IFAD
Investing in rural people

Islamic Republic of Pakistan

Economic Transformation Initiative Gilgit-Baltistan

Programme Design Report

Main report and appendices

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Currency equivalents

Currency Unit	= Pak Rs.
US$1.0	= Pak Rs. 102.5

Financial Year

IFAD	Jan-December
Pakistan/GB	July-June

Weights and measures

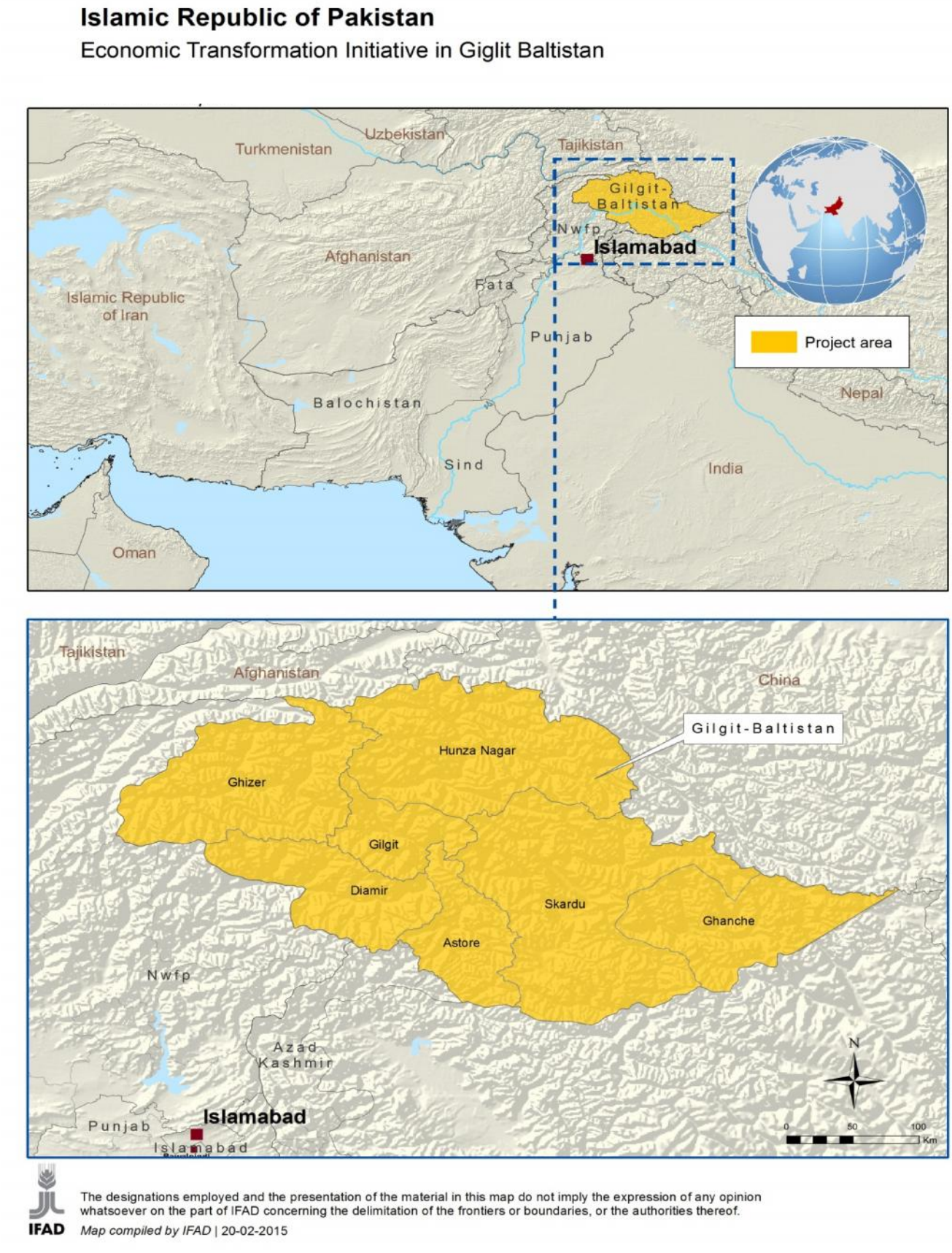
1 kilogram	=	1000 g
1.00 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

Abbreviations and Acronyms

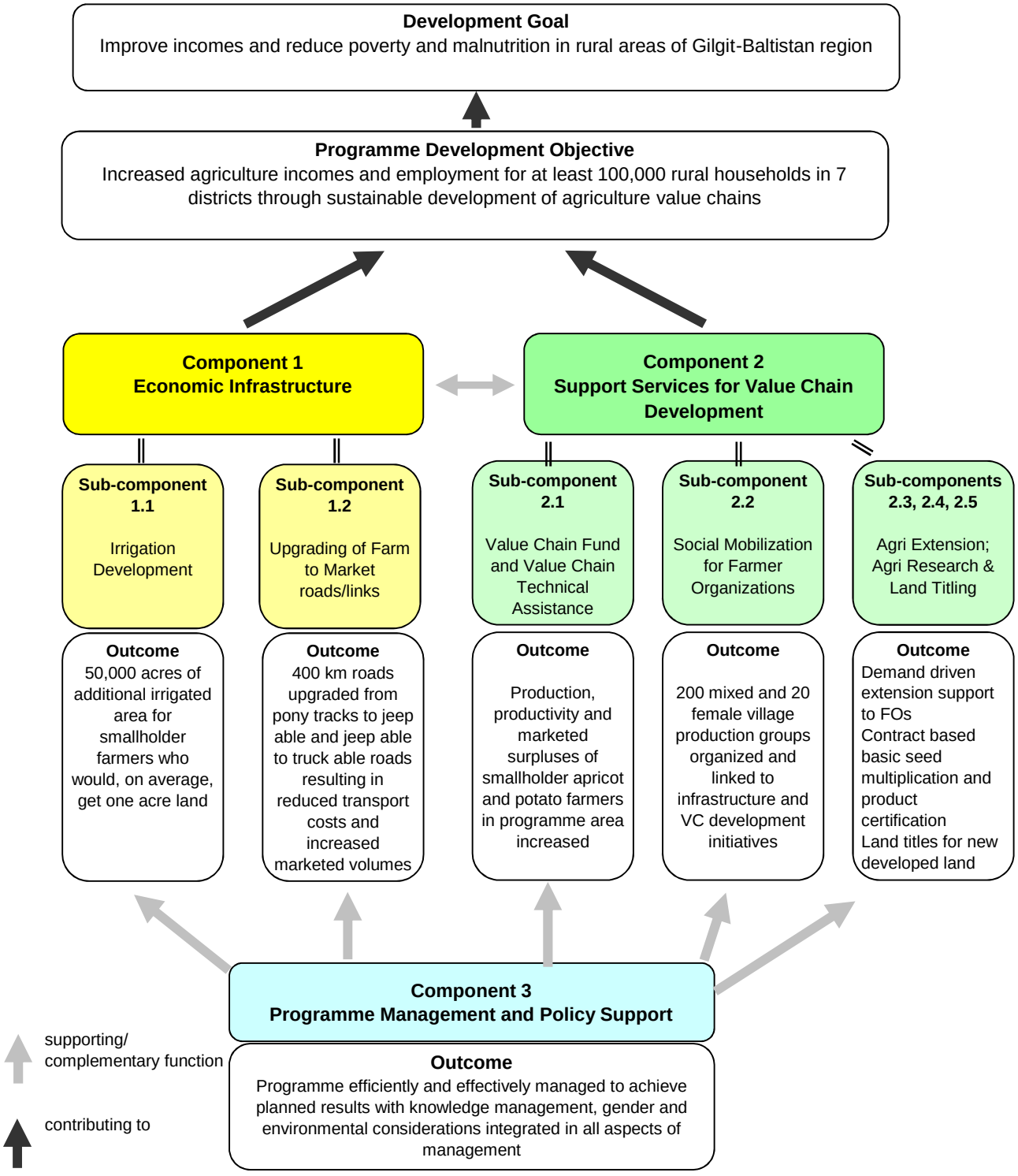
ADB	Asian Development Bank
AG	Auditor General of Pakistan
AKF	Agha Khan Foundation
AKRSP	Agha Khan Rural Support Programme
ASF	Agriculture Support Fund
AWPB	Annual Work Plan & Budget
CO	Community Organization
COSOP	Country Strategic Opportunities Programme
CPE	Country Programme Evaluation
CPI	Community Physical Infrastructure
CPMT	Country Programme Management Team
DCC	District Coordination Committee
DCU	District Coordination Unit
DPAP	Diamer Poverty Alleviation Programme
EIRR	Economic Internal Rate of Return
ETI	Economic Transformation Initiative
FAO	Food and Agriculture Organization of UN
FMR	Farm to Market Roads
FY	Financial Year (01 July to 30 June)
GDP	Gross Domestic Product
GB	Gilgit-Baltistan
GoGB	Government of Gilgit-Baltistan
GoP	Government of Pakistan
ICO	IFAD Country Office

ICIMOD	International Center for Integrated Mountains Development
IFAD	International Fund for Agricultural Development
IUCN	International Union for Conservation of Nature
JICA	Japan International Cooperation Agency
KKH	Karakoram Highway
KM	Knowledge Management
LAMP	Livestock and Access to Markets Project
LG&RD	Local Government & Rural Development Department
LS&DD	Livestock and Dairy Development Department
LSO	Local Support Organization (AKRSP)
MDG	Millennium Development Goals
MoU	Memorandum of Understanding
MTDF	Medium-Term Development Framework
MTR	Mid-Term Review
M&E	Monitoring & Evaluation
NADP	Northern Areas Development Programme
NATCO	Northern Areas Transport Company
NGO	Non-Government Organization
P&D	Planning & Development Department
PC-1	Planning Commission Project Proforma1
PCC	Project Coordination Committee
PCR	Project Completion Report
PCU	Programme Coordination Unit
PIM	Programme Implementation Manual
PPAF	Pakistan Poverty Alleviation Fund
PRSP-II	Poverty Reduction Strategy Paper-II of Pakistan
PSC	Project Steering Committee
PWD	Public Works Department
QA	Quality Assurance
QE	Quality Enhancement
SMC	Scheme Management Committee
SMP	Social Mobilization Partner
SOE	Statement of Expenditure
SPPAP	Southern Punjab Poverty Alleviation Project
TCL	Tissue Culture Laboratory
ToR	Terms of Reference
UC	Union Council (Lowest tier in local Government system in Pakistan)
USAID	United States Agency for International Development
UNDP	United Nations Development Programme
VCSF	Value Chain Support Fund
VCTAT	Value Chain Technical Assistance Team
VO	Village Organization
VPG	Village Producers Group
VPA	Valley Producers Association
WB	World Bank
WFP	United Nations World Food Programme
WMD	Water Management Directorate
WO	Women Organization

Map of the Project area



PROGRAMME OVERVIEW



Executive Summary

A. Background and Rationale

1. **National Economic and Poverty context.** Pakistan Country Strategic Opportunities Programme (COSOP) 2009-15, identified Gilgit-Baltistan as one of priority areas on the basis of lessons learnt during implementation of previous IFAD-funded NADP in the region and the area's comparative deprivation and higher incidence of poverty. Poverty in Pakistan is concentrated in rural areas where 70% of the population lives. World Bank's Poverty Headcount Analysis, based on US$ 1.25/day income definition, estimates 21% of Pakistan's population below poverty line and if the line is raised to US$ 2/day then 60% of the population is below poverty line. On Global Gender Gap Index 2014, Pakistan stands 141 out of 142 countries ranked with a score of 0.553. Agriculture remains an important sector for Pakistan both for its economic and industrial growth as well for poverty reduction. 21% of GDP and 44% of the employment is generated by Agriculture sector. Agriculture growth has however stagnated around 1-2 per cent growth since 1990s due to structural and policy issues, fragmentation of landholdings and poor support and value chain development services. Horticulture and vegetable production is one area that has grown more rapidly compared to other crops and holds much promise for better returns for the smallholders but there are still considerable challenges in terms of scales, quality, access to markets and value addition/processing.

B. Rural/Regional Context, Geographic Area and target Groups

2. Gilgit-Baltistan is a highly mountainous and remote region covering 72,496 sq km with around 1.3 million population. Population density is only 18 person/sq km and road density is the lowest within the country. Adult literacy rate is 36% (national over 40%) and per-capita income is around 90% of national per capita income. In terms of rural poverty, a distinctive feature of GB is that over 90% of the people own some agricultural land as compared to 52% in rest of the country. However, per capita holding is very small at 0.6-0.8 acres. Small holdings and other physical challenges result in lower consumption (90% of the national average) and poverty is 29% as compared to overall ratio of 21% in the country. A FAO survey in 2014 shows only 26% population as food secure, 41% as moderately food insecure and 32% as highly food insecure.

3. **The potential of the GB Agriculture sector for growth and poverty reduction:** As over 90% of the population is engaged in agriculture, the sector holds a very important place for GB's growth and poverty reduction. Due to its seasonal and elevation advantages, there has been a move towards production of higher value cash crops like fruits and vegetables, apricot and potato being the largest in terms of area and production. A number of pilot projects by USAID, JICA, AKRSP and ASF have demonstrated the potential for improved returns for farmers through improved agriculture products, value addition, processing and marketing. However, these pilots are yet to be taken to a scale due to existing limitations in terms of low productivity and scattered production, high post-harvest losses, limited irrigated lands, inadequate extension and research support, poor road access and disconnects between public sector, private sector and farmers/producers. GB currently produces 169,000 tons of fresh and dry fruits out of which only 10,119 is being marketed in mostly low end markets and a huge volume equal to 57,178 tons is wasted due to issues along the value chain. Similarly, in vegetables, against the production of 152,000 tons, around 12,000 tons goes waste. In short, the GB rural economy suffers from the classic triad of challenges i.e. density, distances and division and needs an integrated solution involving institutions, infrastructure and incentives.

4. **Institutional Context:** GB remained a special area within Pakistan from 1947 to 2009 with no representative and locally accountable governance system. The GB Empowerment Act 2009 led to the establishment of a representative government and status of a province with its own legislature, courts and legal framework. Consequently the provincial policies and departments have also started to evolve but important gaps in terms of policy framework and institutional capacities for rural and agriculture development still remain to be addressed.

5. **Geographic and Thematic Scope of the programme:** ETI will have a programmatic approach whereby it would focus initially on products and geographic areas where there is maximum promise for traction and keep the option of scaling up open if the results and outcomes so suggest. The economic infrastructure activities will be implemented in four poorest districts in the region but value chain development component will have a regional approach in view of cross-cutting nature of value chain development needs and services. Within these districts, valleys and villages will be prioritized

on the basis of weighted criteria including population, number of poor households, production of priority crops for value chain development, potential for expanding irrigated areas etc. A total of 200 villages will be covered through Village Producers Groups within which 200 will be mixed groups of men and women farmers and 20 will be exclusively women producer groups. Programme will initially focus on two prime products of the area: apricot and potato with a small pilot on women centered dairy marketing initiative.

6. **Beneficiary Targeting Strategy:** Smallholder farming households having an average landholding of less than one ha and women-headed and landless households, around 5% of the total households in target districts, will be the primary target group. Other beneficiaries will include small-scale processors, trading and export cooperatives, value adders, input suppliers and transporters. Gender will be mainstreamed in all aspects of the programme and youth and women will be specifically targeted in skill development for income generation relevant to programme interventions. The entry point for the programme will be organized Village Producers Groups and Marketing Associations. In organizing these groups and associations, the programme will build on the existing social capital generated by the COs organized under other prorgammes in the region since 1982. Through the range of programme activities, an estimated 100,000 smallholder households, including women and youth beneficiaries, will get direct benefits from value chain and irrigation development activities. Another about 100 local entrepreneurs will be assisted in scaling up their services for different segments of value chains. Another about 10,000 persons will draw indirect benefits from FMR, extension, research and other investments.

C. Programme Objectives

7. **Programme Strategy:** ETI seeks to follow a holistic and demand driven approach to value chain development of, initially, apricot and potato and other promising products of Gilgit-Baltistan. This involves education, capacity building and networking of all the stakeholders along the entire value chain backed by appropriate enabling policy support. The main fulcrum of this approach would be 4P model whereby producers/farmers, public sector, and private sector will be linked in mutually responsible partnerships**.** At the producer level, organizing into producer groups and developing Value Chain Development Plans will be the key elements to address aggregation, quality and marketing challenges. The strategy is expected to develop capacities and networks for sustainable expansion of production and marketable surpluses resulting in increased incomes and poverty reduction. Improved incomes will generate income and food security and improved nutrition levels for the target poor.

8. The **overall goal** of the programme is to improve incomes and reduce poverty and malnutrition in rural areas of Gilgit-Baltistan region. The development objective is increased agriculture incomes and employment for 100,000 smallholder rural households in Gilgit-Baltistan.

D. Components

9. **Component 1: Economic Infrastructure for Value Chain Development (US$ 61.45 million/ 61% of base cost):** The component consists of two linked sub-components which, together, support the overall programme objective of increased incomes through value chain development. (i) The irrigation sub-component seeks to build on/scale up the tried and tested community-based irrigation development approach to add 50,000 acres of new irrigated land, resulting in provision of, on average, one acre of irrigated land to the beneficiaries including women headed households and landless. The farmers will be also assisted in early development of land. Instead of following the traditional 20% community-contribution approach, the programme will sponsor construction on full payment of cost and would thereby inject around US$ 20-30 million in local rural economy in the shape of wages. However, the beneficiaries will be required to pay back 50% of the construction cost, over three crop seasons, into a community account jointly operated with ETI, which would be used for additional infrastructure, value chain related facilities and local social development needs as per criteria and agreed village development plans. (ii) Farm to Market Roads sub-component seeks to link existing production areas and newly developed irrigated areas to main valley roads and trunk roads through construction of 400 kms of farm to market roads. Programme will support upgrading of existing pony tracks to jeepable standard (40% of target) and jeepable roads to truckable standard (60% of target).

10. **Component 2: Support Services/PPPP for Value Chain Development (US$ 31.25 million/31% of base cost):** The component will initially focus on two products – apricots and potatos and any additional products will be considered for addition during MTR. The component will be driven

by a commercial and market centered approach whereby contracts between GB producers of apricot and potato and buyers in the down-country/exporters will drive the business plans of producer's associations and support from programme and implementing agencies. Main interventions will include:

i. Identification of priority target villages and valleys in each district
ii. Organize village producer groups (VPGs) and valley level producers' associations (VPAs) and facilitate their engagement with private sector and other actors and investments of the project.
iii. Establishment of Stakeholder Working Groups for each value chain to steer the programme strategy for value chain development
iv. The farmers' association, processors and other related service providers will be assisted through a Value Chain Technical Assistance Team (VCTAT) to develop business plans and marketing strategies, build product volumes as per agreed quality, and access capital for development to realise full potential of their products.
v. The extension and research agencies of government would be assisted to build capacities for effective service delivery to VPGs and VPAs.
vi. The capital needs for producers' associations, private sector service providers, processors and packagers, transporters etc. will be met through a Value Chain Development Fund which will follow a matching grants mechanism. In addition a pilot will be tested in collaboration with DFID and State Bank of Pakistan under DFID funded credit Gurantee Scheme.
vii. Addressing nutritional deficiencies through a holistic training and awareness programme; Targeting special needs groups like landless, women headed households and other vulnerable segments and assist them through specially tailored products and approach that afford them active participation and benefit from value chain activities.
viii. Assisting Government in formulating pro-poor policies and regulations for land records and titling, Irrigation Water Usage and management, Roads O&M and effective use of extension and research services.

11. **Component 3: Programme Management and Policy Support (US$ 8.33 million/8% of base cost):** This component will put in place an effective programme management and coordination system led by a Programme Steering Committee headed by Chief Secretary. Under the guidance of PSC, the PCU will be an autonomous institution responsible for project budgets and annual plans, coordination and monitoring, procurement and annual audits and management of value chain development fund. PCU will also support government and related departments in implementation of programme supported policy development and implementation. Gender, youth, environment, knowledge management and communication considerations will be integrated in all aspects of programme management.

E. Benefits

12. **Main programme benefits will include:**

a. About 100,000 smallholder households, landless households with unemployed youth and women-headed households would be direct beneficiaries of programme interventions. Another 10,000 small-holders, daily wage workers, artisans, masons etc. will also derive direct and indirect benefits from programme interventions. Around 100 processors, value adders and other service providers along value chain will also benefit.

b. 50,000 acres of new irrigated land would be added to existing production area thereby increasing the local irrigated area by around 30%. 400 km of improved roads will be added reducing the transportation costs and enabling farmers to transport more quantities with better quality

c. About US$ 25 million injected in rural economy through labour payments for irrigation development and around US$ 23 million recovered and reinvested in same villages for other socio-economic development, in addition to labour employment generated in upgrading roads and food processing

d. 220 Village Producer Groups benefitting from range of capacity building and local processing, storage and value addition facilities

e. Establishment of a market driven sustainable system for potato seeds and fruit plant production

f. Capacity building of WMD, PWD, Agriculture Extension and Agriculture Research for better service delivery commensurate with the status of a provincial agency

g. Policy formulation and reform in critical areas of Water/Irrigation management, roads O&M, land records and titling to ensure improved service delivery, better governance and sustainability

F. Implementation Arrangements

13. **Lead Implementing Agency.** Planning & Development Department, GoGB will be the Lead Executing Agency, overseeing implementation through an empowered and autonomous PCU. P&D Department has been selected in view of the multi-sector nature of the programme involving a range of public sector departments, local social mobilization agencies and private sector. A small ETI Support Cell will be established in P&D Department consisting of a Programme Officer and a Programme Assistant to follow up on all programme related matters.

