreed Date*
Design and launch awareness campaign Devise knowledge products and disseminate through school/college and VAC campaigns	PMU/GBRSP	12/2023
Disseminate knowledge products Use social, print and electronic media to disseminate knowledge products	PMU	

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

Justification of rating

71. Satisfactory. The project interventions result into significant value in terms of assets creation (new land), access roads, increased production, enhanced productivity and increased quality of produce. In term of implementation approach the project has been following a community led mechanisms which has proved to be efficient and under both project components. The input to out ration is around 1:2. The implementation arrangements has not only resulted in significant savings but also have injected around 30% of the investment into local economy – mainly through sourcing of local material and labour.

Main issues

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

- **Irrigation and land development schemes.** A total of 10,000 acres have been brought under cultivation. Various crops have been grown including wheat, maize, potato, fodder and vegetables. Under the schemes where cultivation has started, households have realised good return on investment (1:2.5). The per acre cost for irrigation and land development is on average Rs. 70,000 (USD245) per acre while its average value has increased up to Rs. 1 000 000 (USD3,500). The average return per acre from first cycle of cultivation has been estimated to be Rs. 30,000 per acre which has increased to Rs. 50,000 in the second cycle which can mainly be attributed to increased fertility of land. The payback of investment is estimated to be in less than 3 years.
- **Farm to market roads.** While no compensation has been received by communities for the land provided to build rural roads – a saving of Rs. 1.5 billion is estimated in this regard. The average per km cost is also noted to be less than Rs. 4 million which is significantly lower than the average cost of similar roads developed under the Government regular programme, mainly due to compensation paid for land. Due to community led implementation, a saving of up to 15 percent has been realised in the per km cost compared to design estimates. The mission noted significant social and economic benefits of the roads including (i) a reduction in transportation cost – in most cases a reduction of more than 90%; (ii) road access enabling cultivation of lands especially diversification to high value crops – more than doubling the income; (iii) reduced risks to life while crossing

streams thanks to construction of bridges; (iv) tourists travel now deeper into the valleys – source of enhancing income for local communities.

- **Value chain development.** The project investment of Rs. 1.4 billion (USD7 million) in the cooperatives facilitate access to investment capital to be revolved. In the first cycle it has resulted in (i) increased quality of produce and thus enhancing prices in the range of 50% - 200% depending on the products; (ii) reducing losses by more than 50%; (iii) increasing productivity by 15-20%. In the case of vertical farming, the return on investment is 25% – 50%. In 22 cooperatives reinstatement of revolving fund has started.

73. In order to maximize return on investment, farmers should be encouraged to adopt innovations such as responsive drip irrigation, hydroponics and sprinkler irrigation instead of investment in land levelling. The project should undertake innovative pilots in each district to demonstrate technology on a 50:50 matching investment basis.

Agreed Action	*Responsibility*	*Agreed Date*
Undertake pilots of innovative irrigation technology Support one scheme per district demonstrating innovative irrigation technology such as responsive drip irrigation, hydroponics and sprinkler for high value vegetables and fruit tree plantation	PMU	06/2023

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

Justification of rating

74. Moderately satisfactory. The project seems to have not maintained coherence between planned and actual activities throughout the year. The AWPB 2022- 23 envisaged spending an amount of PKR 2.3 billion out of which PKR 858 million (44%) of the target was spent by 30th June 2023. At a cumulative level, the project envisaged spending PKR 14.1 billion out of which PKR 5.1 billion (64%) of the target was spent by 30th June 2023. However in terms of the nature of the interventions most activities have lead time requirement needed for social, economic and technical feasibilities and community mobilisation which is time consuming. Such activity are not helpful in effecting disbursement but lays a foundation for well-grounded implementation.

AWPB Inputs and Outputs Review and Implementation Progress

75. The annual workplan and budget 2022-2023 could not be fully implemented due to several reasons including lack of staff and inhouse capacity as well as pending MoUs with government line departments.

76. The AWP&B 2023/24 which was due in April 2023 for IFAD no objection has not yet been approved by PSC. The AWP&B 2023/24 also needs to be developed in such a manner to allow 100% financing from AICS, IFAD and Government independently per activity. This will simplify financial management.

Agreed Action	*Responsibility*	*Agreed Date*
Finalise AWP&B 2023/2024 Prepare AWP&B with separate financing by each source so that each activity is 100% financed per source.	PCU	07/2023
Finalise AWP&B 2024/25 Finalise and submit for IFAD no objection AWP&B 2024/25	PCU	04/2024

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

Justification of rating

77. Moderately satisfactory. The MIS manages significant data at the output and outcome levels which is complemented through ad hoc studies to produce good quality progress reports and a range of KM products. The project M&E uses selectively GIS as a tool for planning, and monitoring as well as validation of survey data especially with regards to irrigation channels and land development. Project M&E system supports decision making especially the approval process of irrigation and land development schemes as well as farm to market roads. The data collection and validation procedures are defined, understood and adhered. Data is regularly collected and updated on the basis of field visits. Each beneficiary is registered in the system on the basis of his/her unique identification document (national ID card number). M&E facilitates decision making. The validation of outreach remains a challenge and so is the proactive correction of the gender parity, analysis of data and optimal use of GIS.

M&E System Review

78. **Outreach.** The outreach in terms of the HHs covered under the different project activities needs to be clarified. At the moment, the project has started verifying the unique HHs using M&E staff at MPU and regional level. The staff is working with VACs to validate members and unique HH. This is a long pending issue and needs to be expedited.

79. **Analysis**. Additional analysis of the studies undertaken on both components needs to be undertaken including with respect to

component 1 - the trend in cultivation, comparison of the current production versus the potential yield, comparative analysis of wheat and other high value cropping patterns, comparative analysis of land development and zero tillage approach using innovative irrigation technology; and in component 2 – analysis of drivers of commercialization and profitability among VACs, return on investment etc.

80. **Optimization of GIS application.** The current use of GIS is sub-optimal. GIS may be used for planning and monitoring terms and also depiction of data at the district and provincial level against the current scheme level data. Multiple layers of existing data may also be introduced to the project GIS mapping. With the assistance from HQ this activity can be materialised.

81. **Determine net cultivable land.** The net cultivable land shall be calculated to know how much land is potentially available under the current and newly identified ILD schemes.

Agreed Action	*Responsibility*	*Agreed Date*
Optimise use of GIS The GIS mapping shall cover district-wide ILD/FMR and VACs interventions – the ILD mapping shall cover the source to ILD to drainage – include other layers of data such as roads, villages and river/streams data.	PMU	06/2023
Determine exact outreach and net cultivable land under ILD Develop a robust methodology to know the total project outreach and potential cultivable land out of the total surface area of the barren lands	PMU	09/2023

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

Justification of rating

82. Satisfactory. This project was designed prior to the current mandatory SECAP guidelines. However, the PDR did contain an ESRN note. The selection criteria and design robustness of the economic infrastructure schemes had a number of built in SECAP features and safeguards. The updated selection criteria consider climate change and environmental assessment before selection of schemes and adequately address potential issues of conflict with regards to water rights, land distribution, use of local labor and materials and dispute resolution. The project involves mostly youth (men and women) in most activities while the investments have greatly contributed to improved livelihoods and reduced poverty. Resultant increased incomes are used for better nutrition, education and use of better health facilities.

SECAP Review

83. 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 only schemes selected are those that do not involve conflicts on water rights and land distribution, land acquisition, resettlements, deforestation, protected areas and do no threat wildlife. The revised selection criteria of schemes involve initial climate change and environmental assessment. The SMT or VAC is responsible for all activities under the irrigation, small bridges or FMR schemes. Mostly youth is involved in construction activities that not only provides better livelihood but is also an opportunity for training. The number of beneficiary households are 29,300 from ILDs initiated in the beginning of the project, 27,158 from FMRs and 8,544 from bridges. The project has so far pumped about PKR 2,452 million in ILDs, PKR 1,437 million in FMRs and PKR 133 million in bridges construction in the area directly contributing to local economy and poverty reduction.

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

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

86. The Mission observed during field visits that a couple of schemes were being considered in the upper mountainous areas where loss of pasture and fora and fauna on the existing land may threat wildlife and biodiversity. Similarly, the design of one ILD scheme involves pipe for conveying silt and sediment loaded water to the command area. It was recommended to the project to look into these issues before final selection and design.

87. Similar is the case with FMRs, which are selected in consultation with the concerned communities, taking into account potential

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

Agreed Action	*Responsibility*	*Agreed Date*
Use of PPEs monitored during work to ensure occupational safety Supervision consultants to ensure use of proper PPEs	PCU	

d. Financial Management & Execution

Acceptable Disbursement Rate	**Rating: 3.0**	**Previous rating: 4**

Justification of rating

88. Automated rating based on IFAD disbursement data is moderately satisfactory (4), however, due to extension penalty the rating is reduced to moderately unsatisfactory (3). The project has disbursed SDR 37.96 million (78%) inclusive of initial advance against the total allocation of SDR 48.55 million till 30 April 2023. The revised project completion date is September 2025 with around 27 months remaining with around USD 14.4 million (SDR 10.6 million) remaining to be disbursed.

Main issues

- The project's original completion date was September 2022 that was extended in August 2022 for three years until 30 September 2025. With the extension the project started working on design and feasibility of new irrigation channels and farm to market roads, however, construction work on new channels or roads has not yet started. Similarly for value chain, various proposals have been developed, however, disbursements have not yet been made.

Year	**AWPB**	**Actual**	**%age**
2015-16	-	43.65	-
2016-17	1,312.84	295.94	22.5%
2017-18	1,578.16	849.22	53.8%
2018-19	1,632.28	1,562.06	95.7%
2019-20	2,797.46	1,606.80	57.4%
2020-21	2,502.23	1,609.86	64.3%
2021-22	2,352.71	2,175.25	92.5%
2022-23 (10 Months)	1,939.05	856.24	44.2%

- The project has disbursed SDR 37.96 million (78%) inclusive of initial advance against the total allocation of SDR 48.55 million till 30 April 2023. The revised project completion date is September 2025 with around 27 months remaining with around USD 14.4 million (SDR 10.6 million) remaining to be disbursed.
- The Government of Pakistan has signed agreement for Co-financing with AICS for an amount of EUR 20.5 million (around USD 22.98 million).
- Due to the weather conditions of the project area, construction activities (irrigation channels and roads) cannot be carried out in the winter season further limiting the available time for disbursement of the remaining funds. Accordingly, it seems challenging that the project would be able to disburse remaining funds until project completion date.
- The project has SDR 4.35 million (USD 5.87 million) as unallocated funds while in some of the categories (civil works, grants and subsidies, training and consultancies and salaries and allowances) the disbursement is close to or above 80%. There is a need to make projections until the closing date of March 2026 considering co-financing by AICS and unallocated funding and request for reallocated between categories needs to be made.

Agreed Action	*Responsibility*	*Agreed Date*
Reallocation between Categories Reallocation between Categories Prepare financial projections until the project close date and formally request IFAD for allocation of unallocated amount and reallocations between categories.	Project Coordinator & Director Finance	12/2023
AWPB Implementation AWPB Implementation Practical and achievable AWPB should be prepared. Efforts should be made to ensure achievement of AWPB physical and financial targets. In case the targets are non-achievable, AWPB should be revised.	Project Coordinator & Director Finance	12/2023

Fiduciary aspects

Quality of Financial Management **Rating: 3** **Previous rating: 4**

Justification of rating

89. Quality of financial management is rated as moderately unsatisfactory. Finance team is well qualified and experienced and accounting & reporting function is working well. However, organizational structure needs to be reevaluated considering extension of the project, AICS financing and expansion to all districts. 32 vacant position including 6 finance positions needs to be filled, accounting software needs to be re-evaluated, PIM needs to be revised. Financial Projections to be prepared and agreed with the financiers. PC-1 and financing agreement to be revised Internal controls to be strengthened further. Training of cooperative is needed. Disbursement mechanism of AICS funding to be reviewed to ensure uninterrupted fund flow. Internal auditor to be hired urgently.

Main issues

90. **Staffing:** The project needs to re-evaluate the organisations structure and team requirements considering extension of the Project, AICS financing and expansion to all districts of GB. The project also needs to complete hiring on 32 vacant positions including 6 finance positions urgently. Once the hiring is completed the finance team needs to be trained on advanced excel to ensure efficient work and reporting.

91. **Accounting and Financial Reporting:** The project is using TOMPRO accounting software since the start of the project and it is working well (Accounting Software Evaluation Questionnaire is attached) overall. However, the finance team has reported some issues in consolidation of regional information and generating component and sub-component reports in USD. With the extension of the project, AICS financing and expansion to all districts of GB, it needs to be evaluated if the existing software may be modified/customised or a new / online version of the software may be procured. The project also needs to revise/update the PIM and get it approved from IFAD and PSC.

92. **Budgeting:** Detailed Financial Projections (District, Component and Category wise) need to be prepared due to extension and co-financier and discussed and agreed with the financiers. PC-1 needs to be revised and request for amendment in financing agreement with IFAD to be submitted, if required.

93. **Internal controls:** SOE review of 39 transactions amounting to PKR 129 million was conducted during the mission. In most of the cases supporting documents were sufficient and appropriate, however, some observations are following:

- Copy of attendance record needs to be attached with Payroll payment vouchers.
- Payment to Cooperatives are based on VCTAT (verification report and progress report. Detailed calculations need to be attached with Payment Vouchers to evidence payment of accurate amount along with record of distribution of goods to beneficiaries and record of procurement of goods / services.
- Payment for procurement of tyres amounting to PKR 352,000 (around USD 2,000). In the Quotation name of ETI and date was not mentioned. In the invoice, name of ETI was not mentioned. Copy of Log Books was not attached to evidence that old tyres needed replacement.

94. **Cooperatives:** Until 31 May 2023, 183 Cooperatives had their audits conducted by the Cooperative Department of the GoGB while 129 Cooperatives had held annual general meetings. The mission reviewed some audit reports and noted similar observations including absence of policies and procedures manual, improvements needed in accounting, stock register and financial reporting and non-maintenance of revolving fund. There is a need of further training and handholding of the management of the Cooperatives to ensure better financial management resulting in sustainability of the Cooperatives.