14. **Programme implementation.** Programme implementation will follow a hybrid model where different components/activities will be implemented by different public agencies, NGOs and private sector service providers/implementing partners whose inputs will be coordinated by an autonomous Programme Coordination Unit (PCU). Headed by a Programme Coordinator, PCU will be responsible for the overall planning, coordination, fiduciary management and monitoring of the programme, and for consolidating the AWPBs in consultation with DCUs and service providers contracted for the programme. PCU will have necessary complement of technical staff and all positions will be filled on competitive basis.

15. ***Regional Coordination Units (RCUs):*** Three Regional Coordination Units, headed by a Regional Coordinator, will be established in Diamer (for Diamer & Astore), Skardu (for Skardu and Ghanche) and Gilgit (for Ghizer, Gilgit & Hunza). Each DCU will be responsible for planning, coordination and implementation of activities in the target valleys and villages in close collaboration with the social mobilization service provider, implementing agencies and Value Chain Technical Assistance Team.

16. ***Service providers/implementing partners:*** The main implementing partners in the programme will be (i) a Social Mobilization Service Providers/NGOs; (ii) Value Chain Technical Assistance Team; (iii) a range of Private Sector Partners including local entrepreneurs, down country corporate and commercial buyers; (iv) the Farmers/Producers Organizations, and (v) Public sector extension, research and infrastructure agencies.

G. Links with Other Related Initiatives

17. ETI will establish close links with other government, donor and NGO/private sector funded initiatives in value chain development in the region. This includes JICA-financed pilot in four Union Councils of apricot and AKRSP initiatives and USAID-funded Satpara Development Project's Value Chain Development Component. Among private sector initiatives, synergies will be build with Zamindara Seeds, Punjab, Mountain Fruits (Ltd) and other interested corporate sector buyers and financiers active in two selected priority value chains.

H. Costs, Financing, and Co-financing

18. **Programme cost and financing.** Total programme cost is estimated at US$ 120 million. Of this Government will finance US$24 million (20%) to primarily meet expenses on taxes and salaries. IFAD will provide a highly concessional financing of US$ 65.24 million. A number of donors have expressed interest to co-finance (Italy, USAID, JAICA and others) - negotiations are currently ongoing to fund the remaining financing gap of US$24.74 million.

I. Risks and mitigation measures

19. Like any large programme, there are some potential risks in ETI implementation.

Risk	Likelihood	Mitigation measures
Institutional capacities: GB is a newly created province and institutional capacities may still not be up to the level for effectively implement a large donor funded programme	Medium	Appropriate external consultancy support has been provided in programme design to augment local capacities. There is existing experience within the region for donor funded programme implementation through previous IFAD funded NADP and other FAO, UNDP and JICA funded projects.
Security: Pakistan is in the middle of an unstable region and security situation throughout the country is subject to many externalities. In the target area, a small pocket adjacent to Kohistan District of KP, has been target of sporadic violent incidents.	High	Government of GB has raised a special force of 700 trained commandos to ensure security on main highways. With start of mega projects like Pak-China corridor, and arrival of large number of Chinese workers, the security arrangements all across the region are being beefed up through additional recruitments and deployment.
A number of private and public sector entities along with social mobilization partners and value chain fund manager are involved in implementation running the risk of inadequate coordination, conflicts and lack of synergies	Medium	A high profile and high-powered Steering Committee is being proposed at the Provincial Level with Chief Secretary of the province heading it and representation from all implementing partners including Farmers Organizations. This is being backed up by Programme Coordination Committee and Regional Coordination Committees for day to day coordination and trouble shooting. A long term Value Chain Technical Assistance team is also being proposed to provide effective support to FOs, private sector and value chain service providers
Programme/GoGB may not be able to attract sufficient number of qualified and competent staff for the key programme positions	High	The key programme positions have been kept open to private sector candidates with market based salaries to attract quality manpower from both public and private sectors
High turnover of programme staff and government implementing agencies' staff, as experienced in recent past in other programmes, may affect programme progress adversely	High	It is being made part of the Financing Agreement conditions that key programme staff would be recruited in transparent and competitive manner and in consultation with IFAD and once recruited, the key staff would stay with programme for at least three years.
Ambitious Targets: Programme is setting ambitious targets for irrigation expansion (500,000 acres) for completion in five years and 400 km of valley roads which may be difficult to attain	Medium	Irrigation development is essentially an up scaling of a tried and tested approach in the area since 1980s with well established SOPs and guidelines by AKRSP, WMD and Local Government. A number of additional measures are also being included in programme design to support realization of these targets Consultancy services for survey, design and supervision of programme-funded roads is being proposed. Prequalification of contractors along with packaging of roads into sizeable packages to attract larger contractors is also proposed. Incremental staff and equipment is included for WMD and PWD to enable them to cope with large volumes of works. Full payment of costs for irrigation schemes without any community contribution would also help faster execution.
Innovations like recovery of half of the irrigation scheme costs from the beneficiaries have never been tried before and may result in poor progress in the largest component of the programme	Medium	The risk is being addressed through a very strong social mobilization based approach, reinvesting the recovered funds for further social and economic development of same communities, provision of additional financial support for land levelling and crop production. Expansion of irrigated area is a priority demand in all localities and with promise of production of high value crops, people are willing to pay part of the costs. In old regime, communities have been contributing in excess of 40-50% in forms of unpaid labour. Programme would be paying full cost of labour and materials and thereby contributing US$ 25-30 million directly into communities household incomes
Land laws and land titling is not very clear in GB and may result in disputes for newly developed land, deprive the needy and weak from allocation of their share, clear land titles and ownership etc.	Medium	Programme will assist provincial government to promulgate and update law for land ownership and titling, and issue an interim regulation (pending promulgation of law) to protect the rights of the beneficiaries on programme funded schemes. ETI will also support the government in establishing computerised land records and title issuance cells that will start their work with ETI funded

		programmes
Larger than norm Government counterpart funding and GB dependence on federal government releases may result in delayed or inadequate provision of counterpart funds	High	Risk will be mitigated through appropriate provisions in the Financing Agreement binding the government for timely release of funds. In any case, counterpart funding is the first call on Government releases.
GB has a varied landscape in terms of women empowerment and access and women in many areas may not be able to access programme activities and benefits in an equitable manner	Medium	A number of measures have been incorporated in design and approach to ensure active participation of women. These include female social mobilization staff, 20 dedicated women producer groups, priority to women headed households in land allocation, selection of value chains with pronounced female participation, special training provisions for women etc.
Delays in start-up: long delays in fulfilling the first disbursement conditions and start the programme implementation are one of the main factors negatively affecting programme performance in Pakistan. The Southern Punjab Poverty Alleviation Programme (SPPAP), Gawadar-Lasbella Programme and LAMP are cases in point.	High	A programme facilitator will be engaged during the design completion process to take care of important pre-startup activities well in time. S/he will ensure timely PC-I preparation and approval, recruitment of key staff for PCU, engagement of SMPs and VCTAT to run parallel to finalization of appraisal and signing of Financing Agreement. Retroactive Financing provision for some of these key activities will be included in the Financing Agreement.

J. Environment

20. 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. ETI will be investing considerable resources in new irrigation infrastructure and upgrading of roads with the potential to disturb existing mountain slopes. Improved production and productivity and improved market linkages may open the door for increased use of chemical fertilizers and pesticides which may harm the local environment and ecological balance. More area under irrigation without improved water efficiencies may result in increased water and soil run-offs. Programme will take proactive steps to adopt sound engineering designs and practices in the development of infrastructure. Consulting services would be hired to ensure climate and environment resilient designs. A provincial water policy would be supported to establish regulations and benchmarks for efficient water use. Current main strength and attraction of GB agriculture products is their organic production which makes them eligible for organic and fair trade certification and fetches extra premium for exporters and producers. It is this strength that ETI would build on rather than introduction of chemicals induced higher production.

K. Knowledge Management, Innovation and Scaling-up

21. **Knowledge Management:** Programme M&E system will systematically collect and collate all existing and programme generated knowledge related to GB productions systems and value chains. A dedicated Communication unit in PCU will prepare annual communication plans for the programme and use multiple formats to inform the stakeholders on programme targeting, processes, progress, lessons etc.

22. **Innovation.** There are several innovative aspects which the programme attempts to introduce:

a. Engagement of existing social mobilization and local development entities like AKRSP and DPAP working in partnership with Government.
b. Commercial contracts driven agriculture production and delivery of extension and research support based on business plans of the producers groups and associations, backed by a professional value chain technical support.

c. Instead of upfront community contribution in irrigation infrastructure, full payment of costs and deferred recovery of 50% over three cropping periods for reinvestment in community identified development priorities.

d. A Value Chain Development Fund, operating on matching grant basis, covering all range of products, value chain actors and entire region;

e. Piloting of cost effective lift-water systems along main rivers with the potential to add thousands of additional acres to agriculture production system.

23. **Scaling-up.** The innovative approaches being attempted under ETI have high probability of being scaled-up within the region and rest of Pakistan. The future scaling up strategy should be based on:

(i) *Dissemination* of the results of approach through creation of regular appropriate forums at regional and national level involving all relevant agencies

(ii) *Ensuring quality* and timeliness of services provided on cost recovery basis to convince the farmers that payment of services makes sense

(iii) *Assured quality and volumes* would encourage the corporate and private sector to look for similar farmer-private sector engagements elsewhere in the region and country

(iv) *Incentives* that would drive the scaling-up process include political incentives (high priority given for the development of the region) and synergy incentives for social mobilization partners and co-financiers

(v) *IFAD's role* would be to facilitate, through dissemination, dialogue and adoption, the scaling-up of successful innovations within the country, region and elsewhere.

L. Governance

24. Implementation of ETI will be guided by the principles of National Anti-Corruption Strategy 2002 (NACS). Design, approach and programme management is aimed at ensuring transparency, equity, value for money and accountability. All programme activities will be implemented through participatory approach with communities have a strong role in planning, procurements, implementation, supervision and final account settlement. All irrigation development will be community and criteria led and distribution of land will be on the basis of equal share for all. Road selection will be linked to irrigation and value chain development. An empowered finance wing at provincial and district level will manage all programme finances with annual external audits. A procurement specialist in PCU will ensure that all procurements are done in accordance with IFAD guidelines and PPRA rules and on the basis of annual procurement plans. PCU will have overall control over all procurements and payments to service providers.

M. Sustainability

25. Sustainability is key consideration in design of all programme components and activities. Some of the salient features of the programme design that strengthen programme's prospects for sustainability include:

i. *Holistic Approach to Value Chain Development:* The programme design incorporates support for all the current gaps in value chains of main fruit and vegetable commodities of GB region.

ii. *Emphasis on contract-based long-term producer-private sector relationships:* Programme's entire emphasis is on developing independent commercial win-win relationships between the producers and private sector buyers.

iii. *Promotion of Local Processing and Value Addition SMEs:* Development of local processing and value addition industry to create alternate avenues for marketing of products and create healthy competition and generate more local incomes.

iv. *Development of Local Input Supply Services:* While providing an additional sustainable business avenue to the associations, it would be a welcome source for input supply for the village and valley associations' members for needed supplies of right quality.

v. *Support for local Policy and Regulatory System Development:* Will ensure proper legal backing and systems for the input and output quality assurance, assured land records and titling and proper maintenance of programme supported infrastructure.

Logical Framework

Description	Indicators	MOV	Assumptions/Risks
Goal: Improved incomes and reduced poverty and malnutrition in rural areas of Gilgit-Baltistan region **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	15% decrease in population below poverty line 10 % decrease in child malnutrition (under 5yrs old, chronic, acute-underweight and stunted) At least 100,000 households reached 50% of target district HHs and value chain operators have increased their agriculture income by at least 25% 25% increase in production and productivity of priority value chains 35% increase in surplus marketed (potato and apricot)	PSLM surveys ETI Assessments against BISP Scorecard RIMS Survey (panel & control) WFP mapping of settlements and project activity reports RIMS survey (panel) Producer Org. anisations sales records Annual Outcome Surveys	Political and social stability in the region and its environs New developed land equitably distributed including women and landless poor Climatic abnormalities and natural calamities remain within acceptable tolerance levels Higher production, combined with project nutritional education and improved road access, will make substantive dent in malnutrition rates Programme activities implemented as per phasing Govt and partners are able to timely predict and respond to natural disasters and localised hazards
Outcome 1: 100,000 farm households increase production , productivity and sales in prioritized agricultural commodities	50,000 households have expanded their agricultural land holding and 60,000 hhs increase sales to private sector partners	Farmer organisations records	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
Outcome 2: Sustained and community driven development approach established that is pro-poor and youth/gender- and nutrition-sensitive	200 mixed and 20 female producer groups established 10% women among farmers trained provided land titling, and constituting PO decision-making bodies 50 % funds recovered against estimated cost recovery for irrigation development 80 % recovered funds invested in village	Programme activity records and PO records	Youth have preference for working in village if economic opportunities are same or better than in towns and cities offering low-skill employment
Outcome 3: Agri-business actors invest in local processing and value addition to *improve marketing* of local food products	220 contracts signed between FOs and private sector buyers Value of new investments by private actors in agriculture enterprises A pilot tested under DFID funded Credit Guarantee Scheme with State Bank	Investment fund applications plus private investor balance sheets	Sufficient quantity, quality and seedling reliability of agricultural products available to sustain PPPP
Outcome 4: Govt and private agricultural services are sustainably improved/ expanded	50 000 farmers served by agricultural services (inputs, advisory services)	client satisfaction surveys and DOA service delivery records	All GB agricultural households will be able to access improved agricultural service provision, including women
Outcome 5: Government formulates and enforces pro-poor agricultural policies covering water, land titling, roads O&M and products and certification regime	Land Titling Regulation for ETI promulgated by end of year 1 Land Records/Titling cells established by end of year 1. Provincial Land Records and Titling Law promulgated by end of Project Year 2 Land titles provided for newly irrigated lands, including for women-headed households and youth Seed and product certification system functional Provincial water policy and roads O&M policy formulated and implemented by end of year 3	Public land registry records, PO contracts and records with farmers	Farmers using/producing improved seeds are able to increase productivity and sales

I. Strategic context and rationale

A. Country and rural development context[1]

2. **Economic context.** Pakistan has a total land area of 769,095 sq km and an estimated population of 184 million in 2013[2], over 60% of which lives in rural areas. The nominal GDP in 2014 is estimated at US$ 246.6 billion and per capita GDP at US$ 4,847.[3] Services sector contributes the largest share to GDP at 53% while agriculture and industries contribute 21 and 24 per cent respectively. Pakistan is a relatively young country with over 55 per cent of the population below the age of 25 and over 35 per cent between 25 and 54 years. The adult literacy rate is 56% but there are huge variations in terms of urban and rural population and between different regions. The unemployment rate is 6.7%[4].

3. **Poverty context.** Official poverty line in Pakistan is calories based and is defined as per capita food and non-food expenditures per month to support food consumption equal to 2350 calories per adult equivalent per day[5]. A report based on the Household Income and Expenditure Survey (HIES) 2011 calculates the current incidence of poverty to be 36.55 with rural poverty at 37.08 per cent and urban at 35.49.[6] The latest poverty figures published in official government documents[7] fix the caloric based poverty line at Rs. 1,745 per capita and estimate that 12.4% population is living below poverty line (7.1% urban and 15.1% rural). However it also qualifies it by saying that a technical group is working on preparing official estimates. The same report however quotes World Bank's Poverty Head Count Analysis 2014 which, on the basis of $ 1.25 income per day, estimates 21% population below poverty line at 2008 population estimates. And if the poverty line is raised to $ 2/day then 60% population falls below poverty line. Keeping in view all these estimates, it can be safely said that poverty in Pakistan still remains within the historic band of 20-35% and variations in estimates are largely driven by different methods and data sets used by different entities. Poverty in remote and geographically challenging areas like Gilgit-Baltistan is largely driven by small landholdings, poor access to markets, lack of access to credit, inputs and support services, limited off-farm employments opportunities and policy and institutional constraints.

4. **Gender and poverty.** According to the Global Gender Gap Index 2014, Pakistan stood 141 out of 142 countries ranked.[8] The score on Gender Gap Index stood at 0.553. This is reflective of substantial disparities that Pakistani women suffer on account of economic, political, education, and health factors. Growing religious extremism, patriarchal social structures, poverty, economic disparities, poor public sector social services and widening rural-urban disparities have all combined to put women at disadvantage. Women in rural Pakistan have been described as being the most socially excluded[9] and are the most deprived in terms of access to basic social services, livelihood opportunities and are vulnerable to violence. While 65 per cent of the women in urban areas are literate, the figure is 30 per cent in the rural areas of Pakistan.[10] Women in rural areas have heavy workloads and carry out a wide range of tasks within the house and in agriculture, livestock rearing and off-farm activities but only 2.8% own land. The migration of men to urban areas for job opportunities has further exacerbated their workload. Despite their hard work women do not get the commensurate returns from crop or livestock activities because of the exploitative and gender biased

[1] Annex 1 provides more details on the country and rural context background, while Annex 2 provides more details on the poverty and gender context.

[2] Pakistan Bureau of Statistics 2013

[3] Economist Intelligence Unit Report 2014.

[4] Pakistan Economic Survey, 2013-14, Finance Division, Government of Pakistan

[5] Ibid.

[6] Haroon Jamal, Pakistan Poverty Statistics: Estimates for 2011, Research Report No.84, SPDC

[7] Pakistan Economic Survey 2013-14

[8] http://www.weforum.org/issues/global-gender-gap

[9] Gazdar, Haris, and Shandana K. Mohmand. Social Structures in Rural Pakistan, Determinants and Drivers of Poverty Reduction and ADB'S Contribution in Rural Pakistan,. Rep. no. TA4319-PAK. 2007. Asian Development Bank. <http://www.adb.org/documents/reports/consultant/37711-pak/socialstructures-rural-pak.pdf>.

[10] Government of Pakistan, (2007) Pakistan Social & Living Standard Measurement Survey (2006-2007), Federal Bureau of Statistics ,Islamabad

arrangements which determine their share in crop and livestock production. Other factors that contribute to women's poverty include their lower earnings, their lower participation and employment status. The ratio in Pakistan of estimated female income is only 18% of the income earned by men[11]. The incidence of poverty is high in households where the female-head is the only person working in the household[12].

5. **Agriculture development context:** Agriculture remains the mainstay of Pakistan's economy and plays a significant role in overall growth and poverty reduction. Nearly 21% of GDP and 44 percent of total employment is generated in the agriculture sector[13]. Agriculture's contribution to gross domestic product has declined from a little over 25 per cent in 1990 to 21 per cent in 2011.[14] Agriculture growth has largely stagnated around 1-2 per cent since 1990s due to persistent structural issues, policy weaknesses and weak support services.

6. After adoption of 18th Amendment to Constitution, agriculture and food security are provincial subjects. The provinces are now expected to take leading role in extension, research, productivity enhancement and value addition. However, no province is yet fully equipped to fill the void previously occupied by federal research agencies and development initiatives. Agriculture, despite its importance, remains low on the development priority list in annual development plans and annual allocations and utilization is not commensurate with the share of this important sector in national economy.

7. Horticulture, including vegetable production, is an area that has grown rapidly as a high return cash crop in most parts of country but more so in Northern parts of the country where landholdings are generally small but offer a distinct seasonal and climatic advantage. Areas like Gilgit-Baltistan and parts of adjacent KP province have emerged as major suppliers of quality fruits and vegetables to the urban centers in the plains. However the full potential of this sub-sector in those areas is yet to be realized due to the significant gaps along the entire value chain. Addressing these gaps in a holistic manner can have a major transformative impact on the regional economies and smallholders and poor. (ref. Project Rationale).

Gilgit-Baltistan Regional Context

8. **Geography and Population:** Gilgit-Baltistan region has a total area of 72,496 sq km with around 1.3 million population (GoGB estimates) and lies at extreme north of Pakistan with borders shared with Xinjiang province of China (North), Chitral District, KP province (West), Kohistan, Swat and Mansehra Districts of KP province (South) and Indian Administered Ladkah and Kashmir (East). 90 per cent of the area is mountainous, 04 per cent is forest and 4.2 per cent is cultivable waste[15]. The current cropped area is only about 1.2% of the total area. Population density is at a very low 18 person per sq km and distances and isolation is the prominent feature of the area. It is connected through an all weather road, Karakoram Highway, with rest of the country and the distance of 630 kms from provincial capital Gilgit to Islamabad takes around 12 hours. The other end of KKH connects the region with China where nearest sizeable city, Kashghar, is around 16 hours journey. GB is primarily a rural society dotted with small urban centers and agriculture is the primary occupation of rural people. Road densities have improved over the last twenty years, but still low compared to rest of country. All district headquarters are however linked to capital with paved roads.