95. **Co-Financing:** The agreement for co-financing of €20.5 million was signed between the Government and AICS and finally first disbursement of USD 5 million was receive in the designated account. The disbursement conditions and modalities specified in the financing agreement (receipt of audited accounts from AGP certifying that 50% of the previous installment has been utilized) are such that they might result in substantial delays in release of subsequent installments. The disbursement mechanism of AICS funding needs to be reviewed and discussed/modified to ensure uninterrupted fund flow.

96. **Internal Audit:** Internal Auditor had completed audit for FY 2019-20 and obtained management inputs on its findings. However, the audit report could not be finalized as a meeting of the Audit Committee could not be convened till the Internal Auditor left the

position in January 2022. The project has since not hired another internal auditor.

Agreed Action	*Responsibility*	*Agreed Date*
Submit recovery plan to IFAD	PCU	07/2022
Provide training for VAC staff in proper accounting, financial reporting, procurement, etc and for Board members in managing work transparently and accountably	PCU/VCTAT	08/2022
Strengthen internal controls at VACs level Including: i. Deploy Field Finance Controllers (FFCs) with VACs to strengthen capacity and speed up processes ii. Improve procurement guidelines—incorporating basic principles of fairness and transparency; iii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs; iv. Develop simple tools/guidance for accounting and financial reporting by VACs; v. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information; vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports.	PCU/VCTAT	08/2022
Re-evaluate the organisations structure Organisation Structure: Re-evaluate the organisations structure and team requirements considering extension of the Project, AICS financing and expansion to all districts of GB.	Programme Coordinator/Director Finance	08/2023
Evaluate existing accounting software Accounting Software: Evaluate existing accounting software for modification/customization or replacement considering current issues in the software, extension of the project, AICS financing and expansion to all districts of GB.	Director Finance	09/2023
Revise/update the PIM Revision of PIM Revise/update the PIM and get it approved from IFAD and PSC.	Director Finance	09/2023
Prepare financial projections Financial Projections Detailed Financial Projections (District, Component and Category wise) need to be prepared due to extension and co-financier and discussed and agreed with the financiers.	Director Finance	09/2023
Revise PC-1 Revision of PC-1 PC-1 to be revised and approved by the Government	Steering Committee Programme Coordinator Director Finance	09/2023
Review AICS disbursement mechanism Co-Financing Disbursement mechanism of AICS funding to be reviewed and discussed/modified to ensure uninterrupted fund flow.	Director Finance	09/2023

Complete hiring on 32 vacant positions Hiring: Complete hiring on 32 vacant positions including 6 finance positions urgently	Programme Coordinator/Director Finance	10/2023
Conduct training of finance team Training of Finance Team: Conduct training of finance team on advanced excel to ensure efficient work and reporting.	Director Finance	11/2023
Strengthen controls around cooperatives financial management Payment to Cooperatives to be supported by detailed calculations, copy of record of distribution of goods to the beneficiaries and record of procurement of goods / services. Further training and handholding of the management of the Cooperatives to be provided to ensure better financial management of the Cooperatives.	Director Finance	12/2023
Strengthen controls around payments Internal Controls Copy of attendance record needs to be attached with Payroll payment vouchers. Quotations and Invoices to specify project name. Copy of Log Books to be attached with payment vouchers evidencing need for replacement of parts.	Director Finance	

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

Justification of rating

97. The FY 2021-2022 audit report and management letter were received on time with unqualified opinion. Further improvements are required to enhance the quality of the Financial Statements and their Notes.

Main issues

98. The audit report and management letter were received within the timelines. The audit was conducted by the SAI in accordance with ISSAI with unqualified opinion. The financial statements consist of Statement of sources and uses of fund by category and component, statement of comparison of budget and actual amounts, withdrawal application (WA) statement, designated account reconciliation statement and notes. Fixed assets register was included in the notes. The financial statements also include the financial progress report by component, category and subcomponent by financiers including IFAD Loan, Government, Co-financiers as well as beneficiaries. Designated Account reconsiliation statement need to be updated to include cumulative advance including replenishment and recovered/justified amount made by IFAD.

99. The management letter raised some internal control recommendations which management have agreed to implement. A DAC meeting was held in November 2021 to discuss last year audit findings, however none of the findings were settled in the meeting.

100. The improvements to the financial statement to include statement of receipt and payments as well as to provide more details in the note and to link it with the financial statement have not yet been accommodated. The project is advised to consider these recommendations and coordinate with the auditors to implement them.

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

Justification of rating

101. By May 2023, the GoGB had disbursed PKR 1,255 million, (equivalent to US$ 8.6 million) out of the total allocation of USD 23.63 million (36%). The Government was required to finance taxes and contribute from 9% to 37% of various categories of expenditure. The lower counterpart funding can be attributed to the tax exemption in GB and devaluation of Pakistani Rupee against the US dollar.

Main issues

- Government funding budgeted under AWPB are not fully released to the Project. For 2022-23 the AWPB allocation for Counterpart funding was PKR 495 million while the actual release until May 2023 was PKR 146.3 million (29.5%). This practice has been prevalent in previous years also.
- In the PDR and financing agreement, the Government was required to finance taxes and contribute 9% to 37% of various categories of expenditure.
- However, taxes were not imposed in GB and the Government was not required to finance taxes of the project. Also, due to

substantial devaluation of Pakistani Rupee against the US dollar, although the Government has contributed more than 50% of the budgeted funds in terms of PKR but in USD it has only contributed 36% of the required funding.
- **Beneficiaries' contributions:** The program is measuring beneficiaries' contribution-both in cash and in kind. Overall, the cash contribution amounts to USD 2.45 million whereas in-kind contribution (value of land provided for ILDs, and FMRs at rate notified by provincial government) is estimated at USD 19.52 million. Recovery of beneficiaries' 50% share against the cost of ILDs through pay back mechanism remains negligible.

Compliance with Loan Covenants	Rating: 4	Previous rating: 3

Justification of rating

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

Main issues

- Since the last supervision mission, the project has complied with some loan covenants like appointment of project coordinator and director finance and obtaining insurance for project staff. However, the project has not yet appointed internal auditor and has not submitted previous internal auditor's reports to IFAD as required. The project has also not submitted to IFAD, replies to the observations in the management letter of the external auditor.
- AWPB for the year 2023-24 has been submitted for IFAD's review on 23 May 2023. IFAD has provided comments and requested revision of the AWPB. The project is required to submit AWPB at least 60 days (i.e. before 30 April) before the start of the financial year on 1 July.
- Interim Financial Reports are required to be submitted to IFAD at quarterly intervals within 30 days after the period end. However, the project has submitted interim financial statements with some delays. For example the IFR for Dec 2022 was submitted on 8 Feb 2023 and the IFR for March 2023 was submitted on 18 May 2023.
- There is a need to revise/update the PIM with the extension of the Project, AICS funding and Community Procurement. With the AICS funding and additional districts, it needs to be evaluated whether the accounting software needs to be further customised/modified or a newer version is needed.

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

Procurement

Procurement	Rating: 4	Previous rating: 4

Justification of rating

103. The procurement officer resigned in July 2022. The function is managed by a procurement assistant who possesses basic understanding but needs continuous handholding until a procurement manager and/or officer is recruited. The project procurements remained unattended, while all other procurement aspects are not fully monitored and tracked. Payment vouchers are kept separately with Finance Department. A copy is not placed on procurement file. PIM needs revision with a view to ensure alignment with the country procurement framework (public procurement rules 2004 (Amended) and subsequent regulations). A training program on procurement is urgently needed. Hiring of GBRSP under single source selection is in progress. The notification of a grievance redressal committee and procurement planned for the Board of Revenue and Cooperatives Department are still pending.

Procurement Review

104. **Procurement Planning:** The procurement plan 2022-23 included goods and consulting services amounting to PKR 131.923 million. PCU institutional procurement of goods is worth PKR 12.098 million. Not a single package of consultancy services has

been procured. The procurement of furniture/fixture and equipment for the Board of Revenue and Cooperative Departments did not take place. The procurement plan, procurement tracking system (PTS), and ICP-CMT remained under updating during the mission. It was reported that uploading of data on the new IT-based tool (OPEN) was pending approval of AWPB.

105. **Procurement Processes:** Review of high value packages of institutional procurement revealed that the PCU followed procurement rules and procedures of Public Procurement Rules, 2004 and IFAD's Procurement Guidelines. Some inconsistencies have been observed due to the capacity constraints of the existing staff. The country procurement framework may be referred to when contracting with local entities, record keeping, processing payments and closing of contracts, as deemed appropriate. The phrase 'PPRA rules' should be replaced with PPR 2004 in PIM. Number wise sequentially payment vouchers with all supporting documents are available with Finance Department of PCU and RCUs. A copy is not placed on procurement file.

106. **Contract Administration and Management:** This activity remained dormant and was left to the field staff of RCUs. There is no formal mechanism in place for formal sharing of contract implementation status with the procurement section. Procurement staff is learning to update CMT and PTS. However, CMT remained under updating during the mission. Currently, PC is head of procurement committee and grievance redress committee simultaneously which is not in accordance with acceptable standards. Therefore, the rectification of the composition of the redress committee should precede its notification.

107. **Record Retention and Monitoring:** Review indicates that sufficient appropriate documentation is being maintained for procurement transactions. However, the record needs to be placed in the correct order.

Agreed Action	*Responsibility*	*Agreed Date*
Notify the grievance redress committee 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
Complete pending procurement 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
Prioritize the pending procurements of goods and consulting services. Procurement process of top priority packages must be initiated immediately	Director Finance and Admin (DFA)	06/2023
Put in place a mechanism to ensure timely updating of procurement plans, OPEN and CMT.	DFA	07/2023
Ensure a checklist for each procurement transaction is duly filled-in and placed on file.	Ensure a checklist for each procurement transaction is duly filled-in and placed on file.	08/2023
Hire a Procurement Manager/Officer without further delay. Intermittently, hire a procurement consultant to expedite pending procurements.	Program Coordinator (PC)	09/2023

e. Key SIS Indicators

Likelihood of Achieving the Development Objective	**Rating: 4.11**	**Previous rating: 4.15**

Assessment of the Overall Implementation Performance	**Rating: 4.08**	**Previous rating: 4.42**

F. Relevance

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

Justification of rating

108. Satisfactory. In the context of GB, the project design, the key interventions and implementation approach remains highly relevant. The highest priority of the government is ensuring food security in this mountainous region where arable land is scarce and productivity levels are significantly lower. Most valleys are single crop season and thus potential for increased production is

limited. The project investment in bringing additional land under cultivation is highly relevant and so is the farm to market linkage through valley roads. The investment in increasing productivity, facilitating aggregation and promotion of value addition is also highly relevant. The project has increase, on an average 1.6 acres the land holding from the 0.8 acres in the four priority districts. In the rest of the district, an additional 1 acre per households of cultivable land will be added thus improving food security.

Main issues

109. Access to finance is a critical need of the cooperatives established under the project. For this purpose the partial credit guarantee pilot foreseen in the project design is being rolled out which shall facilitate access to formal finance for cooperatives, agribusinesses and smallholder farmers.

110. The project is also in the process of undertaking feasibility/design of reclamation of land from rivers in three different districts (Ghanche, Skardu/Shigar and Ghizer). In addition, a highly needed interventions is the establishment of central food testing laboratory for which a feasibility/design work is being initiated. Both these activities will be supported through the Italian financing and TA sourced from Italy under the tied component.

G. Project Modifications

Responsibility	Modification type	Description
PMU/PSC	Other	The project PC1 needs to be revised and approval shall be sought form the competent fora including revision in the component phasing, incorporating innovations, reclamation of land from river banks, allocation of US$ 3 million for credit guarantee and interest subsidy and aligning salary structure to special pay scales. Keeping in view the new Pak Rupee/Dollar parity, use the USD unit value for all cost items. The PCU shall prepare a revised budget for the project and propose a reallocation among loan categories, if needed. The revision of PC1 shall address the issue of different financing – 100% financing by each financier per activity as against proportional financing.
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

111. 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

112. 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		
Finalize the remaining Irrigation scheme and hand over to VAC 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 Provide the necessary support to the Revenue Department for the distribution of the land title to farmers on all completed schemes.	PMU	08/2022
Prequalify suppliers and vendors Complete the process of pre-qualification of suppliers of key raw material and supplies needed under; (i) the schemes (ILD/FMR/bridges); and, (ii) the competitive grants to cooperatives.	PMU	03/2023
Expedite Payback under all ILD schemes Develop implementation schedule for the payback under all ILD schemes through the regional coordination offices in association with engagement of GBRSP.	PMU	03/2023
Partnership/co-financed activities with AKRSP Develop partnership/co-financed activities with AKRSP including; (i) nutrition using the model of “Sehatmand” programme; and, (ii) digital technology/skills development under the cooperative regime. The concept shall be submitted to IFAD.	PMU/AKRSP	03/2023
Integration of the Italian cooperation’s technical assistance For utilization of the tied component, the PMU will submit concept notes on; (i) the establishment of accredited food quality testing laboratory/system, (ii) storage/pack houses with possible 4Ps proposals; (iii) ToR/refresher training in disaster preparedness, climate change adaptation, post-harvest handling; and, (iv) proposal for feasibility for 3 pilot project of river training/reclamation of land.	PMU	03/2023
ILD and FMR to focus on non-core districts Focus shall be on schemes in the non-core districts with the exception of; (i) FMR linked to already completed schemes; (ii) where payback for ILD schemes has been reached at least 50%; and, (vi) innovations (syphons/full-length pipe/left channels etc.).	PMU	04/2023
Achieve Target of 50 000 acre cultivated land Reassess the target of 20,000 acres under new ILD schemes in order to achieve the overall target of 50,000 acres cultivable land. Share with IFAD and Italian cooperation the list of completed and potential schemes clearly showing the 50 000 acres achievement	PMU	04/2023

MoU with GBRSP for co-finance Develop concept in collaboration with GBRSP for; (i) co-financing for cooperatives by GBRSP from its own resources; (ii) access to finance through a partial credit guarantee scheme for US$ 2 million and line of credit through selected participating banks for both cooperatives and its shareholders; (iii) tailored capacity building programme of cooperatives with a focus on management of revolving funds and recovery; (iv) undertaking a joint GBRSP, Cooperative and Agriculture Department survey for developing MIS/databases	PMU/GBRSP	04/2023
Reinstatement of the recovery of revolving fund under cooperatives A schedule shall be agreed with VAC by end of March 2023 with full recovery of revolving fund by March 2024.	PMU	04/2023
Competitive grants for Cooperatives Develop a concept and evaluation criteria for competitive grant (50:50) package for USD25 000 per cooperative (5 per districts open to all 233 cooperatives) to be awarded to cooperatives demonstrating; (i) legal compliance; (ii) have satisfactory recovery; and, (iii) have innovative ideas preferably value addition/processing.	PMU	04/2023
Identify 200 km farm to market roads (FMRs) in core and non-core districts All FMRs to be identified ensuring district-wide equity and keeping in view the road mater planning (valleys connecting with KKH and connecting ILD schemes)	PMU	06/2023
Complete audit, annual general body meeting and elections for all cooperatives Facilitate the fulfilment of the legal obligations of audit, annual general body meetings and elections of cooperatives for all 233 cooperatives, through Department of Cooperatives.	PMU/DoC	06/2023
Third party supervision consultancy services for infrastructure schemes. A third-party supervision TA shall be hired as against the in-house consultants to avoid potential conflict of interest and unjustified delays	PMU	07/2023
Complete feasibility on reclamation of land from river Undertake 3 feasibility studies – one in each region where potential exist for reclamation of land from river clearly identifying the need for technical assistance under Italian Cooperation for its implementation.	PMU	09/2023
Competitive grants for Cooperatives 2 Initiate a Partial Credit Guarantee (PCG) scheme for an amount of US$2 million, concept to be finalised by Feb 2023 to enable extending credit to cooperatives by Sep 2023 in collaboration with GBRSP.	PMU	09/2023
priority: revise PC-1 Revise the Government owned design document (PC-1) and get administrative approval for 3 years extension and to reflect necessary amendments.	PMU	09/2023

priority: compliance Guideline to be developed and adopted for ensuring compliance with social inclusion, gender and nutrition requirements, as per the design report.	PMU	09/2023
Ensure sanctioning of 100% of the additional ILD Ensure that 50% of ILD schemes are sanctioned by June 2023 and all remaining by December 2023	PMU	12/2023
priority: partial credit guarantee fund A partial credit guarantee fund should be established that facilitate access to finance for cooperatives and agribusinesses.	PMU	12/2023
priority: ILD schemes Regarding ILD schemes, shift the implementation of the schemes from the SMTs (scheme management teams) to the registered cooperatives to ensure legal compliances and sustainability.	PMU	
Priority: environmental assessments Ensure all infrastructure schemes comply with IFAD's obligations regarding environmental assessments, as applicable.	PMU	
Development Effectiveness		
revise project targets The output and outreach needs to be reworked inline with the extended period and saving realised as part of the PC1 revision	PMU	09/2023
Ensure inclusion of more poor households in the VACs (ILD+VC) Develop proposal for inclusion of more poor households in the VACs – Project shall pay membership fee on behalf of poor falling in the BISP PSC 0-26.	PMU	09/2023
Revise/update gender strategy and action plan to support achievement of the gaps The revised gender strategy and action plan shall clearly suggest pathways for reaching the appraisal targets.	PMU	09/2023
Update Nutrition Strategy and Action Plan The project should develop nutrition strategy and action plan with appropriate nutrition sensitive interventions, and consider replacing the stunting indicator with the dietary diversity indicator.	PMU	09/2023
Nutrition indicators Replace the goal level multi-sectoral stunting indicator with the dietary diversity indicator and integrate in the project M&E plan	IFAD/PMU	09/2023
Complete selection of third party supervision consultant(s) TORs for third party evaluation and supervision of infrastructure schemes shall be finalised and tendering process shall be initiated so that consultants are on board by Sep 2023	PMU	09/2023

Rehabilitate Damaged Schemes through GBDMA MoU shall be signed for rehabilitation of the 4 damaged scheme through government funding	IFAD	09/2023
Strengthen nutrition Campaign as part of the project activities As part of the project train master trainers to roll out the Nutrition education covering project beneficiaries, including VPG and VAC following the project's nutrition training guideline		06/2024
Undertake nutrition, food security and gastronomy campaigns Hire experts to develop campaign, resource kit and engage 50 graduates/master trainers to run campaigns in cooperatives, schools, colleges regarding nutrition, food security gastronomy.	PMU/GBRSP	12/2024
Women leadership and membership in cooperatives Develop specific actions to increase membership in cooperatives especially women participation as shareholders as well as representation in the governing bodies – the project should reach the minimum target of 30%.	PMU/GBRSP	
Achieve women staffing requirements as per the PDR The 20% and 15% women staffing at PCU and RCU shall be adhered by taking into account gender parity in recruitment of remaining vacant positions. .	PMU	
Monitor cultivated land in each ILD to assess productivity under the project investments Use GIS for monitoring of land development and gauging cultivation level in new developed land.	PMU	
Sustainability and Scaling up		
Facilitate additional financing requirement of VACs Strengthen the existing partnerships with IFAD regional grant (APFP/FO4A/ARISE) & formalise partnership with GBRSP to provide additional support for VACs.	PMU	08/2022
Transfer of Funds to SMBR Finalizing proposal for strengthening of the office of the Senior Member Board of Revenue (SMBR)	PMU/SMBR	07/2023
Formal Institutional Arrangements for VACs and Eco-Friendly Tourism MoU/MoA shall be finalised with Department of cooperative and GBRSP. In addition, potential for collaboration with Rupani Foundation/Apex & Co investment (re eco-friendly tourism) shall be explored.	PMU	07/2023
Improve access to finance through PCGS and finalize the engagement with GBRSP Formalize institutional arrangement with GBRSP to structure and manage the PCGS for improving access to finance for VAC members and common asset financing at VAC level in the extension period and for capacity building and institutional strengthening of VACs through training modules and system development for governance, book-keeping, marketing, financial management, business development, HR, IT and audit.	PMU	07/2023

Build capacity of VACs by institutionalizing and formalizing the engagement with AKRSP The mission recommends that a formal institutional arrangement with AKRSP is materialized for leveraging AKRSP's thematic focus on nutrition, training on digital literacy and entrepreneurship for VACs and linkage to digital spooks for adoption of e-commerce.	PMU	07/2023
Revise exit strategy Incorporate VAC strengthening, reinstatement of revolving fund/pay back and credit guarantee in the project exit strategy.	PMU	09/2023
Link potato seed research with VACs Agriculture Research to establish MoU with VACs for potato seed multiplication	PMU/Agri. Research	09/2023
Develop MIS with complete data of VAC memberships (both component) and provide access to cooperative, agriculture and GBRSP Complete MIS with necessary details that facilitate access to all beneficiaries.	PMU/GBRSP/Cooperative/ Agri Department	12/2023
Evaluate the comparative economics of different cropping patterns The project should evaluate the economics of different cropping pattern of high value crops vis a vis wheat cultivation	PMU/Agri. Extension	12/2023
Preparation of Road Masterplan and Water Management Policy Evaluation of EOIs shall be completed and contract awarded so that policy is ready for approval by Mar 2024	PMU	03/2024
Develop systems and modules for management of VACs Institutional strengthening and handholding shall commence through partnership with GBRSP.	PMU/GBRSP	03/2024
E-commerce platform and online accounting system made functional for VACs GBRSP to develop e-commerce platform and online accounting software and roll it out – 50 VACs brought on-board within 1 year.	PMU/GBRSP	06/2024
Explore partnership with development partners in GB ETI should develop result-based partnership with different development partners in GB	PMU	
Use initial climate change and environmental assessment template before channel selection.	PMU	
Identify schemes where initial climate change and environmental assessment has been made including impact on biodiversity and environment	PMU	
Design Report should clearly describe protection and mitigation measures against climate change and environment protection.	PMU	
Project Management		

Undertake pilots of innovative irrigation technology Support one scheme per district demonstrating innovative irrigation technology such as responsive drip irrigation, hydroponics and sprinkler for high value vegetables and fruit tree plantation	PMU	06/2023
Optimise use of GIS The GIS mapping shall cover district-wide ILD/FMR and VACs interventions – the ILD mapping shall cover the source to ILD to drainage – include other layers of data such as roads, villages and river/streams data.	PMU	06/2023
Finalise AWP&B 2023/2024 Prepare AWP&B with separate financing by each source so that each activity is 100% financed per source.	PCU	07/2023
Determine exact outreach and net cultivable land under ILD Develop a robust methodology to know the total project outreach and potential cultivable land out of the total surface area of the barren lands	PMU	09/2023
Design and launch awareness campaign Devise knowledge products and disseminate through school/college and VAC campaigns	PMU/GBRSP	12/2023
Finalise AWP&B 2024/25 Finalise and submit for IFAD no objection AWP&B 2024/25	PCU	04/2024
Periodic Coordination Meetings In order to further strengthen the existing coordination arrangements, PMU should introduce quarterly coordination meetings involving implementing entities/line departments for progress review and for expeditious resolution of issues hindering progress.	PMU	
Disseminate knowledge products Use social, print and electronic media to disseminate knowledge products	PMU	
Use of PPEs monitored during work to ensure occupational safety Supervision consultants to ensure use of proper PPEs	PCU	
Financial Management & Execution		
Notify the grievance redress committee 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
Submit recovery plan to IFAD	PCU	07/2022
Complete pending procurement 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 Including: i. Deploy Field Finance Controllers (FFCs) with VACs to strengthen capacity and speed up processes ii. Improve procurement guidelines—incorporating basic principles of fairness and transparency; iii. Develop guidelines (in Urdu) for Board members focusing on business plan and its revision, basic financial literacy, laws and regulations related to VACs; iv. Develop simple tools/guidance for accounting and financial reporting by VACs; v. Establish a requirement for VACs to display information on funds received from the project, funds mobilized by community, funds spent, and list of beneficiaries along with contact details. The project should do spot checks to verify this information; vi. Beneficiaries' should be tracked vis-à-vis reporting to ensure that they exist and actually received the equipment reported in VCTAT reports.	PCU/VCTAT	08/2022
Prioritize the pending procurements of goods and consulting services. Procurement process of top priority packages must be initiated immediately	Director Finance and Admin (DFA)	06/2023
Put in place a mechanism to ensure timely updating of procurement plans, OPEN and CMT.	DFA	07/2023
Internal Auditor Reports Submission of previous internal auditor reports to IFAD along with project responses	Director Finance	08/2023
Ensure a checklist for each procurement transaction is duly filled-in and placed on file.	Ensure a checklist for each procurement transaction is duly filled-in and placed on file.	08/2023
Re-evaluate the organisations structure Organisation Structure: Re-evaluate the organisations structure and team requirements considering extension of the Project, AICS financing and expansion to all districts of GB.	Programme Coordinator/Director Finance	08/2023
internal auditor Recruitment of internal auditor on urgent basis	Programme Coordinator	09/2023
Hire a Procurement Manager/Officer without further delay. Intermittently, hire a procurement consultant to expedite pending procurements.	Program Coordinator (PC)	09/2023
Evaluate existing accounting software Accounting Software: Evaluate existing accounting software for modification/customization or replacement considering current issues in the software, extension of the project, AICS financing and expansion to all districts of GB.	Director Finance	09/2023
Revise/update the PIM Revision of PIM Revise/update the PIM and get it approved from IFAD and PSC.	Director Finance	09/2023

Prepare financial projections Financial Projections Detailed Financial Projections (District, Component and Category wise) need to be prepared due to extension and co-financier and discussed and agreed with the financiers.	Director Finance	09/2023
Revise PC-1 Revision of PC-1 PC-1 to be revised and approved by the Government	Steering Committee Programme Coordinator Director Finance	09/2023
Review AICS disbursement mechanism Co-Financing Disbursement mechanism of AICS funding to be reviewed and discussed/modified to ensure uninterrupted fund flow.	Director Finance	09/2023
Complete hiring on 32 vacant positions Hiring: Complete hiring on 32 vacant positions including 6 finance positions urgently	Programme Coordinator/Director Finance	10/2023
Conduct training of finance team Training of Finance Team: Conduct training of finance team on advanced excel to ensure efficient work and reporting.	Director Finance	11/2023
Reallocation between Categories Reallocation between Categories Prepare financial projections until the project close date and formally request IFAD for allocation of unallocated amount and reallocations between categories.	Project Coordinator & Director Finance	12/2023
AWPB Implementation AWPB Implementation Practical and achievable AWPB should be prepared. Efforts should be made to ensure achievement of AWPB physical and financial targets. In case the targets are non-achievable, AWPB should be revised.	Project Coordinator & Director Finance	12/2023
Strengthen controls around cooperatives financial management Payment to Cooperatives to be supported by detailed calculations, copy of record of distribution of goods to the beneficiaries and record of procurement of goods / services. Further training and handholding of the management of the Cooperatives to be provided to ensure better financial management of the Cooperatives.	Director Finance	12/2023
Timely Submission of AWPB AWPB to be submitted to IFAD for NO at least 60 days before the start of the financial year	Programme Coordinator Director Finance	04/2024
Strengthen controls around payments Internal Controls Copy of attendance record needs to be attached with Payroll payment vouchers. Quotations and Invoices to specify project name. Copy of Log Books to be attached with payment vouchers evidencing need for replacement of parts.	Director Finance	

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

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Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