9. **Constitutional Status:** Gilgit-Baltistan is also unique in terms of its legal identity and constitutional status within the state of Pakistan. The 1947 conflict between India and Pakistan over Kashmir led to a UN-brokered ceasefire line in 1949 which was subsequently redefined as Line of Control after 1971 conflict. The areas under Pakistan control were divided into Azad State of Jammu & Kashmir (AJK) and Gilgit-Baltistan (previously Northern Areas), both administered through Ministry of Kashmir Affairs & Gilgit-Baltistan. Government of Pakistan Promulgated an Empowerment and Self Governance Order, September 2009, to grant the status of province to the region, change its name to

[11] UNDP, Human Development Report (2009), Overcoming barriers: Human mobility and development, Palgrave MacMillan, New York.

[12] Cheema , Iftikhar Ahmed (2005).A Profile Of Poverty In Pakistan, Centre For Research On Poverty Reduction And Income Distribution Planning Commission, Islamabad ,

[13] Pakistan Economic Survey 2013-14

[14] Economic Survey of Pakistan. 2010-11.

[15] IUCN. 2000

Gilgit-Baltistan, establish an elected provincial assembly with defined legislative powers and strengthen its administrative capacities. First elections for the assembly were accordingly held in 2010 and next elections for the assembly are due in April 2015[16].

10. **Socio-Economic Context:** GB has a unique socio-cultural and economic flavour due to its rugged geography and isolation and it is a virtual potpourri of languages, dialects, ethnicities and sects. Extremities of weather, harsh terrain and a challenging production base has given people not only a hardy character but also engendered a spirit of self-reliance and collective action, sharing and co-existence. As per 2004-5 estimates, Adult literacy Rate is 36 percent (as compared to 40% in Pakistan) and Per Capita Income is Rs. 1,319 per month (as compared to Rs. 1,444 per month at national level)[17]. These figures are however quite dated and need to be treated with caution as reliable data in GB is at a premium. GB accounts for less than one percent of Pakistan's economy but has made substantial development progress over the last two decades. In some of key indicators related to school enrollment/retention, nutrition, water supply and sanitation, the region enjoys equal or better status than rest of the Pakistan. But considerable lags still exist in many other aspects due to dispersed population, isolation and resource constraints[18]. Infant and maternal mortality remains considerably higher than rest of Pakistan.

11. **GB's Agriculture:** Agriculture has historically played an important role in providing sustenance to large part of GB population despite the limited amount of irrigated arable land. Around 1.2% of total GB area is currently cultivated. All productive lands are either mountain side terraces or fields carved out of alluvium deposits along the rivers and streams that are watered through glacial melt based gravity flow water channels. Land ownership is quite small at an average of 0.6-0.8 acres per household and being further fragmented due to inheritance divisions and erosion by water bodies. Through the opening of KKH in 1980s, the Improved connectivity to outside world has induced a rapid transition in agriculture from traditional staple crops to cash crops and higher value fruits. The natural agro-climatic advantages of the area, which allows it to produce rest of country's winter crops during the summers and sell them as "off-season" products at a premium, offers great promise for further development. However, this would require further investments in expansion of current limited irrigated area, improved productivity and better connectivity to markets.

12. **GB's Poverty and Gender Challenges:** A distinct feature of GB is that over 90% of the households own some agricultural land as compared to 52% in rest of the country. The ownership of cattle, goats and sheep is also almost 30% higher than rest of country. This fact has significant bearing on overall equality in the society and individual empowerment. This high level of ownership also means that per household holding is often very small and average landholding is a very low 0.6-08 acres. GB households also compare poorly in terms of ownership of other assets like TV, refrigerator, motorcycle etc. While no systematic poverty survey has ever been conducted in GB region, the estimates based on PSLM survey (2004-05) indicate that consumption in GB is 90% of the national average and incidence of poverty is about 29% as compared to 24% in rest of Pakistan. An AKRSP survey of 2005 also suggested similar poverty incidence.[19] However the poverty rate is not consistent across all districts. Similarly, certain non-indigenous (*ghair-ma'lik*) people like "*soniwa'l*" and some settled clans of nomadic "*gujjars*" also appear to have higher levels of poverty. Gender parity remains a challenge in more conservative districts and certain geographical pockets.

13. **GB's Nutritional Insecurity:** An assessment carried out by FAO in May shows that only 26% population is food secure. 41 per cent is moderately food insecure and 32 per cent are highly food insecure. An alarming finding is that situation is likely to deteriorate in all three cases if not addressed. The lowest income quintile derives 59% of their income from agriculture[20]. A large number of households' high reliance on agriculture incomes in rural areas, with smallholdings and production base that is prone to weather and price shocks, makes them extremely vulnerable.

[16] MoKA&GB documents and interviews
[17] Gilgit-Baltistan Economic Report. March 2011
[18] Gilgit Baltistan Economic Report. March 2011
[19] Gilgit-Baltistan Economic Report. April 2011
[20] Ibid

14. **Governance:** An Empowerment and Local Governance Order 2009, passed by Pakistan's Legislative Assembly gave the status of a province to GB with an elected legislative, a Cabinet headed by a Chief Minister and a Governor. The fundamental rights defined in Constitution of Pakistan have been extended to people of GB through this order. The area has its own Supreme Appellate Court and High Court and is not subject to jurisdiction of Pakistan's Supreme Court. The executive authority has been vested in Chief Minister and Cabinet but that authority is subject to the powers and oversight of Gilgit-Baltistan Council headed by Prime Minister of Pakistan as Chairman. Elections were held in 2010 under the new order and the government thus formed is due to complete its five-year terms this year and new elections are slated for early 2015. Most of Pakistan's laws also stand extended to GB including Penal Code, Criminal Procedure Code, Land Revenue Act, Civil Procedure Code and anti-corruption laws and Accountability Courts. All ppublic procurements have to follow national PPRA Rules.

15. **Fiscal and Financial Aspects:** GB's institutional structures are less developed and financially less independent compared to rest of provinces. GB is a tax free area and GB Government has little sources of self-generated revenues. The promulgation of Financial Control and Budgeting Rules 2009 has transferred the budget control powers and status of Principal Accounting Officer from Minister for KA&GB to provincial legislative and Chief Secretary, GB respectively. However, the major issue still is GoGB and GB Council's complete dependence on Federal Government for its budgets. So budget making essentially follows the dictate of available funding and their functional and budget classification with little room for maneuverability. By extension, the fiscal management is also essentially expenditure management. This dependence also results in other issues like delayed and unpredictable releases from Federal Ministry of Finance, disconnects between capital and recurrent budgets, large throw forwards and delayed execution of schemes[21]. The development and non-development allocations have however witnessed rapid increase since the promulgation of Empowerment Order in 2009. The 2014-15 outlay for development budget is Rs. 9,498 billion – almost five fold increase over the last five years.

16. **Administration:** GB administrative set-up largely mimics the set-up existing in rest of Pakistan with a provincial administration headed by Chief Secretary and assisted by a provincial secretariat encompassing core and line departments. However, being a newly established province, the Secretariat and departments are in process of development and evolution. The Secretariat now consists of 17 Departments, each headed by a Secretary. As a norm, the Secretaries for key posts like P&D, Finance, Home Department etc. are from Federal Services and often from outside the region. The seven districts are headed by Deputy Commissioners with most line departments present and headed by Deputy Directors. The area has two clear regional divisions i.e. Gilgit Region and Baltistan region and most departments have Directors for each region who oversee Deputy Directors at the District and Assistant Directors at Sub-District levels.

17. **Rural Institutions:** Formal government institutions in the rural areas are Union Councils which are elected bodies for a fixed tenure of five years. Each Union Council consists of five to seven villages. However, their role and effectiveness in rural and agriculture development is very limited due to mandate and funding limitations. GB is quite rich in terms of presence of formal community organizations established since 1982 by AKRSP and other programmes like NADP. Over 6,000 such male and female and mixed organizations were established and a considerable number of them are still active and carry out range of local development and advocacy roles. Among the informal institutions, *Jirga, or council of elders* in each village and valley plays an important role in local development issues, disputes and conflict resolution. The Jirga also plays an important role in irrigation development and water distribution and O&M.

18. **Rural Finance:** Formal sources of rural finance are commercial banks, Agriculture Development Bank and recently constituted Karakoram Cooperative Bank and First Microfinance Bank (an AKF subsidiary). However, outreach of most of these institutions is quite limited and confined to district headquarters. Collateral is a major constraint for most farmers as land settlement has not taken place in most of the region and people have no formal land ownership proof to offer as

[21] Ibid

collateral. AKRSP introduced the concept of community savings and credit in the area and some of the old COs continue to provide financial services to its members and others. However, their total capital base and amounts disbursed remain limited. Informal usurious lending is quite common and a major burden for some very poor households. Other source of financing is contractors/produce buyers who lend inputs and cash at the time of sowing and bind the farmers to sell their produce to them at pre-agreed and, often, unfair terms.

19. **Security**: Security and general law & order in Pakistan remains precarious due to regional dynamics and unrest in various areas. GB however is generally more peaceful compared to rest of Pakistan with low reported crime rate. There have been sporadic violent incidents on the border between Diamer District and KP's Kohistan District and periodic sectarian tensions in Gilgit Town. But the rest of GB districts remain quite peaceful and safe for all kinds of travel. Movement of foreigners in and out of area is however regulated and often requires a clearance from the Ministry of Interior.

20. **Gilgit-Baltistan Economic Report 2011:** Gilgit-Baltistan Economic Report is the first in-depth analysis of the area's development challenges and future direction. It analyses the areas development challenges in the light of World Development Report 2009 (WDR 2009) which describe three critical spatial dimensions affecting the development of such areas. These are density (size of economic output), distance (ease of reaching markets) and division (regulations, policies, ethnicities, languages etc.). All three dimensions in case of GB pose considerable challenges to its future development. WDR also identifies three instruments to overcome these challenges. The instruments are "Institutions" (to improve densities of commerce and production), "infrastructure" (to improve access to opportunities) and "Incentives" (to address divisions of ethnicity, culture, gender, class etc.). These challenges and instruments provide an appropriate framework to overcome the challenges of agriculture and rural development in GB and improve incomes for its people. ETI's infrastructure component and value chain support component address most of the priority issues highlighted and solution proposed in the GB Economic Report 2011 through a triad of interventions covering institutions, infrastructure and incentives.

B. Rationale

21. Gilgit-Baltistan is a remote mountainous region of smallholders with comparatively higher incidence of poverty. Agriculture productivity is generally low due to poor access to quality inputs, huge post-harvest losses (45% for apricot and 10% for potato) due to poor post-harvest handling, lack of local processing and value addition and poor access to markets. Production is scattered and fragmented over large areas and of variable quality with difficult access and there are no aggregation platforms. Varietal selection is inappropriate and most farmers produce fruits and vegetables of multiple varieties many of which are not in demand in the market or have poor shelf life. There is poor connectivity among the actors and stake holders along the value chains of key products. Supportive policies and incentives are often weak or entirely missing.

22. GB faces all the generic challenges of a region placed in a difficult and challenging geography[22]. It faces challenge of density due to low population, small holdings, small and scattered individual production, and lack of means for aggregation and collection, and lack of wholesale points/auction platforms. It also faces the challenge of **distances** within the region and from main markets and consumption centers with poor transport facilities. And finally it faces the challenge of **divisions** whereby there is lack of integration with value chains, disconnect between extension and research support services, gaps along entire length of value chain, absence of right policies and regulations, and inability to connect with private sector and market demand.

23. To overcome these challenges to its agriculture development, the region needs an integrated approach encompassing institutions, infrastructure and incentives[23]. In terms of institutions, such an integrated approach includes support to farmer/producer associations to create output densities through aggregation; building public sector capacities for effective policy, extension and research support; building producer-public sector-private sector relationships and forums; and establishment of quality control and certification bodies. In terms of infrastructure**,** the region needs improved access to

[22] www.worldbank.org/wdr2009
[23] As modelled/explained in WDR 2009.

opportunities in terms of resource inputs and output markets (invest in irrigation to increase cropped area and per household holdings, improve intra-region road connectivity with main road network, support markets, product auction forums, valley aggregation and grading/packaging facilities, improve storage options and local processing/value addition). And, improved systems would mean better access for farmers to markets and buyers at right prices; and for buyers to have right quantities and quality at right time.

24. The priority crops chosen for value chain development both have huge bearing for smallholders cash incomes and household food security. Over 100,000 households are engaged with apricot and potato production as main cash crops. The value chain analysis of both crops suggest that there is still considerable untapped development potential for both crops including reduction in high post-harvest wastage that would automatically result in more quantity reaching market and bringing additional incomes. With right interventions along the value chain of these two commodities including right planting materials, right storage and processing, right packaging and marketing, both can generate sufficient profits for all actors along the value chain.

25. ETI is designed to help address above mentioned constraints in two priority crops in particular and GB products overall in general. In doing so, the programme will address the issues of inputs and productivity, organizing the farmers as business entities for better aggregation, volumes and quality, linking processors and down country buyers with producers for local processing and value addition and addressing current limited irrigated land availability and poor road access.

26. **Existing Knowledge base for Scaling up:** Programme design has benefitted from number of small scale but successful pilots done on various products by number of bilateral donors, NGOs and government programmes in the region. The programme also attempts number of innovative approaches like cost recovery of irrigation development and its reinvestments in social and business development activities in the concerned valleys, development of registered valley based producers associations, partnership with social mobilization agencies etc. Many of them have very promising potential to become models for replication and scaling up within Pakistan and elsewhere.

27. **Match interventions to Key Constraints:** ETI will match its interventions to identified constraints along the entire length of the value chain. In doing so, it will address concerns of all stakeholders including farmers, service providers, private sector buyers and public sector service providers. The identified constraints and proposed interventions are reflected in the following matrix:

Key constraint		Proposed intervention
Infrastructure and Distance Limitations	• Scattered and small irrigated production areas with very small per household land holding (0.8 acres)	- Develop more irrigated area and increase per household land ownership through development of 50,000 acres of new area thereby almost doubling the current irrigated area
	• Farmers are financially constrained to develop the lands where irrigation facility becomes available	- Provide financial support for the de-stoning and levelling of lands to bring the new land quickly under crops
	• Community contribution in irrigation system development is a constraint for poor communities and often works at the cost of the poorest who lose even wage earning opportunities	- Pay full cost of materials and labour and seek no community contribution. Once the lands become productive, ask for 50% payment of the cost by beneficiaries over three crop periods in a community owned fund for reinvestment again in community identified social and economic priorities. Exempt the landless and women from such repayment.
	• Access to markets is constrained due to absence of road links from production areas to main roads	- Provide 400 km of farm to market roads to existing and new developed irrigated areas
	• Maintenance of farm to market roads is poor resulting in frequent closure of roads	- Establish a Roads maintenance policy and identify regular means of funds for regular maintenance of roads

	• Local contractor performance and capacity is uncertain and system is prone to manipulation of contracting processes	- Work with prequalified contractors; engage a consultant for design, contractor selection and supervision and award projects in sizeable packages to attract better capacity contractor
Scattered and mixed quality production	• Disorganized smallholder farmers unable to generate sizeable volumes that attract private sector	- Organize farmers at village and valley level around specific products for product aggregation
	• Farmers are dependent on middlemen and have no direct access to end buyers	- Link farmers organizations with private sector on the basis of agreed quantities and quality backed by enforceable contracts
	• Farmers have no knowledge of marketing and business development	- Provide effective technical support for marketing, business development and sourcing of quality inputs and outputs
	• Farmers follow traditional pre-harvest and post-harvest practices resulting in high wastage and poor quality of product	- Train farmers in pre-harvest and post-harvest practices and provide them access to quality advice, inputs and planting materials
Lack of Capital and know-how hindering development of capacities	• Farmers and service providers have no access to capital for business development	- Establish a value chain fund to provide matching grants on the basis of viable projects
	• Farmers and service providers have no access to quality advice	- Provide technical assistance support in product and business development through a competent multi-disciplinary technical assistance team
	• There is hardly any SME sector in GB and there are no facilities for local processing /value addition	- Promote development of local processing and value addition and provide access to capital through matching grants
Weak policy, regulatory and institutional framework	• Proper policy and regulatory regime for input and output quality control is missing	- Assist government to develop proper policies and regulatory regime for main areas of concern through technical support from project
	• Regulatory institutional capacity in seed and product certification is absent	- Establish local institutional capacity for seed and product certification
	• Capacity of extension and research departments is weak,	- Provide capacity building support and means to engage with organized groups of farmers through mutually responsible arrangements
Youth and Gender	• Limited opportunities for the youth for skill development and gainful employment • Women in many areas of region face access and empowerment challenges	- Organize youth groups and train them in acquiring skills that not only provide them gainful employment in programme sponsored interventions but also elsewhere - Mainstream gender in all aspects of programme – Promote women membership in Village Producer Groups and decision making bodies - Organize women specific groups for different value chains, particularly dairy and processing of products, ensure equitable share of women-headed households in new developed irrigated land and provide nutrition and literacy training

II. Programme description

A. Programme area and target group

28. **Programme area.** ETI will have a regional approach to value chain development in view of cross-cutting nature of policy, regulatory and volume generation and aggregation aspects. However, the infrastructure development will be primarily focused on four poorest districts of Astore, Diamer, Ghanche and Ghizer. The current estimated total population of the seven districts is 1.3 million (GB Government Estimates 2013) consisting of about 180,000 Households (with average family size of

7.2) and the total area is 72,496 sq km. There are around 609 villages and over 6000 male and female Village Organizations established under various programmes including AKRSP and DPAP[24]

Table 1: Programme Area Villages, Households and Population Density

District	Tehsil	Population	Area Sq. Km	Population density	Union councils	Rural UCs	Villages
Gilgit	1	217998	4046	54	11	10	58
Hunza/Nagar	4	145470	14246	10	15	15	85
Ghizer	4	178638	11772	15	16	16	82
Diamer	3	199007	6820	29	11	10	96
Skardu	4	322886	22124	15	32	31	171
Ghanche	2	131749	4103	32	15	15	71
Astore	2	106053	7221	15	8	8	46
Total	**20**	**1301802**	**72496**	**24**	**108**	**105**	**609**

29. **Target Districts profile.** All programme districts are essentially rural. While below Tehsil level, the districts are divided into Union Councils but locally the more natural division in terms of access, social homogeneity, production orientation and operational ease are the valleys. And from a value chain development perspective, the valley will be the more natural unit for targeting and implementation. There is no uniform number of valleys per district and the number may range from 10 to 25 including main and branch valleys. In terms of main valleys, the entire region has around 60 main valleys. Main physical characteristics of a valley are that it shares same watershed and one main water stream and the main access road runs along the course of main stream. Most major valleys have smaller side valleys with their own water streams that link up with the main stream or river.

30. The villages appearing in GB official records are “Revenue Villages” which is not a “natural village”. A revenue village often consists of a number of distinct hamlets or sub-villages with their own names and identity and called a village in its own right in local usage. While the revenue village record may show around 1000 households, actually there would be no village of that size in one place and it would be combined total of a number of natural villages or hamlets each consisting of anything between 20 to over 100 households. Seasonal migration of some parts of rural valley populations to higher elevation pastures is still a norm leaving behind only those members who happen to be in employment or needed to tend the main house in the village.

31. There is considerable variation among target districts in terms of level of development, social power structures and societal attitudes. Some of it is related to religious and tribal structures and orientations and some to level of exposure to development and access to services and markets. Diamer is considered to be most conservative, more tribal and more prone to follow the local clergy. The literacy levels are among the lowest within the region for men and almost abysmal for the women. Astore is more dynamic and open with much higher literacy levels but constrained by the difficult access to main road and poor social and economic services. Ghanche is the farthest with smallest population and higher poverty rates but offers huge natural advantages in terms of production of disease free organic high value products due to its elevation and dry climate. Hunza is probably the most literate, most open and most well serviced district in the region thanks to its early exposure to AKRSP and general openness of the people to embrace change. However, its other half Nagar is still living in another time and is much underdeveloped. Ghizer, like Hunza, is more developed with a majority Ismaeli population, much higher literacy rates and is well connected to Gilgit.

Target Group

[24] Reliable demographic data is hard to come by as last census took place in 1998 and since then it is mostly based on estimates by various agencies. The estimates about population, household size and number of villages vary depending on the source used. In this report, figures are taken from Government of Gilgit-Baltistan presentations and reports of 2014 and BISP survey of 2008/9.

32. ETI will target about 100,000[25] rural households with landholding of less than one ha, including around 5% households that are women headed and/or landless, in target districts. This will include households involved in production on existing lands for selected promising value chains (seed and table potato, and apricot initially and more products later) and households that benefit from the newly developed irrigated agriculture land (which in most cases would be households with some existing land in the same village or valley). The indirect beneficiaries from roads, value chain funds, reinvestment of recovered funds, and complementary activities by social mobilization partners etc. would be almost entire population of the target districts. In addition, the programme will target small-medium scale processors, value adders and marketing entities operating in the region.

33. **Targeting Strategy:** ETI will select priority valleys in each district for interventions. The selection will be based on multi-factor criteria including total population, number of poor households as per BISP survey, total production of priority crop, total cropped area, area available for irrigation development and farm to market road needs. Four valleys in each district scoring highest marks will be selected for initial two years. The number may be expanded from third year to other valleys and other value chains depending on progress and results. The entry point for programme would be organized groups of farmers at village level with due regard for women and youth groups. Within a valley, programme interventions will start with villages with existing community organizations that can be gelled into larger village producer groups and then gradual expansion to all villages in the valley.