: Logical Framework

Mission Dates:	1 June to 17 July 2023
Document Date:	15/08/2023
Project No.	2000000836
Report No.	6590-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 (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project										
	Males			250 000	**5 929**	**353 183**	**141.273**				
	Females			250 000	**5 696**	**339 333**	**135.733**				
	Total number of persons receiving services			500 000	**11 625**	**692 516**	**138.503**				
	1.a Corresponding number of households reached										
	Women-headed households			10 000		**9 960**	**99.6**				
	Non-women-headed households			90 000	**1 550**	**82 134**	**91.3**				
	Households			100 000	**1 550**	**92 094**	**92.1**				
	1.b Estimated corresponding total number of households members										
	Household members			750 000	**11 625**	**692 516**	**92.3**				
Project Goal Improved incomes and reduced poverty and malnutrition in rural areas of Gilgit- Baltistan region	Reduction of poorest households (approx. 5,000)							Pakistan Social and Living Standards Measurement (PSLM) surveys. ETI assessments against BISP scorecard.			Political and social stability in the region. New developed land equitably distributed including to women and landless poor. Climatic abnormalities and natural calamities remain within acceptable tolerance levels. Higher production, combined with nutritional education and improved road access, will make substantive dent in malnutrition rate.
	Households			50							
	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 (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	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 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		**65**	**108.333**				
	1.2.4 Households reporting an increase in production										
	Total number of household members				**0**	**388 969**					
	Households			90							
Outcome Outcome 1: 100,000 farm households increase production , productivity and sales in prioritized agricultural commodities	1.2.1 Households reporting improved access to land, forests, water or water bodies for production purposes										Improved quality, quantity and reliability in supply to contracted private partners will improve farm returns. Investments in local value addition and reductions in transaction costs for traders/processors/wholesalers.
	Women-headed households										
	Total no. of households reporting improved access to land			50 000	**1 550**	**44 038**	**88.076**				
	Households increase sales							Farmers' organizations' records.			
	Households			60	**0**	**73**	**121.7**				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency	Responsibility	
Output Outputs 1	1.1.2 Farmland under water-related infrastructure constructed/rehabilitated							Progress Reports	annual		
	Hectares of land			20 000	**1 923**	**19 093.4**	**95.467**				
	water channels/ irrigation schemes constructed, rehabilitated'							Progress Reports	annual		
	kilometres			400	**3**	**425**	**106.3**				
	2.1.5 Roads constructed, rehabilitated or upgraded							Progress Reports			
	Length of roads			400	**23**	**392**	**98**				
	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	**9**	**151**	**141.1**				
Outcome Outcome 2: Sustained and community driven development approach established that is pro- poor and youth/gender- and nutrition-sensitive	Funds recovered against estimated cost recovery for irrigation development										Youth have preference for working in village if economic opportunities are same or better than in towns and cities offering low-skill employment.
	Percentage of funds recovered			50							
	Vulnerable and women-headed target households provided with land titles										
	vulnerable and women-headed hh			100	**0**	**100**	**100**				
Output Outputs 2	2.1.2 Persons trained in income-generating activities or business management										
	Males			900	**0**	**34 864**	**3 873.778**				
	Females			650	**0**	**15 392**	**2 368**				
	Young				**0**	**14 478**					
	Persons trained in IGAs or BM (total)			1 550	**0**	**50 256**	**3 242.323**				
	1.1.8 Households provided with targeted support to improve their nutrition										
	Total persons participating			50 000	**0**	**6 111**	**12.2**				
	Males			10 000	**0**	**1 151**	**11.5**				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	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 Outcome 3: Agri-business actors invest in local processing and value addition to improve marketing of local food products	2.2.3 Rural producers' organizations engaged in formal partnerships/agreements or contracts with public or private entities										Sufficient quantity, quality and seedling reliability of agricultural products available to sustain PPPP.
	Number of POs				**0**	**257**					
Output Outputs 3	2.1.1 Rural enterprises accessing business development services										
	Size of enterprises			60 000	**0**	**60 218**	**100.363**				
	Rural enterprises			220	**0**	**257**	**116.818**				
	Women in leadership position			30	**0**	**351**	**1 170**				
	2.1.6 Market, processing or storage facilities constructed or rehabilitated										
	Total number of facilities			107	**0**	**114**	**106.5**				
	Processing facilities constructed/rehabilitated			100	**0**	**8**	**8**				
	Storage facilities constructed/rehabilitated			7	**0**	**106**	**1 514.3**				
Outcome Outcome 4: Government and private agricultural services are sustainably improved	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices							Client satisfaction survey and DOA service delivery records.			All GB agricultural households will be able to access improved agricultural service provision, including women.
	Households			50 000	**0**	**50 256**	**100.512**				
Output Outputs 4	Staff of service providers trained							RIMS			
	Males			213	**0**	**247**	**115.962**				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2023)	Cumulative Result (2023)	Cumulative Result % (2023)	Source	Frequency	Responsibility	
	Females			212	**0**	**24**	**11.321**				
	Government Officials and staff trained							RIMS			
	Males			426	**0**	**277**	**65**				
	Females				**0**	**32**					
Outcome Outcome 5: Government formulates and enforces pro-poor agricultural policies covering water, land titling, road O&M and products and certification regime.	Provincial Land Records and Titling Law promulgated							Public land registry records, PO contracts and records with farmers.			Farmers using/producing improved seeds are able to increase productivity and sales.
	Number of Titling Law promulgated			1	**0**	**1**	**100**				
	Land titles provided for newly irrigated lands							Public land registry records, PO contracts and records with farmers.			
	Number of land titles provided			50 000	**0**	**424**	**0.8**				
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment										
	Number				**0**	**1**					

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Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

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

Mission Dates:	1 June to 17 July 2023
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Project No.	2000000836
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Asia and the Pacific Division
Programme Management Department

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

Table 1A : Actual financial performance by financier (in USD ‘000) until 30 April 2023

Financier	Appraisal	Disbursements	Per Cent disbursed
IFAD Loan	67,000	49,415	74
Co-Financier (AICS)	22,981	-	-
Government	23,629	8,598	36
Beneficiaries	6,549	21,984	336
Total	**120,151**	**79,997**	**67**

Table 1B: Financial Performance by financer and by component (in USD ‘000) as at 30 April 2023

Component	IFAD Loan			Co-Financier (AICS)			Government		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Economic Infrastructure for Value Chain Development	36,950	26,823	73	14,004	-	-	15,542	3,468	22
Support Services/PPPP for Value Chain Development	24,870	17,541	71	7,040	-	-	4,979	2,469	50
Programme Management and Policy Support	5,180	5,052	98	1,937	-	-	3,108	2,661	86
Total	**67,000**	**49,415**	**74**	**22,981**	**-**	**-**	**23,629**	**8,598**	**36**

Component	Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%
Economic Infrastructure for Value Chain Development	6,540	16,053	245	73,036	46,344	63
Support Services/PPPP for Value Chain Development	-	5,931	-	36,889	25,940	70
Programme Management and Policy Support	-	-	-	10,225	7,713	75
Total	**6,540**	**21,984**	**336**	**120,151**	**79,997**	**67**

Table 1C: IFAD loan disbursements (in SDR) as of 30 April 2023

Category	Category Description	Original Allocation	Revised Allocation	Disbursement	WA Not Submitted	Balance	Per cent Disbursed
I	**Civil Works**	22,850,000	22,850,000	19,010,373	229,760	3,609,868	84
II	**Equipment and materials**	400,000	907,246	512,186	497	394,564	57
III	**Grants and subsidies**	10,620,000	10,620,000	8,742,513	110,057	1,767,430	83
IV	**Training and consultancies**	3,140,000	3,140,000	2,473,571	1,526	664,903	79
V	**Salaries and allowances**	4,250,000	4,250,000	3,358,666	118,180	773,154	82
VI	**Operating costs**	2,430,000	2,430,000	1,518,287	31,201	880,512	64
	Authorised allocation	-	-	2,346,635	(491,220)	(1,855,416)	-
	Unallocated	4,860,000	4,352,754	-	-	4,352,754	-
	Total	**48,550,000**	**48,550,000**	**37,962,231**	**-**	**10,587,769**	**78**

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates:	1 June to 17 July 2023
Document Date:	15/08/2023
Project No.	2000000836
Report No.	6590-PK

Asia and the Pacific Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

Component/Outcome *Sub-component or Output*	Indicator	Unit	Period: 1-July 2022 to 26 June 2023 AWP&B	Actual	%	Cumulative Actual	Appraisal Target	%
Component 1 /Outcome								
Output 1.1.2	water channels/ irrigation schemes constructed, rehabilitated	Km	40	33.9	85%	425.9	400	106%
Output 1.2.1	Roads constructed, rehabilitated or upgraded	Km	12	15	125%	384	400	96%
Component 2 / Outcome								
Output 2.1.1. On-Farm Grants	Increase in production & productivity of priority value chain	Grants	9	605	Over 6700%	6510	2950	220%
Output 2.1.2. Off-Farm Grants	Households reporting adoption of new/improved inputs, technologies or practices	Grants	1.4	23	1600%	226	500	45%
Output 2.1.4. Trainings	Persons trained in income-generating activities or business management	Persons				50572	1550	3262 %
Output 2.2.1	Rural producers' organizations supported	*Rural PO Supported (No.)*	*17*	*169*	*994*	*257*	220	116%
	Rural enterprises accessing business development services	Size of enterprises				60,218	60,000	100%
Component 3 / Outcome								
Output 3.1.2.	Persons trained in income-generating activities or business management	P/day	79			258	300	86%

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates:	1 June to 17 July 2023
Document Date:	15/08/2023
Project No.	2000000836
Report No.	6590-PK

Asia and the Pacific Division
Programme Management Department

Appendix 3: Compliance with legal covenants: status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B.6 **Section B.7**	Opening of a designated account, a PCU program account and 3 RCU sub-accounts	At program start	Complied	DA at State Bank of Pakistan, Program account and sub-accounts at National Bank of Pakistan
Section B.8	Provision of counterpart financing of approx. USD 24 million from the GoGB	Throughout program implementation	Complied	By June 2023, the GoGB has disbursed PKR 1,255 million, (equivalent to US$ 8.6 million) out of the total allocation. The overall disbursement represents 36 percent. The lower counterpart funding can be attributed to the tax exemption in GB and devaluation of Pakistani Rupee against the US dollar.
Section E.1 (i)	Appointment of Program Coordinator and Finance Manager	Condition precedent to withdrawal	Complied	Complied in the beginning of the Project. Not complied in the middle of the Project due to Court Cases and termination of PC and FM. Complied again through Acting Charges. Now from April 2023 Government has notified PC and Director Finance.
Section E.1 (ii) **Schedule 1 – II.13**	No objection from IFAD on the draft Program Implementation Manual	Condition precedent to withdrawal	Complied Revision Needed	PIM was initially prepared and approved at the start of the Project. Thereafter it was revised and approved again in 2019. With the extension of the Project, AICS funding and Community Procurement, there is a need to revise/update the PIM.
Section E. 2	Installation and operationalization at the PCU of a computerized accounting system, acceptable to IFAD	3 months after entry into force of FA	Complied Evaluation Needed	Software is installed and operational. With the AICS funding and additional districts, it needs to be evaluated whether the software needs to be further customised/modified or a newer version is needed.
Schedule 1 – II.8	Establishment of a Program Steering Committee at GB provincial level, headed by the Chief Secretary	At program start	Complied	
Schedule 1 – II.9 and 10	Establishment of a Program Coordination Unit and 3 Regional Coordination Units (for Diamer, Gilgit and Baltistan regions)	At program start	Complied	
Schedule 1 – II.12	Conduct of a Mid-Term Review jointly by the Borrower and IFAD.	By end of 2018	Complied	
GC-Section 7.01 (b) (ii)	Submission of AWPB to IFAD for its review and comments	30 April each year	Complied but delayed	AWPB for the year 2023-24 has been submitted on NOTUS for IFAD's review on 23 May 2023. IFAD has provided comments and requested revision of the AWPB.

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 Complied	Initially Vehicles were insured. However, after five years, the insurance companies have declined to provide insurance as the vehicles are old and fully depreciated as per the insurance companies.
GC-Section 7.11	Health & accident insurance for project staff	Throughout program implementation	Complied	Health and Life insurance of staff have been obtained
GC-Section 8.03 (a)	Submission of progress reports to IFAD	Quarterly	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	Unaudited financial statements for 30 June 2022 were submitted to IFAD on 30 August 2022
GC-Section 9.03	Submission to IFAD of audit report and reply to management letter	31 December each year	Audit Report: Complied Response to management Letter: Not Complied	Audit Report & Financial Statements submitted by 31 Dec 2022 Reply to Management letter not submitted to IFAD
GC-Section 11.01 (c)	Taxes not to be paid from IFAD financing	Throughout the program implementation	Complied	Gilgit Baltistan is exempt from taxation
LTB - A - 8	Electronic application for withdrawal, accompanied by Interim Financial Reports (IFRs) and by relevant forms and supporting documents, should be submitted via the IFAD Client Portal.	Throughout the program implementation	Complied	
LTB - B - 11	The Interim Financial Reports Package shall be used as a basis for the submission of Withdrawal Applications to IFAD.	Throughout the program implementation	Complied	
LTB - B – 12 **LTB - G - 30**	The Interim Financial Reports Package shall be submitted to IFAD at quarterly intervals within 30 days after the period end.	Within 30 days of each quarter end	Complied but delayed	July to Sep 2022 – 29 October 2022 Oct to Dec 2022 – 8 Feb 2023 Jan-March 2023 – 18 May 2023
LTB - B - 12	Beneficiary contributions shall be accounted for in accordance with procedures detailed in the Financial Management manual.	Throughout the program implementation	Complied	
LTB - F - 28	Contracts to be listed in Register of Contracts and submitted to IFAD CPM on a monthly basis.	Throughout the program implementation	Complied	All contracts have been incorporated in IFAD ICP CM. It is kept updated.

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
LTB - G - 31	Appointment of Independent Auditors within 120 days after the beginning of each year	30 Oct 2016 30 Oct 2017	Complied	External Audit is carried out by the Auditor General of Pakistan annually and acceptable to IFAD
LTB - G - 34	Appointment of Internal Audit Firm after No Objection by IFAD.	Immediate	Not Complied	Instead of Internal Audit Firm, an Internal Auditor was hired who resigned in January 2022. New hiring has not been done.
LTB - G - 34	Submission of Internal Audit Report to IFAD	Immediate	Partly Complied	Internal Audits were conducted however the Internal Audit Reports have not been submitted to IFAD.