34. **Gender strategy[26].** Gender will be mainstreamed into all aspects of programme implementation and appropriate strategies will be adopted for areas with pronounced gender challenges. GoGB and NGOs over the years have initiated a number of programmes focused on gender and development. GoGB has fixed 33% quota for female representatives in various tiers of local government and also established a Women Development Directorate. A number of projects like "Self Employment Project for Women (2004-5), "Women's Vocational Training Project (2004-5)", "Doorstep Employment Project (2005-10)" have been implemented so far. The project's strategies have so far benefitted over 18,000 women. An "Eve Market", specifically for women entrepreneurs has been established in Skardu with 22 shops. ETI will build on these initiatives through a flexible approach to gender keeping in view the regional propensities and imperatives in each district.

35. ETI will also recognize the important role played by women in the on-farm and off-farm activities within the region. ETI, through social mobilization, will engage existing and newly formed women producer groups within the target valleys to ascertain women priorities in terms of value chain development, irrigation development and social development needs and priorities. Apart from actively encouraging and creating opportunities for participation in village producer groups, ETI will establish 20 women specific producer groups with women taking lead in all value chain development activities. ETI will also identify specific income opportunities for women like grading, packaging, polishing, processing that are more suitable for women in the local socio-cultural setting and train women for such jobs. Women centered value chains would be another area of focus including milk marketing groups, apricot by-product processing, pine-nut roasting and packing etc. Since women bear disproportionate burden of harvesting, post-harvest shelling, processing, drying o products etc., the programme would introduce appropriate labour savings devices/equipment for women use. The women headed households and landless poor will be exempted from repayment of 50% development cost of irrigation and all able bodied priority groups will be given priority access to wage earning opportunities under the programme invested infrastructure.

36. The M&E system would monitor gender and targeting dimensions in a disaggregated manner. SMPs will engage female social organizers for organzing women producer groups and facilitating identification of women preferences in programme's development activities. To the extent possible, all women related training would be delivered in-situ to overcome the constraints of mobility. A detailed

[25] Different sources quote 180,000 to 210,000 hhs in GB region and all sources are projections based on 1998 census. The conservative estimated would be 180,000 but for programme purpose, the figure of 210,000 has been used.

[26] The gender strategy of the project takes into account the experience in previous project NADP in the same region./Gender situation is very varied among different districts with Hunza-Nagar and Ghizer being quite advanced and open and women mobility and participation in everyday decision-making quite pronounced. Skardu, Ghanche and parts of Gilgit and Astore are somewhere in between. While Diamer is still comparatively conservative but much more progressive as compared to initial phase of NADP. There is now a recognition and keenness for more facilities for female education and a considerable number of English medium schools for girls have now opened in Darel, Tangir and Diamer Tehsils with high enrolment rates.

description of women and vulnerable groups and targeting strategy is reported in Annex 2 (Poverty, Targeting and Gender).

37. **Inter-district allocation of resources** would be determined on the basis of average percentage score of each district in terms of combined factors of area, population, current cultivates area, new area available for irrigation development, and production share in two priority value chains and other important products. All percentages will be added and overall average score of each district will determine its share in programme investment budget. On this basis, following are the shares of each district in the main investment budgets and village, household coverage as well as development of new irrigation and road upgrading

Table 2: District Allocation on Basis of Percentage Share in Key Attributes

Factor	All selected Districts	Share in total			
		Ghizer	Diamer	Ghanche	Astore
Population – No	615,447	29%	32%	21%	17%
Geographical area - Km^2	29,916	39%	23%	14%	24%
Cultivated area - acres	76,800	36%	43%	4%	18%
Potential area for New irrigation - acres	131,056	4%	59%	26%	11%
Potato production (m.tons)	45,491	24%	5%	33%	37%
Apricot Production (m.tons)	43,311	33%	3%	57%	7%
Cereals (m.tons)	60,300	25%	59%	12%	05%
Other fruits	24,900	26%	46%	16%	12%
Average	**100%**	**27%**	**34%**	**23%**	**16%**
Share in Village Producers Groups -No	220	59	75	51	35
Share in Roads - km	400	108	136	92	64
Share in New land - acres	50,000	13,500	17,000	11,500	8,000

38. **Value Chain Component Allocation to be flexible:** The value chain development has a regional dimension and therefore Component 2 activities will not be confined just to the core four districts. In terms of production of initial two priority products, potato and apricot, Hunza-Nagar produces 40% of the total regional production of potato and Skardu contributes 22%, and in apricot Hunza-Nagar contributes 20% and Skardu 39%. Development of these two value chains without these two important contributing districts would not produce the desired impact. So the value chain funds and activities will be deployed in a flexible manner in a regional perspective. The entry point for programme's value chain development activities in non-core districts will be the existing FEGs established under other programmes. New FEGs may also be established where need and interest exists.

39. **Resource Allocation Within Districts:** Within the districts, the programme would employ a combination of targeting and 'potential-for-development-of-value-chain' strategies aimed at ensuring an equitable distribution of programme benefits. Overall, the programme would adopt an inclusive targeting approach based on identification of promising potato and apricot production around which demand-driven partnerships between the smallholder producers and private and associative sectors can be developed. Principal targeting mechanisms would include geographical and commodity based targeting, enabling and empowering approaches, and procedural measures to promote the involvement of disadvantaged households, women and youth and the inclusion of remote communities.

40. **Complementary Activities:** Two sets of complementary activities, both economic and social, will be undertaken in the programme. Some of these will be funded through the recovered funds from irrigations development and others will be undertaken by social mobilization partners through other sources of funding. Both sets of activities will follow the initial need assessment and

prioritization undertaken by the communities with the needs of the poor and vulnerable being duly incorporated.

B. Development objective and impact indicators

41. The overall goal of the programme is to improve incomes and reduce poverty and malnutrition in rural areas of Gilgit-Baltistan region. Specific objectives include: (i) Substantial increase in irrigated crop area and production and improved connectivity with markets through strategic investments in economic infrastructure (ii) Sustained and community driven development approach established that is pro-poor and gender/youth/nutrition sensitive (iii) Agri-business actors invest in local processing and value addition to *improve marketing* of local food products (iv) Government and private agricultural services are sustainably improved and outreach is expanded, and; (iv) promotion of supportive policy and regulatory environment

42. The achievement against programme objectives would be measured by following indicators at the end of programme:

Development Goal and Objectives	Outcome Indicators
Goal: Improve incomes and reduce poverty and malnutrition in rural areas of Gilgit Baltistan region	- 15% decrease in population below poverty line compared to 2014 baseline - Child malnutrition reduced by 10% from 2014 Baseline
Development Objective: Increased Agriculture incomes and employment for at least 100,000 rural households in the region	- At least 100,000 rural households benefitting - 50% of GB HHs have increased their agriculture income by 25% - Target HHs show increase in their household assets by 10% - 35% increase in sales value and volume by end of programme life in potato and apricot - 25% increase in agriculture production and productivity - 5,000 regular and 20,000 seasonal jobs created by private sector partners and investors
Outcome 1: 100,000 households increase their production, productivity and sales in key agriculture commodities	- 50,000 hhs have expanded their agriculture landholding by at least one acre through new irrigated land - 60,000 hhs increase their sales to private sector partners through collective contracts through FOs or to urban and peri-urban areas - Existing and new crop area is linked with main road network through 400 km of new roads - 70% of the farmers in each target valley are members of farmers association, including at least 1/3rd women members - Over 50% farmers engaged with FO marketing/ economic activities - Over 50% farmers trained in pre and post-harvest practices for selected value chains
Outcome 2: Sustained and community driven development approach established that is pro-poor and youth/gender and nutrition sensitive	- No of village social and economic development plans prepared with participation of poor and women and implemented - 10% of land titles provided for newly development land to women and poor/landless - Amount of funds recovered against 50% repayment modality - 80% of repayment funds invested in villages including activities favouring women, poor and youth - No of youth groups established, trained and provided tool kits - No of youth groups engaged with land development - No of village members trained in productive activities, at least 50% women -
Outcome 3: Agri-business actors invest in local production, processing and value addition to improve	- 220 producer-buyer contracts established by FOs and working satisfactorily - Value of new investments by private sector in agriculture and

marketing of local food products	livestock enterprises (target US$ 30 million) - A Value Chain Support Fund established and expended on matching grant basis benefitting at least 150 enterprises and farmer associations - 220 village producer groups formed (10% women) and 20 valley level associations established and engaged in contractual relationship with private sector buyers - Incremental quantities and value exported compared to baseline
Outcome 4: Government and private agriculture services are sustainably improved and outreach expanded	- 50 000 farmers served by agriculture services - Amount of potato seed, fruit planting material delivered with results (Target: 25,000 tons of potato seed 300,000 plants of improved varieties) - No of adaptive trial and training conducted with number of farmers covered (Target: 100) - Amount of seed (inbound and outbound) certified - Number of incremental staff recruited and number of inputs (agriculture, research, livestock) packages delivered with no of farmers covered
Outcome 5: Government formulates and enforces pro-poor agriculture policies	- Interim Land Title Regulation and Provincial Land Law promulgated by end of Programme Year 1 and 2 respectively - Provincial and district land record offices established by end of Year 1 - Land titles provided for newly developed land including women and landless (Target: 50,000) - Certified seed system functional and amount certified - Provincial water Policy formulated and applied - Provincial Roads Master Plan prepared and O&M system with source of funding notified - Rules for the operation of revolving funds established with Tissue Culture Labs, Agriculture Extension and Livestock Department developed and notified

C. Programme Components and Outcomes

43. **ETI Outcomes:** The programme will be implemented over a seven year period and comprises of three complementary and mutually reinforcing components: (i) Economic Infrastructure for Value Chain Development, (ii) Support Services/PPPP for Value Chain Development, and (iii) Programme Management and Policy Support. (See Appendix 1 of Annex 4)

44. ***Main programme outcomes include:*** (i) Component 1: improved production and productivity through development of additional 50,000 acres of irrigated crop area benefitting around 50,000 small holders including women and landless; Improved connectivity to markets through upgrading of 400 kms of farm to market roads; (ii) Component 2: 220 Functional farmer organizations promoting demand driven value chains of regional products underpinned by contract based buyer-seller relationship between producers and private sector backed by access to capital; Improved public sector extension and research together with private sector service providers supporting farmers organizations in increased production and value addition through development of local input supply, processing, grading, value addition services and transportation; and (iii) Component 3: Programme implemented in an effective and efficient manner and supportive government policy and regulatory regime established/improved.

45. **Centrality of Participation and Social Mobilization:** Programme will be implemented across 200 villages of region through effective social mobilization approach. Terms of engagement will be agreed with the community at the very start. There will a parallel three-track approach involving villages with existing promising products for value chain development, villages where new irrigated land is going to be developed and organized groups of rural men and women already engaged in product processing, value addition and marketing.

46. **SMPs, Government Partner Agencies and VCTAT Interface at Village/Valley Level:** While PCU and RCUs will be responsible for overall coordination, the SMPs, government partner agencies, Agriculture Extension, Research/Tissue Culture Labs, WMD and PWD will coordinate their respective activities at the village producer groups and valley association levels in accordance with annual workplan and budget phasing and guidelines provided in the PIM. Delivery of technical inputs as per business plans and agreements with the groups will be the responsibility of the line departments and VCTAT. PCU and Programme Coordination Committee will have the overall responsibility to plan and coordinate the inputs from all these partners.

47. **Policy and regulatory** aspects will be addressed in close collaboration with the provincial government and relevant federal agencies. Technical assistance will be provided to the relevant agencies for this purpose. Programme components are summarized below with full details provided in Annex 4.

48. **Component 1: Economic Infrastructure for Value Chain Development (US$ 61.45 million/61% of base cost):** The component is aimed at substantially increasing the current irrigated area in the target districts and providing improved access to markets through upgraded road links.

49. **Sub-component 1.1- Irrigation Development (US$ 44.36 million/44% of base cost):** The sub-component is aimed at developing 50,000 additional acres of irrigated land in GB region. Priority will be assigned to irrigation facilities for bigger chunks of land, say around 1,000 acres or more in the initial phase and then moving to smaller schemes on a sliding scale. In doing so, inter district balance and equity in terms of phasing would be kept in view. Water Management Directorate (WMD), based on three different surveys, has already identified 43 water channels with a command area of 52,000 acres covering all 7 districts. The identification of channels is based on surveys conducted/facilitated by three different agencies in the past. The agencies include, JICA, MIES (the engineering wing of AKRSP) and WMD itself.

50. **Priority Channels:** Of the 43, WMD has listed 23 channels as priority channels covering all 7 districts. Total cost of these channels is around Rs. 850 million and would irrigate 21,500 acres of barren land. Priority has been assigned primarily on the basis of relatively higher number of beneficiary households and area to irrigate. Out of these 23 channels, 11 fall in the four priority districts of ETI with a total command area of 13,530 acres and 8,348 beneficiary households. These channels have been fully designed and costed and can be taken up immediately (For details see Working Paper 1).

51. **Other Irrigation Development Potential:** Water Management Directorate carried out a rapid survey of the GB region in Nov-Dec 2014 to identify irrigation schemes with secure water source, clean land ownership and land development potential and identified 296 channels in all seven districts with total command area of 139,765 acres. Out of these 160 schemes are in the priority four target districts of ETI with a total potential command area of 71,528 acres (Complete list available in Working Paper 1)

52. **Per Unit Cost of Proposed Channels:** The average cost of identified channels varies widely across districts and with agencies that conducted surveys. The cost of priority channels was updated by Mission on the basis of current scheduled rates. Further, estimates of 8 randomly selected channels from four districts were analyzed in detail to reach a workable estimation. Based on that, an average cost of US$ 580 per acre has been estimated for programme purpose.

53. *Implementation Approach and Methodology**:*** Programme will follow a participatory approach to irrigation development, building on already tried and tested local models. SMP will lead the way in this. However, unlike the prevailing practise in community executed schemes, where over 20% community contribution is expected, the schemes under ETI will not require any community contribution in the shape of labour or materials. ETI will pay the full cost, as approved by PCU, for labour and materials but communities will have to payback 50% cost of the scheme into a community based account for future investment on their own priority social and economic development priorities. ETI will also pay US$ 100 per acre to the beneficiaries to enable them to develop the new land quickly for cropping. A formal scheme management/water user association arrangement with appropriate accountability mechanisms will be established as part of agreement with beneficiary community.

54. *Repayment Mechanism:* The final acquitted cost of scheme will be the basis for calculation of 50% repayment by the beneficiary community. Women headed households and landless will be

exempt from repayment. Each of the beneficiary's share will be calculated on the basis of his land share in newly developed land. For example: if a scheme led to development of 100 acres at cost of Rs. 100,000, then per acre cost is Rs. 1000 and if a beneficiary gets one acre, he will be supposed to pay back Rs. 500 over three cropping seasons. So his payment per cropping season would be around Rs. 170. The community's scheme management team will be responsible for these recoveries. A bank account will be opened for management of recovered funds and the account will be jointly operated by SMT President and an ETI nominated staff. The recovered funds would be utilized only for the activities prioritized in village development plans. Every activity selected for utilization of these funds would require to be planned and budgeted with the help of SMP staff and implemented only after approval of RCU.

55. *Repayment Oversight and Management Mechanism**:*** Repayment funds will be treated as a Community Asset and would be available only for activities and purposes that benefit the entire community through development investment identified collectively. Fund management will be carried out in a transparent and accountable manner jointly by the community nominated persons and programme appointed staff. Repayment liability of each irrigation scheme beneficiary will be clearly computed at the completion of scheme and conveyed to SMT in writing along with schedule and timing of repayment and responsibility for repayment collection and its deposit in the bank account. Repayment collection will be done during the scheduled meetings of the village producer organization and duly accounted for in a repayment account book and promptly deposited in the designated bank account. Account balances details will be shared/reviewed in each monthly meeting of VPG/WUA. Use of collected funds will require community resolution identifying the priority scheme for use of collected funds, technical feasibility of the scheme by ETI/SMP and approval of proposed scheme if found feasible by the programme. Scheme execution process will be again through a community nominated Scheme Management Team with oversight and monitoring by SMP and ETI. Expenses on scheme will be presented in the monthly meetings of VPG/WUA. DCU Accounting Staff will carry out annual supervision of all Repayment Funds to ensure their proper management and usage.

56. *Term of Partnership between Community and ETI:* Selection of scheme for construction and its financing by ETI will follow an agreement between the community, SMP and WMD/PWD. Once a scheme is identified as feasible, the beneficiary community will be organized into a Village Producers Group and the VPG will select a Scheme Management Team. The agreement will be signed by the Scheme Management Team (SMT) selected by the community through consensus and SMT will be responsible to the project for all aspects of construction agreement. main terms of agreement will be:

57. Main interventions and implementation responsibilities in this component will be:

- *GIS Mapping and Baseline Survey:* Programme will support, in pre-start-up phase, a GIS mapping exercise to address some of the current information gaps in terms of total feasible area available for irrigation development, location and size of each parcel of land, ownership status, water availability etc.
- *Consultancy Support:* Programme will finance an initial consultancy support to WMD and PWD for the detailed design and cost estimation of initial five representative schemes to establish proper design and cost parameters and community partnerships terms and conditions templates. After this, the rest of schemes will be implemented by WMD.
- *Scheme Identification and Phasing**:*** PCU and WMD/PWD, in consultation with concerned SMP, will be responsible for scheme identification and their priority for development as part of the annual workplan and budgeting exercise. The priorities and phasing will be adjusted from time to time depending on progress and experience (for phasing see Working Paper 1).
- *Community Mobilization and Organization**:*** Identification and organizing of beneficiaries will be by Social mobilization partner who will explain the terms and conditions, along with concerned WMD/PWD staff and facilitate agreement on terms and conditions; establishment of scheme management team for construction and post construction O&M along with O&M terms and conditions.
- *Design and Cost Estimation**:*** Initial five schemes with the help of a consultancy firm and for the rest of schemes by WMD/PWD staff itself as per approved design parameters

- *Approval and Agreement with Community:* Final approval will be accorded by PCU, on recommendation of WMD/PWD and SMP and WMD/PWD and SMP will sign the agreement with the beneficiary community.
- *Scheme execution/construction by community* under direct supervision of SMP and overall oversight of WMD/PWD and full cost payment of all items of work to community; SMP will be paid a percentage of scheme construction cost for their supervision and support overheads
- Provision of US$ 100 per acre to beneficiary households for land development and the development will be supervised and monitored by WMD/PWD and SMP;
- 50% recovery of scheme cost over three harvest periods by scheme management team supported by SMP and deposit into joint account of Village Producers Association and ETI nominated official and use of funds for approved business promotion activities of association and prioritized development needs of the communities in the villages;
- Training of youth groups in construction, stone blasting, other land development tool and machinery operation etc. Each Group will be provided a set of appropriate tools for their work(40 groups – 400 youth)
- 7 Pilots, one in each district, for identification of cost-effective solutions for lift-water schemes on main rivers to irrigate the lands (*Daas)* along the main rivers like Indus, Shyoke, Gilgit, Hunza etc. by WMD and/or a suitable private sector partner
- Development of provincial water policy including formal community based O&M system and their formal adoption
- Capacity building of WMD and PWD Department including revised mandate and organizational structure, vehicles and equipment, incremental staff and training and travelling costs

58. **Water Availability and Rights and Right of Way for Scheme*:*** An established right on source of water will be a fundamental requirement, along with adequacy of source and non-disputed nature of land, for financing of any scheme under the project. Right of way for new irrigation channels will be arranged by beneficiary community/WMD as per prevailing customs and norms and IFAD funding will not finance any costs on land acquisition/right of way for the identified irrigation schemes.

59. **Mitigation of Climate Affects***:* While there is no scientific hydrological data available on water flow patterns in glacial melt streams, anecdotal information from farmers suggests variable flows in manuy streams during different years due to lesser than normal snow in certain years or longer than norm low temperatures in upper reaches of the mountains resulting in less glacial melt and water flows. While farmers have little control over natural phenomenon like snow-melt and stream flows, there are possible measures that can be adopted at user levels to make most of the available flows. These include adoption of efficient irrigation technologies, use of water efficient crops and proper levelling of lands for flood irrigation. These will form part of ETI's training and capacity building activities at farmer level during irrigation and land development activities.

60. **Irrigation Schemes O&M:** ETI will adopt, and further refine, the formal beneficiary centered scheme O&M system introduced by AKRSP and WMD. A water user association representing the beneficiaries will be established before the start of construction. The WUA will have formal rules of business duly agreed between the community and executing agency. The rules of business will specify the user fees, mode of their management and usage, scheme O&M responsibilities and operating procedures etc. The user fees will be managed through a bank account with multiple signatories nominated by WUA. As part of the provincial water policy formulation through ETI funded TA, the role and responsibilities and structures of WUAs will be given a proper regulatory cover and system will be established for their monitoring and accountability.

61. **Implementation:** Under the overall management and control of Infrastructure Specialist, PCU, the sub-component will be implemented through WMD and Public Works Department with medium size and simple schemes assigned to WMD and large complex schemes assigned to PWD. This is necessary in view of relative capacity of the two agencies and programme needs for early development of new irrigated area. SMP will be responsible for mobilizing target communities,

negotiating pre-execution agreements on terms and conditions and post-completion re-payment of 50% construction costs and its further utilization for community social and economic development. AWP/Bs of the programme, prepared in consultation with WMD and SMP, will guide the annual targets of the sub-component and WMD responsibilities at all levels.

62. **Sub-component 1.2 - Farm to Market Roads: (US$ 17.08 million/17% of base cost):** FMR component is aimed at improving critical road linkage for the supported value chains for linking the production areas to valley roads and main roads. The sub-component will finance upgrading of 400 km of shingle compacted roads. Existing pony tracks will be upgraded to jeep able roads (40% of total) and jeep able roads will be upgraded to truckable roads (60% of total). In addition, a lump sum provision of 100 meters of bridges would be made. Wherever any additional land/right of way is involved, that would be the government and community responsibility. Completion of roads will be aligned with development of value chains in various areas and land development under irrigation component.

63. *Main Activities:* Main inputs/activities include:

- *GIS Mapping and Baseline Survey***:** GIS mapping and baseline survey will be carried out prior to project start-up and will help initial identification and prioritization and linking of roads with the promising existing production areas and future irrigated land development. The activities will be eligible for retroactive financing.
- *Selection of a consultant by PCU* for survey, detailed design, tender documents and construction supervision
- *Prequalification of Contractors:* Only prequalified contractors will be eligible for participation in the ETI financed roads. Pre-qualification will be carried out by PWD under the supervision of roads consultant and with participation of PCU engineering staff. Efforts will be made to invite better capacity contractors from within and outside the region to participate and not more than 15 contractors will be pre-qualified.
- *Packaging of Roads:* Roads in same valleys, regions or districts will be packaged in a manner to make reasonably large packages that are attractive for bigger and better capacity contractors with credible track record.
- *Land Acquisition/Right of Way:* Beneficiary communities and/or government will be responsible for provision of land for the new roads. IFAD funding will not finance any costs on land acquisition/right of way for the identified roads.
- *Formulation of Provincial roads master plan and O&M policy* including establishment of a dedicated O&M fund by Government of GB for assured regular maintenance of the roads on annual basis
- *PWD capacity building* including provision of vehicles, equipment, road maintenance machinery pool, incremental staff salaries and allowances, and consumables

64. **Phasing:** Road selection will follow selection of priority valleys/villages and identification of land for irrigation development. Therefore little construction activity is envisaged during year 1. Main construction activities will be undertaken during year 2 to year 6 of programme implementation.

65. **Implementation:** PCU, through its infrastructure Expert, will exercise overall control over the entire procurement and payment process to ensure quality and timeliness. GB PWD will be responsible for implementation of ETI's FMR sub-component through dedicated staff at provincial and district levels. PWD will work in close coordination with WMD and SMPs for phasing and selection of roads and execution of road works.

66. **Component 2: Support Services/PPPP for Value Chain Development – US$ 31.25 million/31% of the base cost):** The component will revolve around a commercial and market oriented production and value addition by organized groups of farmers and other value chain players. The component will focus on two products, apricot and potato during the initial phase and inclusion of any additional products will be considered during MTR. The component will provide comprehensive and mutually-supportive solutions to current challenges in developing value chains for the main cash crops (apricot and potato initially). The component will be implemented with the support of multiple

partners including public sector extension and research institutions, private/corporate sector and farmers organizations. The overarching principle will be to follow 4-P model involving effective partnerships between producers (farmers), public sector (extension, research) and private sector (local entrepreneurs, down country seed companies and corporate clients). This component consists of a number of interconnected and complementary sub-components.

67. ***Sub-Component 2.1 Value Chain Support Fund and Technical Assistance:*** **(US$ 20.29 million/20% of base cost)*:*** The objective of this sub-component is to meet financing needs of value chain actors including farmers, traders, processors, transporters, exporters and packagers. The fund will operate on "matching-grants basis". The fund will be managed by an autonomous and representative Fund Management Committee with its secretariat in PCU. Value Chain Manager will be the focal person for this sub-component and Secretary of the Fund Management Committee. The main criteria for access to funds by private sector entrepreneurs will be formal registration, documentary proof of engagement in that particular activity and track record, a feasible proposal/business plan that demonstrates that the activity will directly contribute to adding value to any of the local produce or its access to better markets with better returns for farmers and region, and a proof of applicants own contribution/matching investment in the venture (*Detailed description and procedures are given Annex 4*). The support needed from extension and research services will also be determined in the plan and any costs on provision of such services and inputs (e.g. basic seed for potato seed production) will be part of this financing proposal. Farmers Organizations/VPGs will be eligible to access funds on the basis of production/marketing plans endorsed by VCTAT and underpinned by established partnerships for supply/sale to private sector entities within the region or outside. (*Detailed terms and conditions will be developed by VCTAT at the start of the programme after stakeholder consultations*).

68. *Eligible Partners for VCSF:* It is anticipated that the majority of partnerships would involve identified farmer groups and any of the following:

- An agribusiness or private sector firm or association of firms engaged in the sector;
- A knowledge or service provider (private, public or civil society entity, such as University or NGO, public extension and research service providers);
- Smallholder farmer cooperatives or associations;
- A multiple partnership involving more than two of the above, with one partner designated as the lead.

69. *Partnership development*. There are some existing promising farmers groups and producers association, marketing associations and aggregation services providers that will be engaged to serve as models and experience generators. In addition, the PCU would advertize and call for proposals for additional partnerships. The PCU, through its Fund Management Committee, would examine the solicited proposals and identify eligible proposals. If need be, the VCTAT will assist the proponents in improving their proposals to meet the required standards. Financing of eligible proposals would be appraised by the VCTAT and placed before Fund Management Committee for approval. (Draft *Selection criteria is explained in Annex 4 that would be further refined by VCTAT)*

70. By the end of the programme, it is expected that up to 100 partnerships would be assisted and up to 60,000 smallholder farmers would directly and indirectly benefit from such matching grant partnerships. About 20 processing facilities would be established through programme support for value addition and reduction in wastage.

71. *Technical Support to Women, Youth and Small Entrepreneurs*. The SMPs, VCTAT and line agencies staff would assist those potential partners with lower capacity (such as women or youth, and farmers in more remote areas) in the preparation of their proposals and subsequent implementation once their proposals are approved. Assistance could extend to continued support in monitoring the implementation of the partnerships.

72. *Pilot Testing of Credit Guarantee Scheme:* In order to identify sustaimable sources of formal financial channels for agriculture and value chain development in GB, ETI will approach State Bank of

Pakistan for a pilot under DFID-funded C*redit Guarantee Scheme for Small and Rural Enterprises* under DFID's Financial Inclusion Programme.

73. *Value Chain Technical Assistance Team**:*** A multi-disciplinary value chain technical assistance team (VCTAT) will be engaged, with both long and short term experts, to assist the programme and value chain actors in developing sound business proposals and plans and assist all involved in effective execution of these plans. The main disciplines covered by the team would include Fruit Value Chains Development, Vegetable Value Chain Development, Agri Products Processing, Agri products Economic and Financial Analysis, Small-holder Agriculture Marketing and Value Addition etc. The team will be based in PCU and will report to Programme Coordinator through Value Chain Development Manager. See Annex 4 and Working Paper 2 for details.

74. ***Sub-Component 2.2: Social Mobilization (Farmers Organization & Institution Building) (US$ 4.01 million/4% of base cost)***: Social mobilization and organizing the farmers in village level production groups and valley level producers associations is meant to address the current challenges of scattered production, lack of aggregation and quality control forums, challenges of extension and research links to smallholders, disincentive for the private sector in approaching individual small producers spread over large areas and lack of credible institutions at producer level to engage with. A social mobilization partner is required also for implementation of irrigation development sub-component which involves community driven implementation approach linked to recovery/repayment of 50% of construction cost. Nutrition related activities will be mainstreamed into activities at the community level, particularly with the women and youth. A TOT will be conducted to further train the SMP staff and extension agency staff in nutrition knowledge and skills which will be onward imparted to male and female members of VPG/FEGs as part of community training and mobilizations activities. Appropriate nutrition related materials will be sourced or developed for distribution and dissemination. ETI social mobilization component will be implemented through engagement of experienced NGOs/RSPs through a competitive process. One or more SMPs can be selected for three programme regions in GB depending on their individual capacities, experience and area-wise advantages. Process and criteria for selection and TOR is given in PIM at Annex 11.

75. ***Main activities and steps in social mobilization sub-component will include:***

i. Engagement of social mobilization partners for three regions through a competitive process by PCU
ii. Development of a social mobilization and community interaction strategy by SMP (s) on the basis of programme objectives in collaboration with PCU, line departments and private sector
iii. Training of SMPs staff in programme objectives and approach, coordination processes to engage with other implementing partners, reporting and accountability and deployment of trained staff
iv. Selection of priority valleys and crops on the basis of Baseline Survey and in close collaboration with Department of Agriculture (Extension & Research), VCTAT and PCU/RCU.
v. Engagement with existing active production and marketing groups. Immediate priority crops include seed and table potato production and apricot production, marketing and processing.
vi. Dialogue with the villages in selected valleys to establish 220 village producer groups (10% women groups), including women, around specific crops and preparation of village development needs/plan in economic and social sectors
vii. Development and delivery of nutrition improvement related activities including training need assessment, TOT, training of SMP and extension staff, development and distribution of nutrition information materials and training of male and female nutrition activists at village level.
viii. Identification and engagement of special target groups including women, women-headed households, special needs individuals, landless and unemployed youth for targeted assistance as well as assurance that they get equitable priority benefit from project funded activities.
ix. Phased formation of village producers associations in a manner to organize all target villages and most of the valley producers associations by end of year 3.
x. Establishment of 20 Valley Level Producers Associations, at least one in each valley, representing village producers groups and assisting them, in collaboration with TA team, in establishing formal structure, registration, business plan and opening of accounts etc.
xi. 3-4 Regional Producers Associations formed once the Valley Associations are fully operational and working profitably.

76. ***Sub-Component 2.3: Agriculture Extension (Department of Agriculture) (US$ 2.13 million/02% of base cost):*** Main objective of this sub-component is to provide demand driven extension services to organized groups of men and women farmers including training in pre and post-harvest practices, soil testing soil improvement, farmer operated commercially run nurseries for improved fruits and vegetable plants and assistance to Agriculture Research in operating contract based potato seed multiplication and adaptive trials.

77. *Activities and Responsibilities:* The main activities assigned to Extension Wing include: assignment of its district and field staff in support of programme implementation; farmer training, as identified during the business development plan formulation at the village and valley level, adopting a Farmer-to-farmer training approach whereby key farmers will be trained for each group and association who will train the fellow farmers for a particular crop; assist farmer groups in establishment of commercially run nurseries for the production of quality fruit and vegetable planting materials including access to improved progeny sources and access to Value Chain Development Funds for their capital needs. The soil testing labs would be made fully functional and all target villages will be provided soil testing and related soil improvement advice. Support o Agriculture Research in operation of seed potato programme. To enable the Extension Directorate to fulfill its responsibilities in an efficient manner, essential required equipment, mobility and incremental staff will be funded by the programme.

78. ***Sub-Component 2.4: Agriculture Research, Department of Agriculture (US$ 2.69 million/3% of base cost:*** Main aim of this subcomponent is to address the current paucity of quality potato seed in the region through a farmer and contract centered basic seed production programme. The sub-component will also strengthen local capacity for seed certification and product certification for export.

79. *Main inputs covered under this sub-component include:*

a. Full rehabilitation (green houses, screen houses) of the three tissue culture labs along with capacity enhancement to be able to support production of 25,000 tons of seed potato in GB
b. Procurement of equipment machinery and chemicals and baseline inputs (imported potato basic seed, fertilizer, pesticides) and establishment of a revolving fund for sustainable seed production operation
c. Facilitation of agreements between potato seed and table potato producer groups and private sector purchasers in Punjab and elsewhere and supply of basic and certified potato seed as per business plans of the producers
d. Establishment of contract growing with farmers for seed multiplication including farmer training
e. Construction of eight 50 mt capacity seed stores in key production areas
f. 100 adaptive research trials to select optimal areas for production of seed and table potato
g. Directorate capacity building including equipment, incremental staff salaries and allowances for the seed certification office in Gilgit and daily wage workers wages for TCL

80. ***Sub-Component 2.5: Land Titling System, Provincial Land Commissioner: US$ 2.13 million/2% of base cost):*** Main objective of this sub-component is to secure land titles for the beneficiaries of irrigation land development through issuance of legally valid land titles by District land revenue agency. To initiate establishment of a proper land records and titling system in GB, the programme will adopt a two pronged strategy whereby it will assist the provincial government to carry out the required legislative work for a provincial land titling framework but, at the same time, get an interim regulation promulgated that safeguards the interests of programme's beneficiaries for the newly developed irrigated areas. Such a regulation will establish the basis for classification of lands identified for development and the shares of people living in the beneficiary/claimant community. At the same time, ETI will assist the provincial government to start establishing the basics of a computerised land records system at provincial and district levels on the pattern and software design of systems being established in Punjab and Sindh provinces.

81. *Project Inputs and Activities and Responsibilities:* The Provincial Land Commissioner will notify a focal person from the provincial government to be responsible for this activity who would also be member of the PCU Coordination Committee. Implementation of all project financed activities and reporting thereon will be the responsibility of Land Titling Focal Person. The main activities and inputs under this sub-component will be:

a. *Legal Consultancy for Provincial Law and Interim Regulation*- a legal expert will be engaged to assist the provincial government in drafting a new land law that is commensurate with the local customs and usages and provides a fair system across the area for recording and protection of land rights and their enforcement. The interim regulation shall be promulgated by the end of Programme year 1 while updated Provincial Land Law will be promulgated by the end of Programme Year 2. Office of Provincial Land Commissioner will take the lead in all aspects of legal formulations supported by PCU in terms of necessary consultancy services.

b. *Establishment of Provincial and District Land Record Computerisation Cells* – Cells will be established at the office of Provincial Land Commissioner and District Revenue Offices for computerization of land records starting initially with the land developed under ETI. The cells will be subsequently developed in full-fledged Land Record Offices by the provincial government. The cells will be established by end of Programme year 1.

c. *Procurement of servers and computers along with allied equipment for the provincial and district cells along with software* – basic equipment for putting in use the software for land-records data of ETI sponsored land development and issuance of titles to the beneficiary households will be procured through project funding and installed at provincial and district offices

d. *Training of the provincial and district staff and study tour to Punjab:* The selected staff would be sent for training and study tour of Punjab Board of Revenue and Selective districts to study the system and learn tools of trade.

e. *Recording of Data and maps of lands selected for irrigation development by district land records cells along with beneficiaries* – To initiate the system, the digitized maps of land selected for development and data of the beneficiaries along with allocated parcels of lands will be recorded in the new computerised system. District Revenue agency will provide land classification and ownership status certificate for each parcel of land selected for irrigation development prior to initiation of any work on that scheme.

f. *Issuance of land record titles by the cells to each beneficiary under the interim regulation of provincial government* – once the land is developed, each allocated parcel of land will be verified by the revenue staff and district cells will issue an official land ownership title to each individual under the interim regulation.

82. **Component 3: Programme Management and Policy Support: (US$ 8.33 milllion/08% of Base Cost):** This component aims at providing an effective programme coordination, procurement, monitoring and technical support capability at Gilgit-Baltistan level for effective management of programme resources and attainment of its objectives. (ref. Organizational Framework). Key elements of programme management and policy support component will be:

a. **Programme Steering Committee**: headed by the Chief Secretary, a Steering Committee will be established in GB to provide the overall policy and administrative support, coordination and direction to the project in accordance with IFAD Financing Agreement. Rest of the membership will be drawn from core development and finance departments (P&D, Finance) and implementing departments (PWD and Department of Agriculture representing Agriculture Extension, Agriculture Research, and Water Management Directorate). Give the importance of private sector in ETI, two representatives from the private sector (one local and one from main buyers of GB products) will be made part of Steering Committee. Ministry of AK & GB will be represented as well by an officer not below the rank of Joint Secretary. Three representatives of Valley Farmers Associations, at least one of whom will be a women, will also be selected by SMP to represent farmers' interests. Head (s) of SMP will also be members of Steering Committee.

b. **Programme Coordination Unit**: PCU will be administratively attached to Planning & Development Department of GB but otherwise fully autonomous and empowered to implement the programme fully in terms of the Financing Agreement between IFAD and Government of Pakistan. PCU will be based in Gilgit and headed by a Programme Coordinator who will be responsible for the implementation of programme activities as per Programme Financing Agreement and procurement guidelines, PC-I and approved annual work plans and budgets.

c. **Regional Coordination Units**: Regional Coordination Units will be established in three regions at Skardu, Gilgit and Diamer (Chilas). RCUs will be small lean units performing on field coordination and monitoring and reporting functions.

d. **Policy Support:** ETI will provide policy formulation support to the government in number of areas related to value chain development as well as priority areas for project investments. These include Land Settlement and Titling, Irrigation Water Policy, Roads O&M Policy, Seed and Products Certification and quality certification etc.

D. Lessons learned and adherence to IFAD policies

83. **Lessons learnt.** The programme design has consciously benefitted from IFAD experience in Pakistan, within GB and other similar value chain based programme elsewhere (in particular WB/IFAD/EU project on Cocoa and Coffee in Papua New Guinea, Value Chain Development Programme in Afghanistan etc.). Annex 3 provides a synthesis of the main lessons learnt from the implementation of the IFAD country program in Pakistan. Below are some of the key lessons which have been incorporated in the design of this project:

a. *CPE 2007 Recommendations:* the 2007 Country Program Evaluation (CPE) recommendations have been incorporated in the design of this programme including: (i) enhancing the marketability of rural products is critical to increase rural income, and (ii) a better balance between on-farm and non-farm investments in the rural sector should be pursued to ensure sustainable rural development.

b. *Recognition of Critical Role of Private Sector:* IFAD Global experience has recognized the critical role of private sector in sustainable development of rural value chains and the same has been used as key thrust of ETI project. The 4P approach involving producers-public sector-private sector partnerships has been recognized has crucial for sustainable increase of rural agriculture income.

c. *Incorporation of Lessons of Previous IFAD project in GB:* IFAD sponsored NADP (1998-2009) lessons were captured in PCR of the project and have been duly acknowledged in ETI design. Main lessons included: An appropriate community interaction and project implementation strategy should be spelled out upfront; project should start small and expand on the basis of experience gained; 20% community contribution is usually at the cost of the poor; Poverty survey of target villages should be first activity to identify the priority target hhs; Roads and links to markets should be a priority in areas like Diamer (GB); Community executed rural infrastructure brings better efficiencies; O&M procedures and systems for community owned schemes should be established and formalized well in time; Suitability and stability of tenure of Project Managers assumes added importance in challenging areas like Diamer and much higher incentives needed in areas like Diamer to attract and retain quality staff;

d. *Preparatory Delays in Project Start-up:* The most common delays in all project's start-ups involve preparation and approval of PC-I, recruitment of PCU staff and timely preparation/approval of first AWP/B and delays in initial procurements. All these aspects will be addressed through appropriate instruments in design and Financing Agreement through use of enabling tools like retroactive financing, technical support in PC-I formulation and approval and support in finalization of recruitments and office establishment prior to official start-up date.

e. *Financing Agreement and Local Rules Conflict:* Apart from clear stipulations in design, procurement plans and PIM, an official notification from GoGB will be obtained clearly starting that ETI project will follow Financing Agreement stipulations and any local rules in conflict with FA will be considered void.

f. *PCU Procurement capacity must be ensured:* Most IFAD projects in the region have struggled with timeliness and quality of procurements primarily because of lack of dedicated and qualified procurement staff. This has been taken care of in ETI given the large scale of expected procurements.

g. *Pubic-Private Sector Partnerships:* Partnerships need to be market-driven and demand-driven and allow for diversification of farming systems and value chains. Technical Assistance is critical for enabling the public and private sector to develop quality proposals and business plans.

h. *Land Laws and Customary Rights:* A programme focused on development of new productive lands for smallholders need to pay special attention to the operative land laws and customary rights to ensure that the benefits reach the intended poor, landless and smallholders in a fair and assured manner.

i. *Support Infrastructure Maintenance:* While customary irrigation structures maintenance is generally adequate except when there is any major damage due to slides or floods; rural roads' maintenance is however generally poor due to inadequacy and irregularity of maintenance budgets. Community based maintenance arrangements in roads has generally not worked well.

j. *Gender, Youth and Special Groups:* Gender should be mainstreamed it into all project approaches and activities and create incentives for a balanced gender participation and change in the way the society currently defines gender roles. Youth and Special Group should be engaged in a manner whereby they are helped to develop their skills and capacities to benefit the communities and help themselves.

84. **Compliance with IFAD policies.** The programme is in line with IFAD Strategic Framework 2011-2015. The programme activities, implementation arrangements and M&E system have been designed in compliance with IFAD Targeting Strategy and in line with the approaches outlined in the Framework for Gender Mainstreaming in PMD Operations. The programme is consistent with IFAD Private Sector Development and Partnership Strategy. The proposed Value Chain Development Fund in its management and operations is aligned with IFAD Rural Finance Policy and the IFAD Decision Tools for Rural Finance. ETI Land Development component is fully in line with IFAD Policy on Land Access and Tenure.

85. **Environment Scoping and Review:** Detailed ESRN is provided in Annex 12, and as per ESRN findings the programme is aligned with both IFAD Climate Change Strategy and Environment and Natural Resource Management Policy. The programme is considered Category B as far as its environmental classification is concerned[27].