Investing in rural people

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

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

Mission Dates:	1 June to 17 July 2023
Document Date:	15/08/2023
Project No.	2000000836
Report No.	6590-PK

Asia and the Pacific Division
Programme Management Department

Terms of Reference ETI GB Supervision Mission

COUNTRY OF ASSIGNMENT/LOCATION: Pakistan

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

MISSIONSTART AND END DATES: 01 June to 15 June 2023

REPORT TO: **Arnoud Hameleers** Country Director, APR/PMD

MISSION COMPOSITION:

In-country:

Arnoud Hameleers, Country Director
Sumaira, Country Programme Analyst, Mission Leader (Mainstreaming/M&E and KM)
Fida Muhammad, Country Programme Officer, Co-Mission Leader (Component 2)
Qaim Shah, Portfolio Advisor (Component 3)
Abdul Hakeem Khan, SECAP/ Infrastructure Specialist & Comp 1
Maida Zafar, Financial Inclusion for Cooperative and 4Ps
Arsalan Vardag, Financial Management and Procurement (TBD by FO)
Naeem Abbas, Procurement

Martina Huonder, Programme Liaison Associate, will support the mission remotely on log-frame update

BACKGROUND:

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

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

A Project Coordination Unit under the Planning and Development Department of the Provincial Government of Gilgit-Baltistan is responsible for project implementation through three regional coordination units. The annual supervision mission of the project is planned during 01 – 15 June 2023.

MISSION OBJECTIVES AND OUTPUTS:
Covering the period since the last supervision mission and the the extension period of the project, the main objective of the Mission will be ascertain the attainment of development objective of the project and the extent to which additional outreach is likely to be achieved. The specific objectives are the following:

- Assess the progress made, since last SM and ISM, in terms of project outputs and outcomes ;
- Assess the progress of the project with respect to preparedness and execution of activities in the extended areas (all districts of Gilgit-Baltistan),
- Assessment of the appropriateness and sufficiency of the implementation capacities within the project and engagements with implementing partners;
- Review the financing proportions and identify variations in financing structure agreed under IFAD financing agreement and among the financiers (IFAD, AICS and Government of GB);
- Assess the status of implementation of recommendations of the supervision mission and ISM;
- Assess the procurement plan and coherence of the AWP/B for the new fiscal year;

- Together with Planning and Development Department review the progress and agree on the timeline for completion of the staff recruitment, onboarding partners and rollout of access to finance;
- Review progress on land titling and initiation of the remaining policy reforms i.e. sustainable water management policy and provincial road master-plan;
- Develop a letter of understanding Between IFAD and the Italian cooperation
- Adjust Operational and administrative manuals in the context of Italian financing
- Identify actual and potential/emerging operational problems; and,
- Propose solutions, corrective measures or improvements required.

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

INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES

Mr Arnoud Hamleers, CD a.i
To participate in the mission and lead on the key discussions with stakeholders and provide necessary guidance to the mission team during the mission and review of the final report. In particular, following tasks will be performed.

(i) Responsible for leading on the key mission's activities, leading the discussions including with the Lead Programme Agency and concerned government counterparts;
(ii) Provide clarity to team members on the priority areas, identified together with Government and co-finance partners (AICS);
(iii) Find solution for the issue of part payment by co-financiers (IFAD, GOGB and AICS) to streamline accounting;
(iv) Review the draft final Aid Memoir and ORMS SV report; and,
(v) Any other task that is referred to mission team for guidance and concurrence.

Ms Sumaira, CPA: Mission Leader

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

(vi) Responsible for coordinating the mission's activities, assignment of responsibilities among mission team members, leading the discussions, liaising with the Lead Programme Agency and concerned implementing agencies and private sector partners;
(vii) Assign the detailed tasks contributing to the various parts of the Mission's Aide Memoire and full mission Report among the mission members;
(viii) Lead the discussions during the wrap-up meeting;
(ix) Make assessment of the overall project performance and quality of implementation in line with the defined result objectives, legal and financial agreements;
(x) Ensure collaboration / discussion with national counterparts and other donors in accordance with mission schedules;
(i) Assess the project's progress in managing knowledge and lessons learned, the knowledge management strategy/action plan of the project and assess capacity of the project and its implementing partners in this respect;
(ii) Identify promising, innovative knowledge product generated by the project - provide recommendations for improvement for better packaging, presentation and dissemination;
(iii) Assess effectiveness of the coordination between social mobilization partner, project and other stakeholders with regards to sharing lessons learnt;
(iv) Assess the programme's M&E needs and level of progress in setting up the M&E system (including responsibilities, arrangements, compliance across project actors), especially its effectiveness in capturing bottom-up information/ data for reporting and as a management tool;
(v) Review the quality of the M&E with respect to capturing and analysing knowledge products, identify gaps and suggest remedial measures;
(vi) Undertake review of cross cutting issues in terms of lesson learned and as means to effective policy dialogue for mainstreaming gender, nutrition, climate change and youth;
(vii) Assess the project's overall performance in targeting, gender, community empowerment and beneficiary participation;
(viii) Review the status of gender mainstreaming, gender equality, women's empowerment and participation in the project activities;

(ix) Review project strategy to promote women's and youth participation, including the gender strategy; provide recommendations to improve the approach/ strategy;
(x) Assess the targeting strategy of the project and its social mobilization partners and how BISP beneficiaries/ the poorest are being taken into account and benefitted in the process; as well assess efficacy and impact of project's pro-poor investments, in particular for women-headed households and ultra-poor;
(xi) Assess relevance and effectiveness of Project's consultation and communication approach and actions; and,
(xii) Any additional task assigned by the mission leader.

Deliverable(s):
- Consolidate and Finalize the ORMS Supervision Mission Report
- Finalize a draft Aide Memoire for presentation at the wrap-up meeting

Mr Abdul Hakeem Khan: Component 1

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

(i) review implementation progress related to sub component 1; you will identify actual and potential/emerging operational problems, propose solutions for corrective measures or improvements to be made and provide guidance on priorities to be pursued for finalization of the land development and ensuring the cultivation;
(ii) Review the Gilgit-Baltistan Map with all the current and planned sites to assess their spread in terms of equity, needs and potential for development;
(iii) Undertaken value for money/cost efficiencies analysis in designing and implementation of irrigation and road infrastructure and adequacy and timeliness of flow of fund arrangements between project, regional offices and beneficiary SMTs and propose improvements wherever warranted;
(iv) Assess the irrigation scheme designs and analyse their capacity to be climate and environment resilient. If necessary, make recommendation to improve the designs, taking into account the local specific context;
(v) Review the technical and operational mitigation measures adopted to make the schemes climate and environment resilient and evaluate the thread and challenges of periodic flash floods, landslides, GLOF and seismic movements and make suitable recommendations;
(vi) Review the compliance with the SECAP compliance and make recommendations
(vii) Review the progress made by the ETI-GB programme on the road development and maintenance master plan and provincial water policy, regulations and benchmarks for efficient water use.
(viii) Review 2021-2022 AWP/B to assess coherence and appropriateness of targets and strategy for attainment of remaining targets;
(ix) Review the technical and operational mitigation measures adopted to address the challenges of periodic flash floods, landslides, GLOF threat and seismic movements and make suitable recommendations;
(x) Review the progress made by the ETI-GB programme on the provincial water policy, regulations and benchmarks for efficient water use;
(xi) Provide written inputs related to your component/activities for the aide-mémoire and supervision report, including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date; and,
(xii) Any other aspect assigned by the mission leader.

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

Fida Muhammad: CPO and co-mission leader, responsible for Component 2

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

(i) Identify actual and potential/emerging operational problems, propose solutions for corrective measures or improvements to be made and provide guidance on priorities to be pursued for component 2 achievement of its objectives;
(ii) Assess the level of attainment of cooperatives strengthening, identify the bottlenecks and provide recommendations;
(iii) Assess the level of implementation of the 4Ps proposals, identify the bottlenecks and provide recommendations for the pending 4Ps targets;
(iv) Evaluate the PMU capacities for implementation of the component (cooperatives and development of 4Ps, business planning and provision of Business Development Services;
(v) Assess the quality of the business plans prepared and the institutional framework proposed for cooperatives and 4Ps – assess the quality of the staffing of PMU, partners and cooperatives/private sector partners – also assess the institutional arrangement, capacity for effective management and the systems in place for grant management;
(vi) Assess the viability of the business plans in the context of local and down-country market and make

recommendation with regard to market access for output and market development for inputs;
(vii) Evaluate the current practices of cooperative management;
(viii) Assess/review the current roles of RCUs, PCU, and line departments in terms of organizing of farmer groups, the underlying coordination mechanisms and effectiveness of their individual and collective engagement with the farmers groups; identify strengths and weaknesses and make concrete recommendations for improved quality of farmer organizations;
(ix) Assess the longterm viability and legal ownership of the grant funding provided to cooperatives (under both components) and suggest a viable way forward ensuring due ownership and governance model of the Government of GB; and,
(x) Any other task assigned by ML.

Qaim Shah: Portfolio Advisor, responsible for Component 3

In support of the Mission leader, you will review the implementation progress under component 3. The following tasks will be undertaken:
(i) Review the implementation progress related to component 3; identify actual and potential/emerging operational problems, propose solutions for corrective measures or improvements to be made and provide guidance on priorities;
(ii) Review and update all the aspects with respect to implementation arrangement and assess progress of the line departments with respect to its relevance and overall contribution to the project's development objectives;
(iii) Assess the level of implementation of the different policies (water, land and road master planning/O&M);
(iv) Appraise the viability of the strengthening of the SMBR for land tenure management in the region;
(v) Review and update the overall physical progress of the project and anticipate the overall achievement or overachievement by the project;
(vi) Provide written inputs related to your component/activities for the aide-mémoire and supervision report; and,
(vii) Any other aspect assigned by the mission leader.

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

Myda Zafar: Financial Inclusion, Cooperatives and 4Ps

In support of the Mission leader, you will review the implementation progress under the project pertaining to economic transformation outcome. The following tasks will be undertaken:

(i) Assess the viability of the cooperatives in the context of access to finance, market share, and, market penetration strategy for cooperative members;
(ii) Assess the level of implementation of the credit guarantee scheme and overall ownership of the Government of GB of the grant financing to cooperatives (both components);
(iii) Review findings of the audit and elections of the cooperatives by Department of Cooperatives to identify critical areas for support for inclusion in the programme of work for component 2 in the remaining project period;
(iv) Assess the level of implmenation of recommendation of ISM with regards to implementation arrangement and appraise the progress achieves, identify bottlenecks and suggest way forward;
(v) Evaluate the current practices of project in support of strengthening cooperative management particularly in the areas of financial management, business development and procurement;
(vi) Evaluate the approach for value chain fund – appropriateness of the matching grant, analyse beneficiary contribution and assess the potential for scaling up and sustainability;
(vii) Appraise the current status of the grants disbursed and ascertain to which these grants are recovered by cooperatives and revolved; and,
(viii) Any additional task assigned by the mission leader.

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

Mr Arsalan Vardag: Fiduciary aspects

Under the supervision of the IFAD Finance Officer, Mr Kayode, he will:

(i) Use the original FMAQ as the basis to review the relevant information to Review actions taken to address recommendations of previous year's supervision missions and recommendations raised by external auditors on previous years' management letters, recommendations raised by FMD during the audit review exercise.

(ii) Perform a Financial Management Performance Assessment, on the basis of the questionnaire as per FMD guidelines. Re-assess the strengths and weaknesses of financial management systems and suggest mitigation actions.
(iii) Review a representative sample Withdrawal Applications and Statements of Expenditure to verify adequacy, completeness and validity of claims, using the checklist provided. Note down clearly any ineligible expenditures.
(iv) Review bank account reconciliations and the status of advances given to implementing partners (if any).
(v) Follow-up on the introduced disbursement efficiencies (Authorized Allocation, implementation of extended SOEs, minimum WA size etc.) and ineligible expenditures (if any).
(vi) Check the progress on matching grants and examine a representative samples of the grants provided to end beneficiaries, to confirm the compliance with eligibility criteria, procedures and requirements in the Project Operational Manual, Financing Agreement and other relevant documents
(vii) Review and analyze the projects/programmes financial performance (annual and cumulative).
(viii) Conduct an assessment on the status of the accounting software and the accounting records by liaising and discussing the status with the project and respective software-developing agency as applicable. Review a sample of the reports generated by the accounting software system.
(ix) Review the adequacy of Internal controls in place in the PMU including the level of segregation of duties, authorization levels, financial procedures manual/ and periodic account reconciliations.
(x) Review the most recent Financial Progress Reports. - have periodic progress reports been submitted within the prescribed time limit? Is content as agreed?
(xi) Review the Internal audit arrangements including reports and status of recommendations.
(xii) Provide implementation support as necessary.
(xiii) Adjust Operational and administrative manuals in the context of Italian financing
(i) Undertake ad-hoc tasks as assigned through email by the Director, Senior Finance Officer, and Finance Officer before the each mission.

Reporting/outputs

(i) Prepare the Financial management risk assessment including an updated Summary of project fiduciary risk (Financial Management Performance Assessment at Supervision and Summary of Project Fiduciary Risk Assessment at Supervision) as per IFAD's guidelines.
(ii) In line with the Supervision Guidelines and FMD guidelines, provide inputs to the Aide-Memoire and supervision mission report as follows:
(iii) Input to Main body of the Aide-Memoire and the Supervision report including the following under section iv. "Financial Management and Execution": i) Disbursement Rate, ii) Quality of financial management, iii) Quality and timeliness of audit including follow up on the finding of the audit review exercise performed by FMD) and iv) Counterpart funds. Assign ratings and record the agreed actions, responsibilities and dates under each section.
(iv) Appendix 1: Financial: Actual financial performance by Financier; Disbursements by Category and by component: Tables 1A, 1B and 1C.
(v) SOE – review log showing the expenditures items reviewed during the SOE review and observations requiring follow-up, and clearly document any ineligible expenditures identified and their values.
(vi) Review log of previous years audit and supervision mission recommendations.
(vii) Enter mission findings directly in IFAD's dedicated web applications (if required by Hiring Manager).