III. Programme implementation

A. Approach

86. The programme will be implemented through an integrated value chain based approach. All programme activities, infrastructure (irrigation & roads), farmer organizations, value chain development funds, social mobilization, extension and research and programme management will be aligned to support one key objective i.e. improved incomes and reduced poverty through higher production and access to markets for higher returns for the smallholder farmers of the GB region. The guiding principles for ETI approach would be:

- Participatory and community/producer based in a pro-poor and gender sensitive manner
- Market and demand driven based on promotion of 4-Ps (Producer, Public Sector, Private Sector Partnerships) with full participation of private sector on credible long-term contracts
- Innovative and scalable based on a virtuous cycle of full payments for infrastructure to ensure capitalization of rural economy, early return of production dividends and post-dividend

[27] The programme will contribute to environmental conservation and sustainability because of its emphasis on making the agriculture sector more productive with less wastage and higher returns for the farmers. The programme will strictly follow the existing environmental laws and regulations applicable in the country and represents an environmentally less stressful approach to using the already degraded natural resource base in the project area.

recoveries for investments for reinvestment in same communities in shape of social and economic investments
- Decentralized, flexible and results based
- Sustainable with emphasis on capacity building of extension and research services and private sector and assured resource availability through permanent revolving funds
- Farmer Organization and private sector/entrepreneur capitalization through a matching-grants based fund for addressing existing gaps in local support services, market access and value addition/processing
- Partnerships driven and benefitting from existing community based organizations and social capital available in the area and complementing other government, NGO and donor interventions

87. **Innovation.** There are several innovative aspects which the programme attempts to introduce:

a. Mutually responsible commercial relationships between private/corporate sector and groups of small farmers that addresses quality and volume concerns of the buyers and price, market predictability and trust concerns of the sellers

b. Full cost payment of irrigation infrastructure (no community contribution) to communities and partial cost recovery of irrigation investments from production from new developed lands and reinvestment of such recoveries in the same villages to meet other social and economic needs of the beneficiaries;

c. A Value Chain Development Fund, operating on matching grant basis, covering all range of products and entire region;

d. Piloting of cost effective lift-water systems along main rivers with the potential to add thousands of additional acres to agriculture production system;

88. **Scaling-up.** The innovative approaches being attempted under ETI have high probability of being scaled-up within the region and rest of Pakistan. There are two avenues for such scaling-up. IFAD and other funding agencies picking up successful innovations and replicating them in other areas and larger scale. ETI promoted approaches for the services and producer-buyer partnerships will offer concrete basis for a dialogue with the government on sustainable approaches.

89. The future scaling up strategy should be based on:

i. *Dissemination* of the results of approach through creation of regular appropriate forums at regional and national level involving government, other funding agencies and civil society/NGOs;

ii. *Ensuring quality* and timeliness of services provided on cost recovery basis to convince the farmers that payment of services makes sense

iii. *Assured quality and volumes* would encourage the corporate and private sector to look for similar farmer-private sector engagements elsewhere in the region and country

iv. *Incentives* that would drive the scaling-up process include political incentives (high priority given for the development of the region) and synergy incentives (for social mobilization partners achieving greater coverage and development through partnering with large scale projects like ETI)

v. *IFAD's role* would be to facilitate, through dissemination, dialogue and adoption, the scaling-up of successful innovations within the country, region and elsewhere.

B. Organizational framework

90. **Federal Level:** At the federal level, Economic Affairs Division will be the main coordinating agency for IFAD financing and its subsequent monitoring. JS WB, ADB and UN will be the main focal person.

91. **Provincial Lead Implementing Agency.** Planning & Development Department, GoGB will be the Lead Implementing Agency and will implement the programme through an autonomous and fully empowered PCU. P&D Department has been selected in view of the multi-sector nature of the programme involving a range of public sector departments, local social mobilization agencies and private sector. P&D as the main development coordinating agency in GB would ensure synergies and avoid duplication among various sources of development funding in the ETI target areas. A small ETI Support Cell will be established in P&D Department consisting of a Programme Officer and a Programme Assistant to follow up on all programme related matters in P&D and with MoKA&GB, maintain schedules and record of PSC Meetings etc.

92. **Programme implementation.** Programme implementation will follow a hybrid model where different components/activities will be implemented by different public agencies, NGOs and private sector service providers/implementing partners will be coordinated by an autonomous Project Coordination Unit (PCU) that is administratively attached to the P&D Department and supported by three District Coordination Units (DCUs)[28].

93. ***Programme Coordination Unit (PCU)****:* Headed by a Programme Coordinator, PCU will be responsible for the overall planning, coordination, fiduciary management and monitoring of the programme, and for consolidating the AWPBs in consultation with DCUs and service providers contracted for the programme. The main technical staff of PCU will include a Finance Manager, an Infrastructure Expert, a M&E & Knowledge Management Manager, a Procurement Manager, a Gender and Poverty Manager and a Media and Communication Manager. The positions will be filled on competitive basis and candidates from Pakistan Administrative Service, Provincial Management Service, specialized sector services and private sector will be eligible to apply. The public sector incumbents will be entitled to salary and specified programme allowances, while private sector incumbents would be paid market based salary determined by the relevant provincial committee. Selection will be finalized in consultation with IFAD Country Office (ICO) and, once selected, the Programme Coordinator and other professional PCU staff will complete at least three years in the programme unless their removal is necessitated on fully established charges of inefficiency, corruption or lack of fitness for the assigned job.

94. ***Regional Coordination Units (RCUs):*** A Regional Coordination Unit, headed by a Regional Coordinator-cum-M&E Incharge, will be established in each of the three regions i.e. Gilgit, Diamer and Baltistan. RCU will be responsible for planning, coordination and monitoring of activities in the target valleys and villages in close collaboration with the social mobilization service provider, Value Chain Technical Assistance Team and line departments. A small team of technical staff will support the Regional Coordinator in his/her tasks. These will be incremental programme funded position and will be filled on competitive basis.

95. The assigned notified staff of government partner agencies at the provincial and district level will provide the services agreed in the annual development plans and budgets under the guidance of their district officers. Required capacity support for this purpose will be provided through programme funding.

96. *Service providers/implementing partners:* The main implementing partners in the programme will be (i) Social Mobilization Service Providers/NGO (Selection process and TOR for SMP are provided in PIM); (ii) Value Chain Technical Assistance Team (Composition and TOR for VCTAT are provided in Annex 5); (iii) a range of Private Sector Partners including local entrepreneurs, apricot processors and exporters, and down country corporate and commercial buyers of seed and table potato; others include *inputs supply Companies (Fertilizer, pesticides, packaging etc.)* who would be facilitated to establish dealerships at valley level through FOs*:* (iv). *Village/Valley Producers Associations:* Around 220 Village Producers Associations (20 Female), 20 Valley Producers Associations and 4-5 Regional Producers Associations will be main project partners for development of various product value chains. [29]

[28] An organizational chart of the project is attached in Appendix 5, Annex 1. ToRs for the key staff of the project are attached in Appendix 5, Annex 2.

[29] The implementation responsibilities for each service provider/implementing partner are detailed in Annex 5, Appendix 3.

97. *Donor & Development Coordination:* ETI will develop effective coordination and experience sharing mechanisms with other donor, NGO and government funded programmes on value chain development in GB region. These include USAID-funded Satpara Development Prject, DFID, JICA funded Apricot Value Chain Development Project and AKRSP and ASF supported activities. P&D, as executing agency for ETI, and as provincial planning and development coordinator for all actors involved in value chain development, will facilitate this process. PCU based value chain committee will include representatives from other projects/programmes in their deliberations for mutual learning and coordination.

98. **Pre-Start-up and Startup Activities:** Based on lessons learnt in previous IFAD projects in Pakistan, a number of pre-startup and startup activities will be implemented to ensure a timely start for eh programme. Among pre-startup activities, a hazard mapping survey with mitigation measures will be completed in association with WFP through an IFAD grant. A GIS survey of priority valleys will be carried out to establish a digital basis for irrigated lands and roads development. A short term consultancy support will be provided to P&D Department for PC-I formulation to ensure that is completed and submitted to Planning Commission for approval prior to loan negotiation. A Programme Expediter will be engaged to assist the provincial government in completing formalities for PCU and VCTAT recruitments, procurement of initial set of vehicles and equipment, identification of buildings for PCU and DCU establishment and preparation of first year AWP/B.

C. Planning, M&E, learning and knowledge management

99. **Annual Work Plan and Budgets.** The AWP&B represents the key planning document for the programme. The planning format will follow the programme logical framework with clearly spelled out monitoring indicators that can be easily measured and reported. Annex 6 gives more details of the planning, monitoring and evaluation arrangements.

100. **Monitoring & Evaluation.** Programme results will be measured at output, outcome and results levels and will be measured against indicators provided in programme logical framework. The system will be guided by IFAD Results and Impact Management System (RIMS). An M&E plan will be formulated at the start of programme that would provide the basis for annual M&E plans and activities contained therein.

101. The overall responsibility for the M&E activities will lie with PCU/RCUs. The Planning, Monitoring and Evaluation System (PME) will be finalized and made operational, in consultation with all implementing partners, within the first six months of programme start-up. The PME will be part of an overall Information, knowledge management and communication system that will provide timely and accurate information on implementation progress and feedback for management decision making. It will also show progress against planned programme results. All indicators will be disaggregated according to gender and socio-economic status to the extent possible so as to enable a proper assessment as to whether the programme is reaching its intended target beneficiaries, poor households, smallholders, women and vulnerable groups (*See Annex 6 for details*).

102. **Structure and Components:** Programme PME system will consist of simple planning formats with limited number of key monitoring indicators that can be easily monitored and reported by all levels of implementation with time and cost efficiencies. Programme will use simple processes, structures and instruments including a simple computer based software with multiple user interface at all levels to ensure that important M&E information is available to all stakeholders in a timely manner. The design will be aligned with Government/P&D monitoring and reporting structures for foreign funded projects to minimize duplication of effort. Baseline information will be made the basis for all measurements of programme outcomes and impacts. Knowledge management and communication will closely linked and aligned with PME framework for effective feedback and knowledge sharing. All staff involved with PME system at different levels will be provided adequate training including farmers organizations and other private sector partners.

103. PCU's AWP/B will be an enabling umbrella plan for all components. Exact scheme and FO-wise business plans will be prepared once the FO and a scheme has been identified and all necessary preparatory steps completed. At FO level, commodity specific business plans will be prepared in detail covering all aspects of value chain development for that commodity including private sector partnerships, need/use of Value Chain matching funds, training requirements and assistance needed from extension and research entities.

104. **Surveys and Studies:** A baseline survey will be conducted, preferably before programme start-up, but latest by end of third month of programme implementation to establish log frame/RIMS based benchmarks related to outcomes and results vis-à-vis programme beneficiaries.

105. **Annual Planning & Progress Reviews:** PCU will convene annual planning and progress reviews involving all stakeholders to take stock of existing progress and constraints and plan for the next year AWP/B. This will be in addition to quarterly planning and review sessions for review of progress and planning for next quarter. Seasonality of implementation is a major factor in GB and all annual and quarterly planning will particularly focus on ensuring readiness to maximise the use of short summer seasons of the area for maximum progress. Programme internal planning and review processes would be backed by regular IFAD supervision and implementation support missions.

106. **Learning and knowledge management.** Learning and knowledge management (KM) is a key feature of the programme. Systematic knowledge management and learning will be used as a means to make the programme more effective and efficient, enable it to review and simplify processes, adapt much faster to the emerging lessons, and achieve greater impact. The main purpose of KM processes within the programme is to ensure that knowledge generated is systematically identified, analyzed, documented and used to improve performance. Key features of the knowledge management approach in ETI include:

a. Preparation of a programme level KM strategy by PCU, in line with IFAD policy on KM, during the first year of implementation. The strategy will focus on the processes that will be involved in building a robust KM system in the programme.

b. A programme website will be completed within the first year of implementation and used as a knowledge sharing tool, and also linked to IFAD Asia website. The KM team will extensively document and share knowledge generated in the programme. The QRM forums will be used as potential KS venues for capturing lessons learned and best practices leading to development of related knowledge products.

c. Key information from M&E studies, reviews and exposure visits, lessons and best practices will be disseminated through knowledge products such as newsletters, publications, case studies and reports, etc.

107. IFAD Country Office will facilitate close lesson learning and exchange of experience between ETI and other IFAD funded projects in the country in areas of common interest and approach. LAMP in Punjab and GLLSP in Balochistan offer important knowledge and lessons in engagement of SMPs and social mobilization approach for smallholders and value chain and marketing development for small producers. SPPAP, Punjab offers excellent poverty targeting approaches.

D. Financial management, procurement and governance

108. **Programme fiduciary risk.** Based on detailed review of the current financial management systems prevailing within government sector and GB region, fiduciary risks were rated as 'medium' by the design mission. On the basis of such assessment, the areas on which the ETI needs to focus are (i) procurement and installation of an accounting software within three months of programme commencement[30]; (ii) hiring of key financial management staff to ensure appropriate use of the system and the implementation of financial management arrangements and (iii) to maintain sufficient liquidity in the accounts, (iv) payments will be made from the PCU to the implementing partners' accounts based on certified expenditure statements (details outlined in Annex 7).

109. **Budgeting.** The PCU will be responsible for the budgeting as part of the AWP&B exercise. With respect to the Government of Pakistan financing, the counterpart funds are budgeted in the GoGB provincial annual development budget and Ministry of KA & GB development budget for their release to the programme.

110. **Financial management responsibilities.** PCU will be responsible for the financial management of the programme and for coordinating and consolidating all financial reports from implementing partners. (See Annex 7). The PCU will maintain a full set of accounts in accordance with IFAD's requirements and internationally accepted accounting standards.

[30] Some of the accounting software specifications have been highlighted in Appendix 7.

111. **Flow of funds and disbursement arrangements** ETI will use the imprest account method for the Designated Account (DA) advance. There will be a designated account for the programme in State Bank of Pakistan to receive funds in advance in USD (Designated Account) from the Loan proceeds for the exclusive use of this programme. There will be a sub-Designated Account in Pakistani Rupees for the Loan proceeds for the exclusive use of this programme in the State Bank of Pakistan in favour of the province of GB (Sub Designated Account). There will be a PCU operated Programme Account in National Bank of Pakistan at Gilgit (in Pakistani Rupees) for drawl of funds from the State Bank designated account for meeting programme's procurement and implementation obligations. Each of the RCUs and partner agencies will open dedicated sub-accounts for the receipt of programme funds against agreed annual workplans/budgets and quarterly approved plans and budgets. The implementing agency-level sub-accounts will also be managed under imprest account method. The PCU will transfer the funds to the Sub-Accounts on the basis of AWPBs/Quarterly plans submitted by each RCU and implementing agencies. The SOE threshold is set at US$ 50,000 for all categories of expenditures. Direct Payments from IFAD will be made to suppliers/contractors/consultants as per the instruction in the Letter to the Borrower. Details are outlined in Annex 7.

112. **First disbursement conditions.** The following will be designated as precedent to withdrawal/initial disbursement of funds to ETI: (i) The Designated Account and the sub-accounts (RCUs and Implementing partners) shall have been duly opened; (ii) The Programme Coordinator and Deputy Programme Coordinator, and Finance Manager at PCU level shall have been duly recruited by the GoGB through a competitive process with IFAD prior-review; (iv) the Programme Implementation Manual shall have been duly approved.

113. **Authorization to manage programme finances.** PCU/RCUs and designated implementing agencies will receive from the appropriate government authorities, the necessary authorization to manage the ETI finances, including the operation of the Designated Accounts (DA) and the sub-accounts. This authorization will be provided for management of programme funds at the provincial and district levels. Details will be provided in the Letter to the Borrower and the Programme Implementation Manual.

114. **Disbursement period and withdrawal applications.** IFAD financing will be disbursed over a seven year period. All withdrawals from the IFAD loan proceeds will be made on the basis of withdrawal applications submitted by the PCU in accordance with the AWP&B.

115. **Internal Controls.** Internal control systems at PCU will need to be set up to ensure the proper financial management and disbursement procedures. Details are outlined in PIM.

116. **Financial accounting.** Considering the specificity of the programme, including the complexity of accounting for, village producers associations, Value Chain Support Fund and SMPs, ETI will procure an appropriate accounting software. The accounting software will be set up in a manner that enables separate activity accounts to monitor the progress of implementation, identify the works, goods and services financed from the loan and disclose their use in ETI. The accounting system will (i) ensure the proper disbursements from the IFAD proceeds for efficient and economical implementation of the programme (ii) allow performance evaluation of the programme and comparison of actual implemented budget versus estimated, and reasons for the discrepancy, and (iii) allow internal controls for ensuring protection of programme funded assets. All finance and accounting staff at PCU and regional levels will be trained in double entry accounting and use of accounting software, to build capacity to programme requirements.

117. **Reporting.** To avoid delays in financial reporting to PCU, the RCU and implementing agencies accountants will be required to send financial reports to PCU Finance Manager on quarterly basis. This report will include status of expenditures by categories and components, sources of funds, bank statements, and bank reconciliations. It will be the responsibility of the Programme Coordinator and Finance Manager to ensure that there is no build-up of idle funds in sub-Accounts.

118. **Provision of funds to an implementing agency.** Whenever programme funds are provided to an implementing agency for use in delivering on behalf of ETI, the implementing agency will be required to open separate bank accounts and maintain separate, double entry accounting for expenditures towards the activities financed with programme funds, maintain appropriate financial records in accordance with accepted practices and make financial reports to the PCU/RCU on a quarterly basis. .

119. **Procurement.** All main procurements, including equipment and vehicles, will be carried out either in bulk (for standardized items) by PCU or under the overall oversight of PCU in case of individual agency based procurements. The preparation of annual procurement plans will form the basis for all procurements. PCU will prepare an initial 18 months procurement plan, including procurement of all standardized items for implementing partners (vehicles, motorcycles, computing equipment & furniture and fixtures) and prepare an annual plan thereafter for each 12 month period (Annex 8 gives an overall assessment of government procurement systems and more detailed procurement arrangements for the programme). The procurement will be consistent with the duly approved annual work plan and budget (AWP/B). The procurements will be carried out in accordance with IFAD procurement guidelines only. The procurement of goods, works and services to be financed out of the proceeds of IFAD financing will be carried out in accordance with the Letter to the Borrower (LTB) and by observing the specific principles provided in the Programme Implementation Manual (PIM). The cost of the procurement will not exceed the availability of duly allocated funds as per Financing Agreement. The procurement must result in the best value for money. Responsibilities for the divisional/district level budgets and plans and procurement of small local level goods and service will be decentralized to RCUs to the extent feasible for small region specific goods and services and through the revolving fund established with Research Directorate for potato seed multiplication.

120. **Flow of Funds:** The designated account shall receive an authorised initial allocation as defined in the letter to the borrower. The designated account shall be replenished through withdrawal applications submitted to IFAD by PCU in line with timeframe determined in the Letter to the Borrower and PIM. Funds to implementing entities and districts will be provided by PCU on quarterly plan basis.

121. **Audit.** All public funding expenditures in GB are under the audit purview of Auditor General of Pakistan. The annual external audit of programme expenditures will be carried out by Auditor General of Pakistan in line with the requirements and report template included in Annex 7. The annual audit by AGP will be carried out within three months of the close of financial year and an unqualified report on the status of programme finances and their proper usage will be made available within 6 months of the close of financial year. If circumstances so warrant, IFAD may require the programme to arrange for an external independent audit in addition to annual audit by Auditor General of Pakistan.

122. As part of audit deliverables, the auditor will examine the documentation related to expenditures carried out under Statement of Expenditures. As per IFAD audit requirements, the external auditor will provide separate opinions for: (i) consolidated financial statements (ii) Designated Account operations, (iii) Statement of expenditures, and; (iv) Operation of Revolving Fund established with the research directorate. In addition, the external auditor will also examine the documentation related to procurement carried out under the programme and provide an opinion on the procurement process used.

123. Audit of the social mobilization service provider will be carried out by a Chartered Accountant firm selected with the concurrence of PCU and non-objection of IFAD for audit TORs, subsequent to which auditors will be appointed within two months of signing of agreement and within two months from close of financial year for subsequent years. Audit report will be furnished to IFAD within six months of closure of annual accounts.

124. **Governance:** Implementation of ETI will be guided by the principles of National Anti-Corruption Strategy 2002 (NACS). Several features have been built in the design, approach and implementation methodology to ensure good governance in all aspects of ETI management. All programme activities will be implemented through participatory approach with communities have a strong role in planning, procurements, implementation, supervision and final account settlement. Community role will be further strengthened through independent social mobilization partners. Village and valley selection will be done on the basis of a transparent criteria applied by a broad-based committee with representation of SMP, civil society and private sector. All irrigation development will be community and criteria led and distribution of land will be on the basis of equal share for all. Road selection will be linked to irrigation and value chain development. An empowered finance wing at provincial and district level will manage all programme finances with annual external audits. A procurement specialist in PCU will ensure that all procurements are done in accordance with IFAD guidelines and PPRA rules and on the basis of annual procurement plans. PCU will have overall control over all procurements and payments to service providers. A communication and dissemination strategy, run by a communication manager will keep all stakeholders fully informed about programme activities and progress. A grievance redressal system will be established by P&D Department, GB

with dedicated phone and postal contacts to enable people to register complaints about any incident of corruption or mal-governance at any level or programme implementation. (See Annex 14 for detailed Governance Framework).