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

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

Mr Naeem Abbass: Procurement

(i) Review procurement arrangements. (i) review the procurement function and procedures, and assess procurement staff ability to plan, execute and monitor procurement actions (ii) review the execution of the approved procurement plan and obtain explanations for significant variances compared to planned amounts or delays in procurement; (iii) select a sample of post review procurements and verify conformity with applicable procurement rules and procedures, PIM and the approved PP, noting down any deviation;
(ii) Undertake review of the robustness of the community procurement procedures, processes, compliance to best practices/standards and make recommendations;
(iii) Review contractual and payment procedures (as well, assess (for quality, timeliness) and identify any capacity gaps in contractor/IP/SP preparation of documentation for payment of works, grants, training, , etc.); check contract register, usage of contract monitoring forms, register of advances; highlight outstanding advances (ageing analysis); verify compliance with audit requirements foreseen in contracts/ MOUs, if applicable;
(iv) Adjust Operational and administrative manuals in the context of Italian financing
(i) Review the PIM and suggest changes if any required to augment efficiency of project operations;
(ii) Provide written inputs related to your component/activities for the aide-mémoire and supervision report,

including: (i) overall assessment; (ii) outputs and outcomes; (iii) implementation progress; (iv) sustainability issues; and (v) updated recommendation table with clear assignments, responsibilities and due date; and,

(iii) Any other aspect assigned by the mission leader.

Deliverable(s):

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

DOCUMENTATION

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

- Financing Agreement and LTB
- ETI-GB PDR and annexes
- Updated ETI-GB progress report and financial progress report
- Mid-Term Review mission report
- PIM
- Action tracker and log frame to update

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

Mission Itinerary:

Date	**Activity**
01 Jun 2023	Mission Arrives in Gilgit
02 – 03 Jun 2023	Detailed Meeting with PMU and Partners – Review Progress, Issues and Challenges
	Meeting with Lead Implementing Agency and Relevant Departments
04 – 9 Jun 2023	Meeting with Regional PCUs, Cooperatives and 4Ps in the three regions
10 - 13 Jun 2023	Additional meeting with stakeholders, prepare AM, sv report and debrief with Government of GB
14/15 Jun 2023	Mission Travel back to Islamabad
20 Jun 2023	Wrap up meeting with MoEA

IMPORTANT NOTE:

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

List of beneficiaries/stakeholders etc. Mission interacted with:

Date	Field (District/Valley)	Scheme, VAC, Institution's Name	List of person and designation interacted with	Contact Details
31 May 2022	Oshikhandass Gilgit	Nine Star Women Farmers Cooperative Society Ltd.	Farida – President Zaiver – Finance Secretary Farmers	03445586960 03555347947
31 May 2022	Oshikhandass Gilgit	Green Land Farmers Cooperative Society Ltd.	Ejaz Hussain – President Nisar Hussain Farmers	3555124411 3152553280
31 May 2022	Danyore Gilgit	AKMD-Mammo Dairy	Karim ud Din - CEO	03468480084
31 May 2022	Danyore Gilgit	Ideal Farmers Cooperative Society Ltd.	Naveeda Akhter -President Shukur Ullah - Finance Secretary Atiqa - Manager Farmers	3453996424 03554341403 03554269796
4 June 2022	Asqurdass Nagar	Green Treasure Farmers Cooperative Society Ltd.	Muhammad Ali Akhter -President Israr - Manager Farmers	03555745604
4 June 2022	Thole Nagar	United Agriculture Development Cooperative Ltd.	Ijlal Hussain- President Muhammad Ali – Manager Farmers	03125928823
4 June 2022	Minapin Nagar	Minapin Progressive Agriculture Cooperative Society Ltd.	Qalb Ali- President Israr Hussain- Finance Secretary Farmers	3129738737 3109270590
5 June 2022	Aliabad Hunza	Famol Agriculture Cooperative Society Ltd.	Ahmed Nayar – President Muhammad Riaz - Finance Secretary Farmers	03554366297 3445420070
5 June 2022	Ganish Hunza	Ganish Agriculture Cooperative Society Ltd.	Tajir Hussain – President Amjad Hussain -Director Ikramu ddin - Finance Secretary Farmers	03129244965 03466087658
5 June 2022	Baltit Hunza	Baltit Farmers Cooperative Society Ltd.	Mansoor Sharif- President Muhammad Fazail- Finance Secretary Farmers	03448903467 03452917176
6 June 2022	Khyber Gojal Hunza	Dewan Zari Cooperative Society	Saif Ullah- President Zafar Sakhi Col Ghulam Karim Manager Farmers	03136669111 03555088798

List of beneficiaries/stakeholders etc Mission interacted with:

Date	Field (District/Valley)	Scheme, VAC/Institution's Name	List of person and designation interacted with	Contact Details
01-Jun-2022	Diamer Office	1. Presentation	All RCUD Staff	
01-Jun-2022	Bunner	2. VAC Aaman Farmer Cooperative Society Buner Dass	President VAC Jan Wahid and members	03554116880
01-Jun-2022	Chilas	3. Field visit to Ranoi Orchards	Mohsin Khan, Shahid Iqbal	03235236000
02-Jun-2022	Bunner	1. Field visit to Bunar Dass ILD	SMT, Community	03124440884
02-Jun-2022	Goharabad	2. Field visit to Kinodass ILD	SMT, Community	03555153162
02-Jun-2022	Goharabad	3. VAC Purbat Farmer Cooperative Society Dirkil	Raza Ullah	03555687479
03-Jun-2022	Darel	1. Field visit to FMR Shahi Mahal	Akbar Hussain, Community	03555244026
03-Jun-2022	Darel	2. Field visit to VAC Bashy	Altaf Hussain	03555244026
03-Jun-2022	Darel	3. Field visit VAC Al Rehman	Khalil Ur Rehman	03555123334
03-Jun-2022	Darel	4. Phuguch Agriculture Cooperative Society	Jamshed Khan	03555234442
03-Jun-2022	Darel	5. ILD Sutdass	SMT, Community, Haleem president	03555124904
03-Jun-2022	Darel	6. ILD Luruk	SMT, Community, Qadoos, Mujeeb	03555031333
03-Jun-2022	Darel	7. ILD Satil	SMT, Community, Sawal, Maluuk	03555102081
04-Jun-2022	Astore	1. Travel to Astore from Chilas		
04-Jun-2022	Astore	2. Field visit to Ditchal FMR	SMT, President Sami, Tehsildar Fareed, Communi	03479599328
04-Jun-2022	Astore	3. Field visit to VAC Patipura Chongra Zari Cooperative Society Astore	VAC, Sadiq Mir	03555237691
04-Jun-2022	Astore	4. Field visit to Harcho Turbaling FMR	President SMT Shams, community	03555109843
04-Jun-2022	Astore	5. Field visit to Ahmedabad ILD	SMT Noor Ullah, community	03555112555
05-Jun-2022	Astore	1. Field visit to Kakan ILD and Kakan FMR	SMT, community, Nazeer	03555320005
05-Jun-2022	Astore	2. Field visit to Star cooperative society Kinidass	VAC M. Wali and members	03555254455
05-Jun-2022	Astore	3. Field visit to Fina Zari cooperative society	Rasheed VAC president and memebers	03555694412
05-Jun-2022	Astore	4. Field visit to Fina bridge	SMT and community, Rasheed	03555694412
05-Jun-2022	Astore	5. Field visit to Nasirabad ILD and Nasirabad FMR	SMT, Jan Alam	03555272977

Investing in rural people

Pakistan

Economic Transformation Initiative - Gilgit Baltistan

Supervision Report

Appendix 7: Integrated Project Risk Matrix (IPRM)

Mission Dates:	1 June to 17 July 2023
Document Date:	15/08/2023
Project No.	2000000836
Report No.	6590-PK

Asia and the Pacific Division
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	**Moderate**	**Moderate**
Political Commitment	*Moderate*	*Low*
Governance	*Moderate*	*Low*
Macroeconomic	*Substantial*	*Moderate*
Fragility and Security	*Moderate*	*Moderate*
Sector Strategies and Policies	**Moderate**	**Moderate**
Policy alignment	*Moderate*	*Moderate*
Policy Development and Implementation	*Moderate*	*Moderate*
Environment and Climate Context	**Substantial**	**Moderate**
Project vulnerability to environmental conditions	*Moderate*	*Moderate*
Project vulnerability to climate change impacts	*Substantial*	*Moderate*
Project Scope	**Moderate**	**Low**
Project Relevance	*Moderate*	*Low*
Technical Soundness	*Moderate*	*Low*
Institutional Capacity for Implementation and Sustainability	**Moderate**	**Low**
Implementation Arrangements	*Moderate*	*Low*
Monitoring and Evaluation Arrangements	*Moderate*	*Low*
Project Financial Management	**Substantial**	**Moderate**
Project Organization and Staffing	*Substantial*	*Moderate*
Project Budgeting	*Substantial*	*Moderate*
Project Funds Flow/Disbursement Arrangements	*Moderate*	*Low*
Project Internal Controls	*Substantial*	*Moderate*
Project Accounting and Financial Reporting	*Substantial*	*Moderate*
Project External Audit	*Moderate*	*Low*
Project Procurement	**Substantial**	**Substantial**
Legal and Regulatory Framework	*Substantial*	*Substantial*
Accountability and Transparency	*Substantial*	*Substantial*
Capability in Public Procurement	*Substantial*	*Substantial*
Public Procurement Processes	*Moderate*	*Moderate*
Environment, Social and Climate Impact	**Moderate**	**Low**
Biodiversity Conservation	*Moderate*	*Low*
Resource Efficiency and Pollution Prevention	*Moderate*	*Low*
Cultural Heritage		*No risk envisaged - not applicable*
Indigenous People		*No risk envisaged - not applicable*
Labour and Working Conditions	*Low*	*Low*
Community Health and Safety	*Low*	*Low*
Physical and Economic Resettlement		*No risk envisaged - not applicable*
Greenhouse Gas Emissions	*Moderate*	*Low*

Risk Category / Subcategory	Inherent risk	Residual risk
Vulnerability of target populations and ecosystems to climate variability and hazards	*Low*	*Low*
Stakeholders	**Low**	**Low**
Stakeholder Engagement/Coordination	*Low*	*Low*
Stakeholder Grievances	*Low*	*Low*
Overall	**Moderate**	**Moderate**

Country Context	**Moderate**	**Moderate**
Political Commitment	***Moderate***	***Low***
Risk: Pakistan was one of the first countries to endorse SDG in 2015 when the Parliament approved SDGs as the national development agenda. The budgetary allocations for BISP have been increasing consistently since the start of the programme despite fiscal constraints. The 18th Amendment to the Constitution of Pakistan provides autonomy to the provinces thus budgeting and management of provincial projects are solely in the domain of provinces. The political situation in the country is evolving and while a different political party is having Government in GB and the federal level, provision of necessary budgetary support may be challenging. Economic transformation is nevertheless priority of the provinces as envisaged in the existing policies.	Moderate	Low
Mitigations: To mitigate, the IFAD country team will continue to support the government's efforts and pre-finance delayed counterpart financing.		
Governance	***Moderate***	***Low***
Risk: The GB province is not fully autonomous and the challenges remain in the development of a strong system for the delivery of development priorities in an efficient, equitable and transparent manner and through participatory development approaches. There are striking differences in resource allocation and management, availability of services and local government systems, leading to disparities in the pace and level of development across the districts.	Moderate	Low
Mitigations: The planning and development Department is generally well placed in terms of human resources, technical and delivery capacity. However, financial constraints often result in sub-optimal performance. The project will assist the Government in addressing management and technical capacity gaps for improved and demand based service delivery with focus on shifting service delivery and support system to the community and the private sector. The project will particularly enhance capacity to respond to climate change and risk reduction and to respond to the changing demand for technologies for high value agriculture, value chain development and market demand and investment in land development and irrigation. The existence of a network of community organisations and engagement with line departments (inhouse development approach) of the project will provide opportunities for inclusiveness, equity and transparency.		
Macroeconomic	***Substantial***	***Moderate***
Risk: The country's macroeconomic situation has worsened since 2018, due to high fiscal and current account deficits and low levels of reserves. The medium-term growth outlook was impacted by COVID- 19. High inflation, energy shortages and devaluation of currency are the major concerns.	Substantial	Moderate

Mitigations: Adoptive project management especially adjusting the cost per unit of intervention fall in the purview of the project steering committee and while community participation in the project activities has resulted in saving, the impact of macroeconomic situation is likely to be moderate.		
Fragility and Security	***Moderate***	***Moderate***
Risk: Pakistan's security environment has improved since 2014 as a result of concerted counter terrorist and counter militant operations. The security situation in the province is generally stable. The socio-cultural environment in the region is positive for development interventions and many foreign assisted projects are implemented in the region since 1980. International staff of UN agencies and diplomates are allowed to travel to the province.	Moderate	Moderate
Mitigations: The situation will be continuously monitored and appropriate mitigation measures will be put in place if deterioration of security should emerge in any district. The project have presence in all the geographical areas and have strong acceptability while engaging with strong community organisations and cooperatives.		
Sector Strategies and Policies	**Moderate**	**Moderate**
Policy alignment	***Moderate***	***Moderate***
Risk: The project is well aligned with the federal and provincial government policies and priorities and relevant SDGs. Project design and outcomes respond to the Government's poverty reduction strategy as announced in the National Poverty Graduation Initiative called "Ehsaas" in 2019 and the National Youth Development Framework (NYDF) of 2020. The project also responds to the provincial government priorities for high value agriculture development through value chain approach and youth and women development as articulated in relevant policies. The project is also well-aligned to the Agriculture and Livestock Policies/Strategies of the Government. There is, however, a notable risk of delayed implementation of the policy reforms notably secure land tenure, water policy and road master plan development. This could prevent the project achieving targets in terms of cultivable land under the irrigation schemes.	Moderate	Moderate
Mitigations: IFAD's past and on-going projects and programmes have supported and will support government priorities notably for poverty reduction and agriculture development. ETIGB being a major investment will also contribute to policy reforms and will actively pursue policy development.		
Policy Development and Implementation	***Moderate***	***Moderate***
Risk: The agriculture policy is cognizant of the unique and diverse agro-climatic conditions of the province which provides great potential for the development of high value crops as well as the development of the livestock sector through the value chain approach and private sector involvement. Youth development policies, strategies and programmes gained focus during the last 10 years. However, a key challenge in Pakistan has been the execution of policies including concrete actions, associating reforms and strategies and regulatory frameworks etc.	Moderate	Moderate