E. Supervision

125. **Supervision and implementation support.** The programme will be directly supervised by IFAD in collaboration with relevant national and provincial entities. At the start of programme, a startup workshop involving all key stakeholders including relevant private sector and civil society entities, will be conducted to apprise them of programme objectives and activities. Main programme implementers will be trained in key aspects of programme approach and processes. A supervision or implementation support mission will be conducted after every six months in the initial period and thereafter at least on an annual basis. The Government of GB will provide the logistical support for the mission and nominate a person to join the mission. The supervision mission will comprise of IFAD CPM and ICO staff and an appropriate number of relevant experts depending on status of programme progress and any existing or emerging issues and challenges that may need expert advice and opinion.

126. **Mid-Term Review (MTR) and Programme Completion Report (PCR).** A Mid-term review will be conducted at the end of third year of programme implementation, to assess the progress, achievements, constraints and emerging impact and likely sustainability of programme activities and make recommendation and necessary adjustments for the remaining programme period. The MTR will be carried out jointly by the PCU/government and IFAD. At the end of the programme, a completion evaluation will be conducted, as an input into the Programme Completion Report (PCR), through a formal survey preferably undertaken by an agency with no previous involvement in programme implementation.

127. Three aspects will be specifically assessed during MTR: (i) progress and effectiveness of economic infrastructure development (irrigation and FMR) including cost recovery and reinvestment of irrigation infrastructure, FMR services procurement, implementation and costs efficiency and quality, and O&M arrangements (ii) the effectiveness of value chain development activities under taken including effectiveness of VCTAT, Value Chain Fund Management and efficacy of producer-public-private partnerships; and (iii) sustainability of the programme initiated innovations and investments and remaining actions that need to be undertaken to ensure sustainability.

F. Risk identification and mitigation

128. Main risks identified that may have a bearing on programme progress along with mitigation measures are reflected in the following matrix: .

Risk	Likelihood	Mitigation measures
Institutional capacities: GB is a newly created province and institutional capacities may still not be up to the level for effectively implement a large donor funded programme	Medium	Appropriate external consultancy support has been provided in programme design to augment local capacities. There is existing experience within the region for donor funded programme implementation through previous IFAD funded NADP and other FAO, UNDP and JICA funded projects.
Security: Pakistan is in the middle of an unstable region and security situation throughout the country is subject to many externalities. In the target area, a small pocket adjacent to Kohistan District of KP, has been target of sporadic violent incidents.	High	Government of GB has raised a special force of 700 trained commandos to ensure security on main highways. With start of mega projects like Pak-China corridor, and arrival of large number of Chinese workers, additional recruitments of manpower for law enforcement agencies are underway which shall help improve law & order in the area.
A number of private and public sector entities along with social mobilization partners and value chain fund manager are involved in implementation running the risk of inadequate coordination, conflicts and lack of synergies	Medium	A high profile and high-powered Steering Committee is being proposed at the Provincial Level with Chief Secretary of the province heading it and representation from all implementing partners including Farmers Organizations. This is being backed up by Programme Coordination Committee and Regional Coordination Committees for day to day coordination and trouble shooting. A long term Value Chain Technical Assistance team is also

		being proposed to provide effective support to FOs, private sector and value chain service providers
Programme/GoGB may not be able to attract sufficient number of qualified and competent staff for the key programme positions	High	The key programme positions have been kept open to private sector candidates with market based salaries to attract quality manpower from both public and private sectors
High turnover of programme staff and government implementing agencies' staff, as experienced in recent past in other programmes, may affect programme progress adversely	High	It is being made part of the Financing Agreement conditions that key programme staff would be recruited in transparent and competitive manner and in consultation with IFAD and once recruited, the key staff would stay with programme for at least three years.
Ambitious Targets: Programme is setting ambitious targets for irrigation expansion (500,000 acres) for completion in four years and 400 km of valley roads which may be difficult to attain	Medium	Irrigation development is essentially an up scaling of a tried and tested approach in the area since 1980s with well established SOPs and guidelines by AKRSP, WMD and Local Government. A number of additional measures are also being included in programme design to support realization of these targets Consultancy services for survey, design and supervision of programme-funded roads is being proposed. Prequalification of contractors along with packaging of roads into sizeable packages to attract larger contractors is also proposed. Incremental staff and equipment is included for WMD and PWD to enable them to cope with large volumes of works. Full payment of costs for irrigation schemes without any community contribution would also help faster execution.
Innovations like recovery of half of the irrigation scheme costs from the beneficiaries have never been tried before and may result in poor progress in the largest component of the programme	Medium	The risk is being addressed through a very strong social mobilization based approach, reinvesting the recovered funds for further social and economic development of same communities, provision of additional financial support for land levelling and crop production. Expansion of irrigated area is a priority demand in all localities and with promise of production of high value crops, people are willing to pay part of the costs. In old regime, communities have been contributing in excess of 40-50% in forms of unpaid labour. Programme would be paying full cost of labour and materials and thereby contributing US$ 25-30 million directly into communities household incomes
Land laws and land titling is not very clear in GB and may result in disputes for newly developed land, deprive the needy and weak from allocation of their share, clear land titles and ownership etc.	Medium	Programme will assist provincial government to promulgate an updated law for land ownership and titling, and issue an interim regulation (pending promulgation of law) to protect the rights of the beneficiaries on programme funded schemes. ETI will also support the government in establishing computerised land records and title issuance cells that will start their work with ETI funded programmes
Larger than norm Government counterpart funding and GB dependence on federal government releases may result in delayed or inadequate provision of counterpart funds	High	Risk will be mitigated through appropriate provisions in the Financing Agreement binding the government for timely release of funds. In any case, counterpart funding is the first call on Government releases.
GB has a varied landscape in terms of women empowerment and access and women in many areas may not be able to access programme activities and benefits in an equitable manner	Medium	A number of measures have been incorporated in design and approach to ensure active participation of women. These include female social mobilization staff, 20 dedicated women producer groups, priority to women headed households in land allocation, special training provisions for women etc.
Delays in start-up: long delays in fulfilling the first disbursement conditions and start the programme implementation are one of the main factors negatively affecting programme performance in Pakistan. The Southern Punjab Poverty Alleviation Programme (SPPAP), Gawadar-Lasbella Programme and LAMP are cases in point.	High	A programme facilitator will be engaged during the design completion process to take care of important pre-startup activities well in time. S/he will ensure timely PC-I preparation and approval, recruitment of key staff for PCU, engagement of SMPs and VATT are run parallel to finalization of appraisal and signing of Financing Agreement. Retroactive Financing provision for some of these key activities will be included in the Financing Agreement.

IV. Programme costs, financing, benefits and sustainability

G. Programme costs

129. **Programme cost:** Total programme cost, including price and physical contingencies, is estimated at US$ 120.15 million. The foreign exchange component is estimated at US$ 7.92 million.

130. **Cost Assumptions:** The exchange rate used for calculations is US$ 1= Rs. 102.5. Physical contingencies have been calculated at 3% and price contingencies at 16%.

131. **Cost by component:** Component and sub-component wise cost is reflected in **following table 3:**

Pakistan
Economic Transformation Initiative Gilgit-Baltistan (ETI)
Components Project Cost Summary

	(Pak Rs '000)					(US$ Million)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Economic Infrastructure										
1. Irrigation & Land Development	4,112,473	434,811	4,547,284	10	44	40.12	4.24	44.36	10	44
2. Farm to Market roads	1,576,450	174,506	1,750,956	10	17	15.38	1.70	17.08	10	17
Subtotal Economic Infrastructure	5,688,923	609,317	6,298,241	10	61	55.50	5.94	61.45	10	61
B. Support Services/PPPP for Value chain Development										
1. Vaue Chain Fund	1,986,966	92,570	2,079,535	4	20	19.39	0.90	20.29	4	20
2. Social Mobilization	398,893	12,337	411,230	3	4	3.89	0.12	4.01	3	4
3. Agri Extension	210,673	7,580	218,253	3	2	2.06	0.07	2.13	3	2
4. Agri Research	262,382	13,415	275,797	5	3	2.56	0.13	2.69	5	3
5. Land Titling & Record system	214,861	3,208	218,069	1	2	2.10	0.03	2.13	1	2
**Subtotal Support Services/PPPP for **	3,073,774	129,110	3,202,884	4	31	29.99	1.26	31.25	4	31
C. Programme Coordination Unit	830,692	22,733	853,425	3	8	8.10	0.22	8.33	3	8
Total BASELINE COSTS	9,593,389	761,161	10,354,550	7	100	93.59	7.43	101.02	7	100
Physical Contingencies	297,229	30,028	327,256	9	3	2.90	0.29	3.19	9	3
Price Contingencies	2,118,263	56,082	2,174,346	3	21	15.74	0.20	15.94	1	16
Total PROJECT COSTS	12,008,881	847,271	12,856,152	7	124	112.23	7.92	120.15	7	119

132. **Programme financing:** The programme is proposed to be financed by IFAD, a cofinancing partner (to be finalized soon), Government of Pakistan and beneficiaries. At the moment, the co-financier share is reflected under IFAD financing. Disbursement Account by Financiers is reflected in Table 4 and detailed cost tables are given in Annex 9.

Pakistan
Economic Transformation Initiative Gilgit-Baltistan (ETI)
Disbursement Accounts by Financiers

(US$ Million)	IFAD		The Government		Beneficiaries		Financing Gap		Total		For.	Local (Excl.	Duties &
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Exch.	Taxes)	Taxes
I. Investment Costs													
A. Civil works	23.58	34.1	14.26	20.6	6.54	9.5	24.74	35.8	69.12	57.5	6.25	52.14	10.73
B. Equipment & Materials	0.52	83.0	0.11	17.0	-	-	-	-	0.63	0.5	0.06	0.46	0.11
C. Trainings	5.05	70.0	2.17	30.0	-	-	-	-	7.22	6.0	0.20	7.02	-
D. Vehicles	0.34	45.0	0.42	55.0	-	-	-	-	0.76	0.6	0.38	0.04	0.34
E. Grants & Subsidies	20.10	100.0	-0.00	-	-	-	-	-	20.10	16.7	0.89	19.21	-
F. Consultancy	0.27	75.0	0.09	25.0	-	-	-	-	0.36	0.3	0.01	0.31	0.04
G. Technical Assistance	1.31	70.0	0.56	30.0	-	-	-	-	1.87	1.6	0.02	1.85	-
Total Investment Costs	51.18	51.1	17.60	17.6	6.54	6.5	24.74	24.7	100.06	83.3	7.81	81.03	11.22
II. Recurrent Costs													
A. Salaries & Allowances	8.94	70.0	3.83	30.0	-	-	-	-	12.77	10.6	0.11	12.67	-
B. Operating costs	5.12	70.0	2.19	30.0	-	-	-	-	7.32	6.1	-	6.07	1.24
Total Recurrent Costs	14.06	70.0	6.03	30.0	-	-	-	-	20.09	16.7	0.11	18.74	1.24
Total PROJECT COSTS	65.24	54.3	23.63	19.7	6.54	5.4	24.74	20.6	120.15	100.0	7.92	99.77	12.46

133. **Financiers Share:** At present the firm financing available for the programme incudes IFAD (US$ 65.24 million/54%), Government (US$ 23.63 million/20%) and beneficiaries (US$ 6.54 million/5%) and there is a financing gap of 24.74 million/21%). The gap is expected to me met from

cofinancing and negotiations with number of interested partners are at advanced stage (USAID, Italian Government, EU etc.). The current financing situation is

By Financier	US$ million	%
IFAD	65.24	54%
Government	23.63	20%
Beneficiaries	6.54	5%
Financial gap (Cofinancing)	24.74	21%
Total	120.15	100%

134. **Programme Financial Phasing by Year:** Year-wise phasing given below shows that 9% of Programme cost will be incurred in the first year (in 2015) followed by 20% in year 2, 24% in year 3, and 25.5% in year 4. The cost in 5th year of implementation will be 12% followed by 6% in year 6 and 3% in last year of implementation.

Pakistan
Economic Transformation Initiative Gllgit-Baltistan (ETI)
Project Components by Year -- Totals Including Contingencies
(US$ Million)

	Totals Including Contingencies							
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
A. Economic Infrastructure								
1. Irrigation & Land Development	3.35	11.99	16.11	16.91	1.71	1.82	0.49	52.38
2. Farm to Market roads	0.87	4.77	4.63	5.02	5.12	0.12	0.13	20.66
Subtotal Economic Infrastructure	4.22	16.76	20.73	21.93	6.83	1.94	0.62	73.04
B. Support Services/PPPP for Value chain Development								
1. Vaue Chain Fund	2.49	4.20	4.85	5.33	3.98	2.39	0.54	23.78
2. Social Mobilization	0.54	0.94	0.98	1.03	1.01	0.18	0.01	4.70
3. Agri Extension	0.49	0.37	0.35	0.35	0.37	0.32	0.35	2.59
4. Agri Research	0.78	0.44	0.49	0.38	0.41	0.35	0.37	3.22
5. Land Titling & Record system	0.48	0.32	0.31	0.33	0.36	0.38	0.41	2.59
Subtotal Support Services/PPPP for Vali	4.78	6.27	6.98	7.43	6.12	3.63	1.67	36.88
C. Programme Coordination Unit	1.65	1.26	1.35	1.31	1.47	1.50	1.69	10.23
Total PROJECT COSTS	10.64	24.29	29.06	30.67	14.43	7.07	3.98	120.15
Percent of total	8.9%	20.2%	24.2%	25.5%	12.0%	5.9%	3.3%	100.0%

135. **Retroactive Financing:** In order give the programme a headstart, number of programme preparatory activities are planned to be completed before the start-up. These include all key recruitments, baseline survey, procurement plans, renting of offices and procurement of some initial equipment etc. Towards that end, retroactive financing up to US$ 0.5 million, would be available for eligible activities and will be reflected in Financing Agreement.

H. Summary benefits and economic analysis

136. The Programme aims to raise the incomes and quality of life of rural poor in Programme areas. The target beneficiaries of the Project number around 100,000 HHs. The target beneficiaries will be supported by:

- Develop irrigation systems to increase farm area by almost 30%;
- Upgrade farm to market roads to improve links to markets from existing and new production areas and reduce transport costs and wastage;
- establishing Producer Associations, village production Groups, Marketing Groups, Private Sector Service providers, Local processors/Value adders/ Service providers etc. for improved farmer-buyer linkages and sale of produce at attractive prices;
- Access to matching funds for the producers, private sector processors and aggregators etc. to overcome current gaps in value chains of priority two products
- Skill development for women and youth to provide sustainable means of income and support for value chains development
- Promote pro-poor policy formulation and implementation in number of areas of service delivery

137. The programme is likely to create significant employment opportunities in the form of skilled/ unskilled labour in civil works, land development, fruit/ crop processing etc. The significant impact is however, likely to be in the form of financial earnings by the workers in Irrigation land development (about US$ 20 million wages, + $ 100 per acre for land levelling/ de-stoning) that is likely to be injected in some 200 villages. The amounts paid back by the beneficiaries (estimated to be around US$ 20million) for the programmes investments in irrigation development, is to be re-invested by the communities for socio-economic uplift and for income generating activities. The combined effect of all programme activities will be increased incomes for the target households, reduced poverty and malnutrition and overall growth of an under-developed region.

138. The economic benefits to the households of the ETI programme are attractive. The economic benefits of value chain development are estimated at USD236 per household on average and for the irrigation and land development component in the range of USD280 and USD860 being lower in the first year and increasing subsequently. In the case of rural road up-gradation component, the average estimated economic benefit per beneficiary household is ranging between USD13 and USD216/beneficiary household. The benefits under irrigation and land development and road up-gradation are inclusive of benefits to be achieved through the value chain development activities which will be undertaken concurrently in these four target districts. Given the level of economic benefit to each household, the proposed project seems feasible and an economically viable investment.

Economic Rate of Return

139. The overall economic internal rate of return (EIRR) of the programme is estimated at 30% for the base case. The component-wise EIRR is: (i) 19% for the value chain development component; (ii) 34% for the irrigation and new land development; and, (iii) 35% for the road up-gradation component. The net present value (NPV) of the programme net benefit stream, discounted at 13%, was noted to be USD 89 million.

Sensitivity Analysis

140. The sensitivity analysis was undertaken assuming different scenarios and its likely impact on the overall effect on economic viability of the proposed programme. The result of the analysis indicates that a delayed programme implementation by three years reduces the EIRR by nearly half (from 30% to 15.9%). The reduction of incremental benefits by 20% reduces the EIRR to 25% while the increase in cost by 20% will reduce the EIRR to 26%. An increase in total programme costs by 20% and a simultaneous decrease of 20% in economic benefits would reduce to EIRR to 21%. Furthermore, a delay in programme benefits by five years would reduce EIRR to 10%. The sensitivity analysis shows that the programme investment will remain viable in the assumed scenarios accept the delay of benefits by 5 years which is not very likely.

141. The analysis of economic benefits and cost undertaken at various discount rates shows that the programme is feasible at a discount rate of up to 30%. The NPV becomes negative at a discount rate of 31%. However it is very unlikely that the discount rate will go as high as 31%.

Table 6: Sensitivity Analysis of NPV, BCR and NPW at Various Discount Rates

Discount Rates	Cost	Benefits	NPV	B/C R	NPW
10	80.01	211.4	131.4	2.64	1.64
14	69.62	149.58	80.0	2.15	1.15
18	61.42	108.32	46.9	1.76	0.76
20	57.94	92.92	35.0	1.60	0.60
22	54.79	80.10	25.3	1.46	0.46
31	43.71	43.46	(0.25)	0.99	-0.01

142. The project is economically viable proposition and feasible under different sensitivities and therefore can be considered worthwhile implementation in the context of Gilgit-Baltistan.

Additional details on the sensitivity analysis are reported in Annex 10.

I. Sustainability

143. **Key factors of programme sustainability.** Sustainability will be built into the programme design as an essential feature in all key components. Some of the salient features of the programme design that strengthen programme interventions' prospects for sustainability include:

i. *Holistic Approach to Value Chain Development:* The programme design incorporates support for all the current gaps in value chains of main fruit and vegetable commodities of GB region. It covers pre-harvest, post-harvest, communication and transportation, production and productivity, volumes and quality, grading and processing, marketing and linkages and public and private sector aspects. All this is backed by an adequate value chain support fund available to all actors involved in the value chain on a matching grant basis. A capable Value Chain Technical Assistance Team has been provided to provide technical support on all aspects of value chains to all concerned actors.

ii. *Emphasis on contract-based long-term producer-private sector relationships:* Programme's entire emphasis is on developing independent commercial win-win relationships between the producers and private sector buyers underpinned by enforceable commercial long-term contracts. Once established, such commercial relationships would not need the support of a programme to continue and prosper.

iii. *Promotion of Local Processing and Value Addition SMEs:* Through Value Chain Support Fund and VATT, the programme design supports development of local processing and value addition industry and create alternate avenues for marketing of products by the producers, create healthy competition and generate more local incomes.

iv. *Development of Local Input Supply Services:* A major impediment for local production and productivity is absence of credible and quality input suppliers and the programme design covers this aspect by making the Valley Producers Associations input supply service providers with links to quality manufacturers and dealers as their agents. While providing an additional sustainable business avenue to the associations, it would be a welcome source for input supply for the village and valley associations' members for needed supplies or right quality.

v. *Support for local Policy and Regulatory System Development:* To ensure proper legal backing and systems for the input and output quality assurance and hence ready buyers and seller, ETI programme would support provincial government in establishing proper policies and regulatory regimes.

vi. *Rules based Revolving Funds for Seed Production:*To protect the research system from the vagaries of unpredictable annual funds, the programme would establish revolving funds with the research service providers that will operate on the principle of full cost recovery for the services provided. Unlike in the past, these funds would be provided proper legal cover through formal adoption of rules guiding their usage and accountability.

vii. *O&M System for farm to market roads:* Not only for the programme-funded roads, but also for the all the roads in the province, the provincial government will be assisted in establishing an adequate O&M fund with appropriate source of revenues to ensure proper and regular maintenance of roads in this mountainous and challenging area.

viii. *O&M System for Irrigation:* Programme will assist provincial government in formulation of a provincial water policy and water efficiency and formal community based and accountable O&M systems will be part of the water policy.

144. A breakdown of the categories (continuing activity or investment completed at the end of the programme) under which the main programme investments fall is reported in the table below.