Mitigations: The project will continue to provide support for effective implementation of the relevant parts of the policies including the associating strategies, frameworks and capacity building. The strategic interests of smallholder farmers and livestock holders, women, and youth will be addressed by promoting their visibility through recognizing the critical role that they play in the value chains and addressing their needs and priorities. The project shall focus on generating new, simple, and replicable approaches for policy implementation—working collaboratively with all key stakeholders. This will ensure that the successful approaches become visible and generate a strong traction for a wider adoption and implementation by the provincial government.		
Environment and Climate Context	**Substantial**	**Moderate**
Project vulnerability to environmental conditions	***Moderate***	***Moderate***
Risk: GB is a highly mountainous area having some of the largest glaciers outside polar regions. Its is prone to periodic flash floods, landslides, GLOF threat and seismic movements. More area under irrigation without improved water efficiencies may result in increased water and soil run-offs.	Moderate	Moderate
Mitigations: Within project interventions, precautions have been taken to guard against landslides, erosion and floods. Noise pollution is not usually an issue, as there is limited use of heavy machinery, work shift adjustment are practiced to avoid traffic disruption and minimising noise where necessary. Most of the infrastructure works are using predetermined or existing alignment that does not cause any harm to nature, wildlife or fauna etc. The irrigation schemes will actually result in improved water conveyance and water use efficiency. The use of agrochemicals under VACs is guided through focused training programmes which are under implementation.		
Project vulnerability to climate change impacts	***Substantial***	***Moderate***
Risk: The main climate change related challenges in the project area are extreme weather events, change in rain and snowfall patterns and intensity, flash-floods, temperature spikes, fluctuating water flows, soil erosion and loss due to heavy rains and winds etc.	Substantial	Moderate
Mitigations: ETI-GB has ensured that the design of infrastructure schemes is climate resilient with features and protection against flash floods, soil erosion and slides. The project has introduced vertical tunnel farming in the project area to enable the farmers to control production cycles, using the same for off-season and weather-safe processing and drying of products. Where possible, intakes of irrigation channels have been provided with gates to cater against fluctuations. Similarly, provisions have been made in FMRs against sliding and flooding.		
Project Scope	**Moderate**	**Low**
Project Relevance	***Moderate***	***Low***
Risk: The main risk related to project scope are: weak capacities and business orientation of farmer, limited access to finance for better technologies for the production and the promotion of value added agri-processed products, weak services, absence of facilitation for public private producer partnerships (4Ps). In addition institutional sustainability of cooperatives will require handholding and institutional anchorage.	Moderate	Low

Mitigations: The project scope, approach and proposed activities were identified in consultation with the federal and provincial governments and with reference to their development priorities and are highly relevant to the context of GB. The project builds on evidence based lessons from IFAD and other donor-financed projects and programmes in the region. In line with the priorities of the provincial government and IFAD, the transformation potential of agriculture for enhanced incomes and employment will be pursued by addressing the critical issues through farmer organisation and market oriented farmer organizations, private sector engagement and access to financial services.		
Technical Soundness	***Moderate***	***Low***
Risk: The project is technically robust and is based on lessons learnt. Component 1 benefited from the the Sri-Lanka (NADEP/SAP) and the Asian Pacific Farmer Programme (APFP Laos, Cambodia and Mongolia in particular). . One of the potential risks that can be foreseen is that the innovative aspects of the project i.e. improving the agriculture sector productivity and competitiveness through the development of value chains and responding to climate change challenges and community-centric service delivery, are hindered due to skills and capacity gaps within the service providers and beneficiaries.	Moderate	Low
Mitigations: The project design has been kept simple in terms of number, type and range of activities as well as the implementation arrangements. The project will invest in capacity building of beneficiaries and extension services. The project will create an enabling environment for private sector involvement through farmers organisations, improving the quantity and quality of crops and livestock and developing better linkages with markets and value chain actors.		
Institutional Capacity for Implementation and Sustainability	**Moderate**	**Low**
Implementation Arrangements	***Moderate***	***Low***
Risk: Inherent institutional capacity risks are moderate in the province. The planning and development department and line departments are reasonable well placed in terms of management capacities and exposure to participatory development approaches. However, start up delays are common and technical capacity and the skills level of public service delivery institutions may pose a challenge for the implementation of the projects approaches and interventions.	Moderate	Low
Mitigations: As per IFAD experience, the project is well placed under the Planning and Development Department which has a long history of planning and implementation of multi-sectoral participatory development projects. A Project Steering Committee headed by the Additional Chief Secretary of P&D Department, will provide the policy level guidance, oversight, coordination and will take corrective actions where warranted. The project management staff will be recruited on a competitive basis from the public and private sector.		
Monitoring and Evaluation Arrangements	***Moderate***	***Low***
Risk: Owing to skills and capacity constraints, the M&E systems may not be well-positioned to track performance in terms of outputs and instead focus on inputs, thereby contributing to the project delivery risk.	Moderate	Low

Mitigations: An M&E system provides project management, the Government and IFAD with reliable and timely information on project execution performance and results and to ensure efficient and effective project implementation. Impact level studies will be outsourced to third party to bridge the gap of capacity.		
Project Financial Management	**Substantial**	**Moderate**
Project Organization and Staffing	***Substantial***	***Moderate***
Risk: Project has no full time PC, Director Finance, and Regional Coordinator. Understaffing is making it difficult to consolidate progress, maintain momentum of activities and exercise proper oversight of implementation. The project started twice but could not be completed and now the project is in the complation phase so the hiring process is halted. Board members and permanent staff at VACs—that use most of the project funds, continue to lack requisite skills to manage their work effectively. This is creating fiduciary risks in the use of funds.	Substantial	Moderate
Mitigations: • Initiate recruitment subject to project extension; • For VACs, train Board members and full time professional staff, provide them users-friendly manual/tools, and support VACs in managing their jobs. • Establish the requirement of displaying		
Project Budgeting	***Substantial***	***Moderate***
Risk: AWPBs are not timely finalized/approved for FY 2021-22 because the mission asked the project to incorporate the activities under the Italian financing as well in the AWPB 2021-22. However, none of the activities could be initiated under that financing source. The project is now in the completion stage and there is need to explore ways to use financing which appears to be now linked with the project extension.	Substantial	Moderate
Mitigations: • The project to keep engaged with the Italian government and IFAD to ensure there is an agreement on how to proceed in case the project is extension to avoid the bottlènecks that prevented the use of Italian financing to this date.		
Project Funds Flow/Disbursement Arrangements	***Moderate***	***Low***
Risk: FM staff at PCU/RCUs lack an understanding of how government’s revolving fund accounts works.	Moderate	Low
Mitigations: • Train FM staff at PCU/RCUs in revolving fund procedures;		
Project Internal Controls	***Substantial***	***Moderate***
Risk: 4. Internal Controls Risk that appropriate controls over Project funds are not in place, leading to the inefficient or inappropriate use of project resources. Board members/full time staff at VACs are not trained in their jobs, enabling guidance/tools/hand-holding not provided by VCTAT in violation of contract between the project and VCTAT, no uniform policy of recovering advances/making advances, weak design of internal controls under contract with VCTAT (no reporting requirement included etc. as pointed out during last mission also)	Substantial	Moderate

Mitigations: • Internal controls need to be strengthened to rectify the gaps.		
Project Accounting and Financial Reporting	***Substantial***	***Moderate***
Risk: The issue of segregating “inputting” and “verification” function within accounting system needs to be addressed as discussed with the service providers. The quotations were obtained from the service provider but—considering that the project is coming to a completion in September and there is no clarity on whether it woud be extended, the problem has not been resovled. VACs lack skills to manage accounting and financial reporting functions effectively.	Substantial	Moderate
Mitigations: • Initiate the process of updating the software immediately in case the project is extended. • Enabling tools/guidance need to be provided to Board members/full time accountants at VACs to ensure accounting and financial reporting function is compliant with applicable requirements (IFAD, provincial cooperative departments etc.)		
Project External Audit	***Moderate***	***Low***
Risk: Finding and recommendation from the audit report of 2019-2020 and 2020-2021 have not yet been followed up.	Moderate	Low
Mitigations: • Folllow up all audit recommendations effectively to ensure the same observations do not show up in future audits. • Ensure that audit report for financial year 2021-22 is submitted to IFAD by 31 December 2022.		
Project Procurement	**Substantial**	**Substantial**
Legal and Regulatory Framework	***Substantial***	***Substantial***

Risk: Reference Country and Sector/Agency Procurement Risk Assessment (CSPRA) dated 2020. 1). Public procurement is essential for an efficient and effective state. First, the absence of effective procurement can usually lead to wastage of public money. Leakages are common in countries that lack procurement rules and regular monitoring. Second, without effective procurement, there are delays. Delays in emergency medicine or textbooks can have large financial, political and social costs. Third, improper procurement management enables corruption 2). The Government of Pakistan (GOP) promulgated the PPRA Ordinance No. XXII in 2002 as the Parliament stood dissolved at that time. This ordinance not only established Public Procurement Regulatory Authority (PPRA) as the agency to regulate public procurement of goods, works, and services but also changed the paradigm of how public procurement is to be reformed, managed, monitored and evaluated. The PPRA Ordinance, along with other ordinances, was legalized by the 17th Amendment in the 1973 Constitution in December 2003. The ordinance assigns ten functions to the PPRA under PPRA Ordinance (Section 5), including monitoring of procurement laws, rules, regulations, practices and performance of procuring entities as well as recommending or making new legal instruments to increase procurement efficiency. It provides assistance to public bodies in capacity building and in improving their institutional setups. PPRA submit regular reports to the federal government. 3). In 2004, the PPRA, under Section 26 of PPRA Ordinance, notified Public Procurement Rules (PPR). Both the PPRA Ordinance and the 2004 PPR are not only significant step with respect of federal public procurement but also provincial public procurements as they became the basis of all four provincial PPRAs and PPRs. 4). The notifications of Public Procurement Regulations in 2008, 2009 and 2011 strengthened the procurement mechanism further. The Public Procurement Regulations for Procurement of Consultancy Services were notified in November 2010. With these rules and regulations, the PPRA also regularly issued instructions to clarify or interpret the rules and regulations. In 2010, the PPRA strengthened the grievance mechanism directing the Principal Accounting Officers to conduct an administrative review on the findings of complaints and take action when there was unfair and non-transparent procurement process and convey the decision to the PPRA, the aggrieved bidder and the procuring entity prior to the award of contract. Also, in 2010, the PPRA clarified that price matching was forbidden. In 2012, the PPRA instructed the ministries and departments to regularly submit bid evaluation reports as required under PPR 35, on the prescribed format. In 2014, PPRA reminded the Secretaries and Principal Accounting Officers that every procuring agency has to prepare and upload an annual procurement plan on the PPRA's and the procuring agency's own website as given in PPR 8 and 9. 5). One of the major gaps in the legislative and regulatory framework is regarding public private partnership (PPP). There are no rules related to PPP, however, the PPRA has only issued an instruction in 2008 that the projects where there is a government and private party joint equity or ownership, the PPRs will apply and where government does not have an equity, the PPRs will not apply. The Public Procurement Regulations for Procurement of Consultancy Services do not provide detailed guidelines on the development of terms of reference (TOR), remuneration calculation, evaluation of expressions of interest (EOI), technical evaluation of experts, replacement of experts and financial evaluation, etc.	Substantial	Substantial
Mitigations: Reference Country and Sector/Agency Procurement Risk Assessment (CSPRA) dated 2020. on proposed long, medium and short term measures.		
Accountability and Transparency	***Substantial***	***Substantial***
Risk: Reference Country and Sector/Agency Procurement Risk Assessment (CSPRA) dated 2020. 1). Control and audit systems: The office of the Auditor General of Pakistan is very well established given the criticality of its role in the country. Financial controls and	Substantial	Substantial

audit framework exist at both federal and provincial levels. Internal audit is a type of financial control inside the procuring agency that can check the veracity and legality of the procurement disbursements. External audit is done once a year by the Auditor General of Pakistan (AGP). Internal audit regulations exist at federal level. State-owned enterprises have their own internal audit rules and mechanisms. All donor-funded projects are also subject to audit by the auditors of Auditor General of Pakistan office. The auditors, however, struggle when it comes to applicability of Rule 5 of PPR 2004. In almost every project, Donors needs to interfere to help them get familiarized with the Rule 5 which clearly support use of Donor's guidelines/regulation in case of donor funded projects.

2). Internal audit's value as a control mechanism increases manifold, if it is used by the top management not only as a way of correcting immediate specific missteps but also as a feedback mechanism to improve internal financial/procurement procedures. Regular reports from internal auditor can assist top management in identifying areas where missteps happen regularly and suggestions to change procedures to decrease them. Unfortunately, internal audit reports are rare, and focus is only on following the financial procedures.

3). Grievance/Complaint review mechanism: Grievance redressal is linked to pre-contract issues and is crucial for the procurement process to result is the best value for money. Integrity and accountability cannot be ensured without an appropriate grievance redressal mechanism.

The PPR 48 details the redressal mechanism for the aggrieved party. A bidder can lodge a complaint to the PA's grievances redressal committees within 15 days of the bid evaluation report and the committee is bound to decide the case in 15 days. However, PAs can award contracts within 10 days of announcement of results of bid evaluation in the form of report according to PPR 35. This creates a problem of lag of 5 days between contract award and deadline for logging a complaint. The PAs are required to constitute grievance redressal committee comprising of odd no of persons to address the complaint of the bidders prior to award of the contract as per PPR-48(1). PPRA website provide list of such committees.

4). The mechanism for post-contract disputes (Arbitration), given in PPR 49, advises the parties to follow arbitration. The information about arbitration process must be given in the contract. The mechanism seems biased towards the PA as the grievance's redressal committees are constituted of officers working with the PA, making the PA both respondent of the complaint as well as its adjudicator. If the decision by the committee is against the bidder, he or she can approach the courts, but this option does not help much as it may take further longer time to adjudicate the cases. As mentioned earlier, principal accounting officers are required to conduct administrative reviews after the redressal of complaints and these reviews, and the action taken to improve the mechanism should be shared with the PPRA.

5). It is mandatory for PAs to advertise the procurement opportunity on their official websites, upload on PPRA's website, and when required publish it in two national dailies (one English and one Urdu newspaper). Information regarding prequalification exercise and evaluation criteria to be used is required to be announced. The PPRs require bidding documents to be made available to all concerned and contain all the relevant information. Evaluation reports and award of contracts including reasons for awarding the contract etc. are also announced on websites. The PAs are required to keep record of every procurement activity for a minimum period of 5 years. Under the PPR 47, the procurement record is made public after completion of procurement process. A procuring agency can only withhold disclosure of information after prior approval of PPRA.

6). PPRs clearly define corrupt practices as 'corrupt and fraudulent practices' including the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the PAs or misrepresentation of facts in order to influence a procurement process or the execution of a contract, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the PAs of the benefits of free and open competition and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty. In this context, the federal procurement framework requires the use of integrity pacts for public purchases over PKR10 million (less than $ 67,000) to prevent corruption in public procurement at the national level. It also provides for disqualification and blacklisting for

improper conduct. 7). PPRs clearly stipulate that any unauthorized breach of rules shall amount to mis-procurement. However, the rules are silent on what to do next and what to do with the authorized breach of rules. The PPRs do not address violations of procurement procedures, conflict of interest or unethical behaviour etc. Provisions in the PEC guidelines fill the gap and address many of the issues relating to fraudulent practices in public procurement. 8). The most important law dealing with corruption and corrupt practices in Pakistan is National Accountability Bureau (NAB) Ordinance, 1999 This law established NAB; defined corrupt practices; and formulated procedures on how to penalize corrupt officials. Besides NAB, there is a Federal Investigation Agency (FIA) and anti-corruption departments in provinces to enforce anti-corruption laws. Overall enforcement of laws needs improvements. 9). Exemptions: Transparency requires that if exemptions from procurement laws, rules and regulations are to be given, they should be given publicly and in advance. Under Section 21 of the PPRA Ordinance, the authority may, based on reasons given in writing, request the Federal Government that the procurement of an object or objects may be exempted in the national interest from the operation of PPRA Ordinance, PPR and PPRA regulation or any other law regulating public procurement. In the initial years, the PPRA received numerous requests from different Ministries/Divisions for exemptions in national interest. In some cases, such as for some procurements of Ministry of Defence, the PPRA recommended the Federal Government to approve exemptions. However, most of the exemption requests were denied.		
Mitigations: Reference Country and Sector/Agency Procurement Risk Assessment (CSPRA) dated 2020. on proposed long, medium and short term measures.		
Capability in Public Procurement	***Substantial***	***Substantial***
Risk: Reference Country and Sector/Agency Procurement Risk Assessment (CSPRA) dated 2020. 1). The competitiveness of the markets depends on the product, category, clarity of specifications, and timeframe. Generally, the market at the federal level are competitive. Ministries, departments, and autonomous bodies usually receive three to five bids. Companies, doing regular business with the GOP, have offices in Islamabad and are well-versed in understanding the market dynamics as well as government rules and regulations. In the early years, procurement laws, rules and regulations were not known to contractors and suppliers and government officers had to guide them. Now, the situation has reversed, and contractors, suppliers and consultants know more about procurement rules and regulations than government officers who have not yet trained by the PPRA at the NIP. 2). There are professional bodies in place representing contractors and consultants. In 1998, a Constructors Association of Pakistan (CAP) was established in Lahore. It has a membership of more than 200 firms involved in implementing construction projects in public and private sectors across Pakistan. There is a mechanism in place for enlistment with any given department such as Pak Public Works Department or National Highway Authority. Each enlisted contractor somehow gets some work/project to implement during the year. The enlistment requirements are primarily based on the PEC registration criteria, category and field of specialization. New entrants without having substantial experience are also welcome to the Association. 3). On consultant side, Association of Consulting Engineers of Pakistan (ACEP) was established in 1989 in Karachi. It has three branch offices (Lahore, Islamabad and Peshawar) and membership of about 120 consulting firms, including all big consulting firms in Pakistan. The ACEP collaborated with ADB for BOS in 2012. Recently, the ACEP held a conference on procurement of services, works and goods at Karachi. The ADB procurement team participated in the conference and made a presentation on common issues relating to the performance of consulting firms on ADB-funded projects. A follow-up meeting was held with the vice president of ACEP and variety of issues of common interest and venues of collaboration in future were discussed at length. 4). Some of the key issues, according to the contractors and suppliers, in doing business with the government are delays in payments, delays and cancellation of	Substantial	Substantial

tenders because of transfer of officers, focus on price instead of quality, low cost estimation, and lack of clear specifications. At present, the over-zealous drive of National Accountability Bureau (NAB) is also an issue which the government is trying to mitigate.

5). Project Planning12: In Pakistan, the present method for planning, processing and reporting on development projects is based on the "Rules of Procedure for Economic Council", Planning Commission and Planning Sub-Commissions, issued by the former Ministry of Economic Affairs, Government of Pakistan in September, 1952. Five proformae (revised in 1995) were prescribed for preparation and implementation of development schemes. PC-I and PC-II deal with submission of project proposals, PC-III with progress of ongoing projects, PC-IV and PC-V are to be filled in after completion of a project. As many as 14 PC-I forms have been designed for various sectors.

6). Procurement Methods: The open competitive bidding is the principal method of procurement according to the PPR 20. According to the discussions with the PPRA management, more than eighty five percent of the procurement is done using open competitive bidding. The open competitive bidding is to be preceded by advance planning, restriction on splitting or regrouping of tenders, designing of generic specifications and following prescribed methods of advertisement and minimum time limits (minimum 15 (calendar) days response time for national competitive bidding and 30 (calendar) days for international competitive bidding). PPRs require publication of pre-qualification and qualification criteria for bidders as well as inclusion of detailed evaluation criteria in the bidding document. The public opening of the bids and announcement of the bid evaluation report are some of the other provisions in the PPRs that are intended to promote greater transparency. While prescribed methods of advertisement and minimum time limits and requirements of publication of pre-qualification and qualification criteria for bidders are generally followed, transparency at the time of bid evaluation, subsequent publication of results of evaluation reports and regular analysis of the evaluation reports for learning lessons is uncommon.

7). The PPR 42 prescribes other methods of procurement where open competitive bidding is not feasible. The PPRs clearly identify financial thresholds, as well as existence of certain pre-conditions before other method(s), are applied. Negotiated tendering is permitted in cases of extreme urgency that does not result from the procuring agency's own actions and reasons for such decisions are to be stated clearly. The PPRA has been active in assisting over fifteen public sector enterprises and a couple of GOP ministries in reviewing and redesigning their procurement procedures and preparing comprehensive manuals or references.

8). Standard Bidding Documents: Despite efforts of more than a decade, the PPRA has been unable to come up with its own SBDs. Prior to adoption of PEC SBDs (works) by PPRA, the executive committee of economic council (ECNEC), notified use of PEC SBDs (civil works, E&M, as well as engineering consultancy services for both large and small projects). The PPRA adopted PEC's SBDs (civil works) only through notification in 2008 and made it mandatory on the government ministries, attached departments and autonomous bodies to use them. These SBDs are to be used by all ministries, SOEs and semi-autonomous bodies, except specifically exempted. PPRs allow the PAs to follow the donor's procurement guidelines where the government has signed a loan agreement.

9). Advisory Group on Public Procurement (AGPP): The PPRA was instrumental in the constitution of Advisory Group on Public Procurement (AGPP). The AGPP brings together Federal and Provincial PPRAs and other stakeholders, such as donor agencies (World Bank, ADB, JICA, etc.) and representatives of the private sector i.e. Contractors Association of Pakistan. One of the key achievements of the AGPP was the finalization of the National Procurement Strategy (2013-16). It provided a common vision and a road map for improvement to both the federal and provincial PPRAs. The strategy sought to harmonization the legal framework for procurement across the country and amendments in rules to make public procurement fairer, efficient, transparent and accountable.

10). As in the case of SBDs, the PEC helps the system operate by providing guidelines governing engineering consultants and related disciplines. The PECs "Standard Guidelines for Evaluation of Proposals for Procurement of Engineering Services" reflect international best practice and merit recognition and support. The PEC contract documents for goods, works and consultancy services appear to be balanced and their use, after bringing them in line with PPRs 2004 should be encouraged but, it's about time the PPRA issues its own SBDs.

11). Currently, World Bank is aiding improve public financial management (PFM) in the federal government.15 One of the key result areas of the public financial management and accountability to support service delivery program is improved procurement performance. The focus of this key result area are capacity building and e-procurement. 12). Composite Schedule of Rates (CSRs): The budget is allocated based on the procurement plan which includes cost estimates developed from CSRs. Following the increase/decrease in prices of materials and labor, the revision / updating of CSRs needs to be carried out accordingly. The provincial governments have developed the market rate system (MRS) using rate analysis formulae developed for previous CSRs with slight improvements wherever necessary. The variation in the proposed rates is anticipated in certain cases, which may be due to varying levels of productivity and price differentials of various inputs at the regional level. The market can change very rapidly, which would obviously have an impact on the unit rates. It may be understood that main objective of the CSR is to provide a realistic reference base for preparing cost estimates / PC-I and evaluation/comparison of bids, for development projects.		
Mitigations: Reference Country and Sector/Agency Procurement Risk Assessment (CSPRA) dated 2020. on proposed long, medium and short term measures.		
Public Procurement Processes	***Moderate***	***Moderate***
Risk: The risk that procurement processes and market structures (methods, planning, bidding, contract award and contract management) are inefficient and/or anti-competitive, resulting in the misuse of project funds or sub-optimal implementation of the project and achievement of its objectives.	Moderate	Moderate
Mitigations: Reference detailed PRM Pillar B Assessment for proposed mitigation measures.		
Environment, Social and Climate Impact	**Moderate**	**Low**
Biodiversity Conservation	***Moderate***	***Low***
Risk: There is a moderate risk of, or threat to the loss of biodiversity, availability of diversified nutritious food, ecosystems and ecosystem services, or the unsustainable use/production of natural resources.	Moderate	Low
Mitigations: The project is unlikely to have any adverse impact on biodiversity in the project area. The project will invest in eco-friendly infrastructure and support the introduction of climate smart and sustainable technologies for agriculture and livestock. Communities will be consulted and sensitised on the need to conserve biodiversity and will be engaged in all such efforts.		
Resource Efficiency and Pollution Prevention	***Moderate***	***Low***
Risk: There is a low risk of causing pollution to air, water, and land, and of inefficient use of natural resources that may threaten people, ecosystem services and the environment.	Moderate	Low

Mitigations: To mitigate any risk, the project plans to invest in various measures that will promote resource efficiency. These include efficient water use technologies for agriculture production, sustainable livestock production systems and climate and social risks mitigation actions.		
Cultural Heritage		***No risk envisaged - not applicable***
No risk envisaged		
Indigenous People		***No risk envisaged - not applicable***
No indigenous people are involved		
Labour and Working Conditions	***Low***	***Low***
Risk: The risk that the project may cause exploitative labour practices like in-kind community contributions of labour left to the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) at the expense of their wage earning opportunities.	Low	Low
Mitigations: The risk will be mitigated, as practiced in other IFAD financed project, through exempting the chronically, extreme and vulnerable poor (BISP Poverty Score Card Category 0-16) from any cash or in kind contributions.		
Community Health and Safety	***Low***	***Low***
Risk: There are no envisaged risks of significant negative impacts on community health and safety. In fact, the project expects to have several positive impacts through climate smart and sustainable agriculture technologies, including the promotion of IPM and reduced use of pesticides. The project interventions are also expected to result in greater availability of high nutrition value foods in households and communities, which are a key driver of health. Exposure to pandemic may pose a minor risk.	Low	Low
Mitigations: Mitigation measures will include awareness creation and sensitisation is planned.		
Physical and Economic Resettlement		***No risk envisaged - not applicable***
No risk pertain to this project.		
Greenhouse Gas Emissions	***Moderate***	***Low***
Risk: The risk of any significant increase of greenhouse gas (GHG) emissions and thereby of contributing to anthropogenic climate change is minimal.	Moderate	Low
Mitigations: No specific mitigation measures are required.		

Vulnerability of target populations and ecosystems to climate variability and hazards	***Low***	***Low***
Risk: Rural populations in the province are faced with inherent vulnerability to weather related environmental conditions such as increased variability of snow/precipitation, impact of receding glaciers on the river systems, decreased capacity of existing water reservoirs, and extreme events including flash floods and land/mountain slides. The provincial government has a climate change policy and most climate-sensitive sectors have climate-compatible medium term plans and budget—which also include performance indicators and targets. Climate actions have been mainstreamed into policy landscape largely with assistance from donors. However, the relevant line departments i.e. agriculture, industry, livestock, etc. continue to lack technical capacity to implement provincial government's climate change agenda. Hence, there is material risk that the line departments and other parties would not effectively mainstream climate aspects in implementing project activities.	Low	Low
Mitigations: The project will facilitate the provincial government in improving resilience of farmers to the climate change. Some proposed adaptation and mitigation actions include the appropriate screening for climate smart agriculture, food and fruit processing facilities and other subprojects where village agriculture cooperatives will be engaged. The promotion of sustainable land and water management practices, and the capacity building of government staff and beneficiaries for risk reduction and for building resilience is part of the intervention related to economic infrastructure.		
Stakeholders	**Low**	**Low**
Stakeholder Engagement/Coordination	***Low***	***Low***
Risk: Stakeholder engagement and coordination risks are low as the project will use the successfully tried and tested institutional arrangements for stakeholder consultation and coordination among and between implementation agencies and stakeholders. The province has long history of implementation of donor funded participatory integrated development projects	Low	Low
Mitigations: The project design and its institutional arrangements are based on extensive discussions with government and on lessons learnt. Key stakeholders include the government planning and development and line departments, services providers, existing community organisations/groups and private sector engaged in agriculture value chains. The Project Steering Committee will facilitate the provincial level coordination and mechanisms have been put in place at operational/field level for inter departmental, civil society, private sector and community level coordination.		
Stakeholder Grievances	***Low***	***Low***
Risk: There is a no or minimum risk related to the selection of the target group and the participation of poor, smallholder farmers, women and youth in the project activities.	Low	Low

Mitigations: The selection of the target group and households, particularly the extreme, chronically and vulnerable poor, will be guided by the BISP Poverty Scorecard. A national Poverty Score Card based on Proxy Mean Testing was developed for the identification of poor households eligible for unconditional cash transfer. IFAD introduced this accurate and reliable targeting tool in the country which has a hallmark for targeting strategies for poverty reduction and smallholder agriculture development and is being adopted across the country by government and donors. For the small farmers the definition of the Government will be used.		