Programme sub-component/activity	Continuing activity or investment completed at the end of the programme
1.1 Irrigation systems for 50,000 acres 1.2 400 km farm to market roads	1.1 Irrigation schemes will be completed during the programme life. Scheme O&M will be responsibility of

	the concerned communities as per existing norms. Government will be assisted in formulating provincial water policy and formalize community centered O&M arrangements including user fee norms 1.2 Roads will be completed in first four years of the programme. GB Government will be assisted in developing a regional road development master plan and O&M parameters including establishment of a road O&M fund and machinery pools along with regular sources of O&M fund topping up.
2.1 Village and Valley Producers Associations - Mobilization and organization of smallholder farmers around key value chains - Development Needs prioritization, identification of poor and development plans - Village and valley based training and business plan development - Asset building for vulnerable women - Valley level processing, grading and storage infrastructure - FOs contracts with buyers and processors for quality production and supply against assured prices	2.1 All key programme funded activities will be completed during the first four/five years of programme implementation. - The Valley Producer Associations would be formally registered commercial entities with contract based relationship with buyers of their products and would continue their business beyond programme life - Community organizations are a well-established grassroots institutional set up for local government and well linked to other programmes and programmes and will continue after programme - Contracts and mutual responsibility based relationships between FOs and buyers/processors entail their own sustainability as these are win-win partnerships between the two
2.2 Value Chain Support Fund	The fund will be expended during the programme life to develop sustainable partnerships, local service provision and input supply and local product processing
2.3 Value Chain Technical Assistance Team - Support for development and marketing strategy for different products - Support to Producers associations for business planning and development and linkage development with the private sector buyers - Support to local entrepreneurs in development of feasible small and medium processing and value addition programmes/businesses	VCTAT will be a time-bound external technical assistance wither through programme funding or co-financed support from another development partner and would be completed till MTR of the programme.
2.4 Public Sector Capacity Building - Physical capacity building of public sector partner agencies - Support for Policy and regulatory reform and development	This sub-component comprises both investments that will be completed at the end of the programme (e.g. strengthening policy and regulatory framework, M&E system, key equipment for partner agencies, trainings and capacity building activities, capital costs to expand the seed production capacity of tissue culture labs and Agriculture Department's fruit nurseries and upgrading of Livestock Department's Chicken hatcheries. The activities that will continue beyond programme life would be primarily those dependent on revolving funds and their sustainability is assured through full cost recovery regime backed by proper rules for usage and accountability
3. Programme Management	PCU and DCUs and supervisory entities like PSC would be programme specific institutions that would be close on completion of the programme and would have no recurrent liability for the government

Annex 1: Country and rural context background

A. Overview

1. Pakistan's has a total land area of 769,095 sq km and an estimated population of 184 million in 2013[31], over 60% of which lives in rural areas. It consists of seven administrative units including Punjab (the largest in terms of population with 54%), Sindh, KPK, Balochistan, Federally Administered Tribal Areas, Gilgit-Baltistan and Azad State of Jammu & Kashmir. Population growth rate is estimated at 1.97%. The nominal GDP in 2014 is estimated at US$ 246.6 billion and per capita GDP at US$ 4,847.[32] The international trade balance is anticipated to be minus US$17.8 billion during 2014. Services sector contributes the largest share to GDP at 53% while agriculture and industries contribute 21 and 24 per cent respectively. Pakistan is a relatively young country with over 55 per cent of the population below the age of 25 and over 35 per cent between 25 and 54 years. The adult literacy rate is 56% but huge variations in terms of urban and rural and different regions. The unemployment rate is 6.7%.[33]

2. **Economy:** Pakistan has faced multiple challenges over the recent past encompassing geo-politics, natural disasters, internal security, governance and worsening energy supply. For last over a decade it bore all the hall-marks of a stagnating economy with low public and private investments, low national savings, low revenue collection and growth, widening budget deficits, inflationary pressure, increasing poverty and heavy government borrowing from internal and external resources. This has had serious implications for overall economic growth over the last decade. The economic situation further suffered due to exceptionally high floods during 2010 and 2011 resulting in serious damage to agriculture sector with consequent domino effect on a largely agro-based industrial sector and export sector. The economic growth averaged just 2.6 percent during 2008 to 2013 against the average of 5.3 percent in the preceding eight years. There were however some positives also in this bleak situation. A political government completed its five year term for the first time in country's history resulting in smooth transfer of power. Workers remittances maintained an exceptionally robust growth helping the foreign exchange reserves and the balance of payments situation significantly.

3. During 2013-14, Pakistan's growth rate has improved somewhat to 4.14 percent against the growth of 3.7 percent during the previous fiscal which also happens to be the highest rate during the last six years. The improved economic performance has happened due to a number of ongoing developments and some new measures initiated by the new government. The ongoing Structural Adjustment programme with IMF continues to progress reasonably well, despite some slippages, and is helping the government to maintain reasonable foreign exchange reserves position. The foreign remittances witnessed a robust growth of 11.5 percent. Pakistan returned to international bond market after a very long time with the issuance of 5 and 10 year tenure Euro Bonds and, against original target of US$ 500 million, raised US$ 2 billion. Government cleared the long outstanding dues of energy sector (circular debt) amount to Rs. 480 billion in one go which somewhat stabilized the energy supplies to industry. A National Power Policy 2013 was announced to find a permanent solution to entrenched energy crisis. Public sector investments recorded a growth of 17.12 percent whereas overall investment grew by 8.46 percent. Credit to Private sector increased to Rs. 296 billion from the previous year's Rs. 92 billion.

4. **Agriculture:**Agriculture remains the mainstay of Pakistan's economy and plays a significant role in overall growth and poverty reduction. Nearly 21% of total output (GDP) and 44 percent of total employment is generated in the agriculture sector[34]. Agriculture's contribution to gross domestic product has declined from a little over 25 per cent in 1990 to 21 per cent in 2011.[35] In the crop sector, wheat cotton, rice, horticulture and sugarcane are the main components. The livestock sector accounts for 56% of agricultural GDP and 12% of total GDP[36] and has significant importance for

[31] Pakistan Bureau of Statistics 2013
[32] Economist Intelligence Unit Report 2014.
[33] Ibid
[34] Pakistan Economic Survey 2013-14
[35] Economic Survey of Pakistan. 2010-11.
[36] Pakistan Economic Survey 2010-11. Government of Pakistan.

landless and rural poor. There are approximately 7 million small rural households who depend on the livestock sector for their livelihoods.[37] In most rural households, it is a very women-centred activity though most often they do not get a fair share of returns due to socio-cultural constraints. Livestock rearing also an activity with the highest potential for reaching landless men and women who have few other assets. Horticulture, including vegetable production, is another area that has grown rapidly as a high return cash crop. Areas like Gilgit-Baltistan and parts of adjacent KPK province, with their distinct climatic and agro-ecological advantages, have emerged as major suppliers of quality fruits and vegetables to the urban centers in the plains. However the full potential of this sub-sector in those areas is yet to be realized due to the significant gaps along the entire value chain. Addressing these gaps in a holistic manner can have a major transformative impact on the regional economies and smallholders and poor.

B. Government Poverty Reduction and Rural Development Policies

5. The key policy documents that outline the national poverty reduction strategy in Pakistan are the Vision 2025, the Medium-Term Development Framework (2005-2010), and Poverty Reduction Strategy Paper II (2008-2012)[38]. The Vision 2025 promises to reduce poverty by half[39]. The MTDF provided a framework for translating the earlier announced Vision 2030 into action during the 2005-2010 period with an emphasis on "sustained long-term growth." The PRSP-II commits the government to allocate a minimum of 4.5% of GDP to social and poverty related expenditures. Government also prioritised 17 pro-poor sectors through MTEF and the expenditure for these sectors has ranged between 10.4 to 13.4% during 2009-10 to 2012-13. PRSP sees the agriculture and rural non-farm sector as important for employment generation. Within the agriculture sector it sees a potential for increasing yields, diversification of cropping patterns, production of high value crops and investments in livestock and dairy development. The government's rural development objectives include improving the quality of life of the rural people by improving the rural economy and living conditions in the villages by enhancing agriculture productivity, water resources availability, improving rural infrastructure, providing social amenities and undertaking productive programmes to meet local community needs. Despite unveiling of two Vision in the last 10 years, progress against most of the poverty and social development related indicators remains behind targets and most of MDG goals are unlikely to be met. With more than half of population under age of thirty, there is an opportunity to take advantage of this youth bulge and Government has formulated a National Youth Policy backed by number of skill development and credit programmes to assist the youth in finding gainful employment. The progress thus far however remains sketchy.

6. **Social Safety Nets:** The first truly national social safety net programme was launched in the shape of Benazir Income Support Programme in 2008. Programme beneficiaries were selected through a transparent nation-wide census and beneficiaries were selected through a proxy-means score system based on families assets. A notional cut-off score of 16.17 was determined (which is not equal to poverty line), based on available resources and that made 7.7 million families eligible for assistance. The beneficiaries get a predetermined monthly cash stipend on quarterly basis through technology based transfer (smart cards, ATMs etc.). Current monthly stipend is Rs. 1,500 and about 5.2 million beneficiaries are currently enrolled. The total allocations have risen from Rs. 1.76 billion in 2008-09 to over Rs. 100 billion in 2014-15. In addition the old ongoing cash support programmes like Zakat and Bait-ul-Mal also continue and together cover around two million households though both suffer from targeting and unpredictable and insufficient scale issues. Periodic event linked support programmes are also initiated in the wake of natural calamities or other disruptive events like internal displacement of population. These are often one off payments to the affected families like Watan Card scheme providing one-time cash assistance of Rs. 20,000 to affected households.[40] Such programmes are however often questioned in terms of their overt political dimension and limited impact.

[37] Livestock Census 2006. Government of Pakistan. The LWA is a USAID dairy Development Grant that will organize 300,000 women using the model described herein.
[38] The Government of Pakistan completed its second full Poverty Reduction Strategy Paper (PRSP-II) in December 2008. In March 2008, a new democratically elected government came into power, which in the fall of 2008 embarked on the finalization of the draft strategy inherited from the previous administration.
[39] Vision 2025. Planning Commission of Pakistan.
[40] Selected households were given an additional Rs 20,000 as well.

C. Institutional Context

7. Economic Affairs Division (EAD), Ministry of Finance, of the Government of Pakistan, coordinates all foreign assistance for the Federal and provincial government. EAD is expected to provide an analysis of the funding gaps in the country and coordinate donor financing in accordance with those needs. However, as a result of the trend towards greater devolution, opportunities to interact more actively with provincial governments have emerged and IFAD is well-positioned to capitalise upon these opportunities. While EAD will remain the main agency through which IFAD will coordinate its assistance to the Government, it is expecting to work closely with the Government of Gilgit-Baltistan and Ministry of Kashmir Affairs & Gilgit-Baltistan much more directly for greater ownership, improved performance of its investments and enhanced coordination at the local level. After the 18th amendment to the constitution, the concurrent list has been abolished and a number of functions, including agriculture, livestock and other related subjects, now fall purely in the domain of provinces. As a result the provincial Governments will have to more actively engage in developing plans and resourcing priority investment plans for such sectors.

2. **Governance & Decentralization:** The devolution of certain functions to provinces in pursuance to 18th amendment coupled with the National Finance Commission Award, gives the provinces considerable authority, independence of action and resources to pursue their development priorities. Agriculture is now a fully devolved subject and provinces are responsible for all production and productivity related aspects. While the impact of this empowerment has been quite visible in more brick-and-mortar development, the impact on soft and social sectors including pro-poor development has been limited thus far. Provincial capacity constraints in strategic and evidence based planning and effective execution have also been quite visible. Local Government system remains suspended since over five years now and there are little signs for its early revival. The local government's share of finances, which is considerable in terms of scale and relevance to local development needs, remains in the hands of district administrative machinery.

3. **Gilgit-Baltistan** is unique in terms of its legal identity and constitutional status within the state of Pakistan. This stems from its history as part of Dogra-ruled Kashmir State. The 1947 conflict between India and Pakistan over Kashmir led to a UN-brokered ceasefire line in 1949 which was subsequently redefined as Line of Control after 1971 conflict. The line divides Indian administered and Pakistan administered territories. The areas under Pakistan control were further divided into Azad State of Jammu & Kashmir (AJK) and Gilgit-Baltistan (previously Northern Areas), both administered through Ministry of Kashmir Affairs & Gilgit-Baltistan. To address some of the pressing local empowerment, representation and accountability issues of the area, Government of Pakistan Promulgated an Empowerment and Self Governance Order, September 2009, to grant the status of province to the region, change its name to Gilgit-Baltistan, establish an elected provincial assembly with defined legislative powers and strengthen its administrative capacities. First elections for the assembly were accordingly held and a Chief Minister was appointed with a cabinet. Next elections for the assembly are due in 2015. The region also has its own Supreme Court and High Court and all fundamental rights enshrined in the Constitution of Pakistan also stand extended to GB.

4. **Relevant Provincial Departments:** The Planning & Development Department of the Government of GB, headed by a Secretary, is the principal planning organization at the provincial level. It coordinates and monitors development programmes and activities of various departments of the provincial government. There are currently seventeen full-fledged provincial departments in GB headed by Secretaries. Although the region has its own provincial service but most of the senior officers belong to Federal Services and appointed on secondment. Department of Agriculture with its attached Directorates of Research, Livestock, and Fisheries has the mandate to promote agriculture, livestock and fisheries development. The Agriculture sector has a long history of research collaboration with international agencies like FAO, UNDP and ICIMOD and Pakistan Agriculture Research Council maintains a research station at Jaglot. This long collaboration has resulted in introduction of a number of high value fruit and vegetable crops and animal breeds in the area and helped in gradual shift from a purely subsistence farming to more market oriented farming. Two bilateral support programmes funded by JICA and USAID (Agriculture Support Fund) are currently active in the area and further supporting value chain development of apricot and other fruit crops. However the spread/coverage of both programmes is limited.

5. Department of Agriculture in its current structure is quite unwieldy and subject of discussion for reorganization and restructuring. Department of Agriculture and its affiliates suffer from many of the same kind of outreach, resource, orientation and capacity challenges as their sister departments in other provinces. Important areas like soil testing and seed, chemical and fertilizer testing and certification suffer from resource and capacity constraints. Overall budget and staffing is inadequate, production capacity for improved seeds and plants is much below demand, newly created districts are without the prescribed complement of staff and funding for meaningful extension and research is inadequate and often unpredictable. Linkages with the private sector and NGOs is insufficient and often riven with mistrust and mutual suspicion.

6. Access of small farmers to institutional sources of credit is challenging and more so for farmers interested in processing and value addition. Apart from the national banks, there are two region specific financial institutions extending credit to farmers and entrepreneurs i.e. First Micro-Finance Bank and Karakoram Cooperative Bank. First MF Bank is a AKF affiliate but still has limited coverage in terms of branches and portfolio. Karakoram Cooperative Bank is sponsored by GoGB with Chief Secretary as head of its Board and has 40 branches spread over all the seven districts. The bank has grown at a decent pace over the last few years and lends moneys for a range of entrepreneurial ventures. Its current portfolio at risk is 5%. Access to agriculture finance for the farmers in Gb is also constrained due to the fact that most of the agriculture lands have not been settled under Land revenue Act and Settlement manual and farmers cannot get official ownership certification that can be acceptable to the banks as collateral.

7. The private sector has had an important role to play in the agriculture and livestock sector. Private sector firms are now offering a range of products and services related to high value added agriculture technologies such as improved seeds, drip irrigation, tunnel farming, green house technologies, processing and storage facilities etc. A number of private sector organizations like Lays (Pepsico), Zamindara Seeds, Engro Fertilizers and Ali Akbar Group have tried to establish contract based partnerships in GB region with farmers, particularly in seed and table potato. Their attempts in many cases ended in disappointment due to organizational issues at the farmer level but their keenness is still there for future win-win partnerships based on legally enforceable contracts. The main demand is strong organizational base for the smallholder producers, backed and supervised by strong local technical presence, and an assurance of quality and volumes. Once that is there, all of them are willing to invest in input supplies, storage and sorting facilities, farmers training etc.

8. Non-Governmental Organizations/Rural Support Programmes have been used in Pakistan as a principal vehicle for social mobilization and poverty alleviation. Their strength lies in a well developed strategy for community mobilization, community infrastructure development and provision of financial services. These NGOs have been particularly strong in helping communities to become self-reliant, identify and implement community infrastructure schemes, deliver financial services and provide training and skills. AKRSP in GB has a very long history starting in 1982 and has organized over 5000 male and female community organizations spread over six of the seven districts. Community infrastructure and savings & credit used to be the two key pillars of its approach. Since the mergence of AKF supported First Micro-finance Bank, AKRSP has stopped savings & credit activity at community level. Community infrastructure is an ongoing activity but not at the scale of yore. Being mindful of the sustainability challenge of the COs, AKRSP is currently promoting established of Local Support Organizations (LSOs) and each LSO represents a cluster of VOs/WOs in a particular UC or region and is meant to be their interlocutor for engagement with the government and non-government entities for local development. There is still number of unanswered questions about the suitability of this medium and its effectiveness and the dangers of it falling prey to politicization and elite-capture. Their position when the local governments are revived also needs to be examined carefully. AKRSP however has a wealth of social capital, status and recognition in the areas that it operated and for any programme, contemplating participatory approaches for development in GB, AKRSP offers an ideal option for partnership.

9. AKRSP remained out of Diamer District due to sectarian issues and has only recently established a presence in collaboration with Diamer Poverty Alleviation Programme (a Government sponsored entity and a successor of IFAD-funded NADP). In Diamer, DPAP inherited the over 2000 male and female COs established under NADP and remain actively engaged with them through a

number of government and non-government development initiatives. Over the years it has been able to develop a trust based relationship with the communities and local religious establishment and would be suitable partner for any programme perceiving social mobilization based development.

10. Community based organizations (CBOs) which involve both men and women have been the main vehicle of delivery of goods and services at the village level in the Gilgit-Baltistan region by AKRSP, NADP and host of other government and non-government programmes. They have also proved an important instrument for identification of community needs, implementation of community programmes, operation and maintenance, reduction of transaction costs, delivery of financial services and the transparent use of funds. A principle constraint is that the community organization has not always proved to be an effective mechanism for the participation of the poorest and the asset less households. As such special strategies will be devised to ensure the inclusion of the poorest bands of households in such community organizations in ETI. Nevertheless these Community Organizations (COs) provide an important vehicle for local level development in Gilgit-Baltistan.

11. Being a value chain based programme, ETI will use the existing COs to ascertain local socio-economic development needs and organize those members of the CO who are engaged in a particular target value chain to form the Village Producers Group (VPG). A cluster of such village producers groups would be organized into a Valley level producers association (VPA) which is registered and has formal byelaws for its operations. The additional irrigation development and FMRs will be identified and finalized with the participation of VPGs and VPA who will also be responsible for the signing of terms and conditions. The amounts recovered against irrigation development will be placed back in VPA Account, operated jointly by Programme/SMP and VPA, for use against the social and economic priorities identified at the start.

D. Donor Coordination

12. IFAD will coordinate this programme closely with other donor agencies active, at present or in the recent past, in the area and will also pursue possibilities of co-financing. Some of these include JICA, FAO, USAID and WFP. This design has already benefitted from the lessons learnt in past and ongoing programmes of these agencies. There is very active interest from some other agencies in this programme including Saudi Fund, Korean Aid and Italian Embassy. This interest will be actively pursued over the coming period to address some of the funding gap that is there at the moment. IFAD plays an active role in the Agriculture, Rural Development and Poverty Reduction Thematic Group and is working together with the other United Nations agencies, especially FAO and WFP, in support of common objectives in the livestock sector. IFAD is also actively pursuing a partnership with WFP to carry out the hazard mapping of the programme area as well as related communication infrastructure. Possibilities of WFP's school feeding programme and Food for Work Programme being extended to the ETI Programme area are also being discussed with WFP country office.

13. Design Mission held extensive discussions with World Bank but it appears that GB is currently not a priority area for the Bank and focus in Agriculture sector for the bank remains in Punjab and Sindh. IFAD will continue to engage with the World Bank and regularly explore possibilities for future cooperation. However, there does not seem to be a tangible opportunity in the foreseeable future.

14. The AsDB is currently not directly dealing with agriculture or food security issues but it had financed two major initiatives in Pakistan in the agriculture sector. These were the Agribusiness Development and Diversification Programme and the National Agricultural Strategy Programme. The Agribusiness Development Programme was designed to establish market-based approaches to agribusiness development and enhance technical and managerial capacity in the sub-sector. The programme focused on revising and updating the agribusiness regulatory framework and formulating a national agribusiness policy and provincial horticulture policies. The specific outcome of the National Agricultural Strategy Programme was also expected to be improvement in policies and reforms.[41] ADB's current country partnership strategy is under formulation.

[41] ADB. Evaluation Working Paper. ADB. Pakistan Country Assistance Program Evaluation: Agriculture and Natural Resources. Sector Assessment. May 2007

15. USAID has become a very significant financier of the agriculture sector in Pakistan through its Economic Growth and Agriculture Development Programme. It is currently very actively financing several programmes in the sector. One of its newest investments is the Agribusiness Programme, a five year USD 90 million programme on the pattern of ADB's agribusiness programme. In addition, USAID is providing assistance for Global Gap Certification and encouraging the participation of the private sector in grain storage in partnership with IFC. USAID's assistance is very much oriented towards value chains, market development, private sector participation and helping to provide an enabling environment for business. However, partnering with USAID in any formal manner will not be advisable due to the political sensitivities in certain regions associated with accepting US funds. USAID however is currently financing a small Agri-Support Fund Initiative in GB which is helping apricot farmers and seed potato farmers through promotion of Farmer Enterprise Groups in collaboration with AKRSP and LASOONA (A Diamer based NGO). In seed potato, they are focusing on construction of 15 seed stores (grant funding) in Gilgit and Diamer. In potato, they are engaged with 3,000 small farmers and in Apricot with 1,000 female farmers. They have also linked private sector buyers with farmers. They plan to close down in June 2015 and at present there is no clear exit strategy.

16. Partnership with UN agencies has so far been a mixed bag in Pakistan. In the AJKCDP, WFP support was expected under the World Food Programme's Integrated Land Management Programme (ILMP) for its community based programme in Muzaffarabad, Bagh and Rawalakot. However, this contribution did not materialize. IFAD also worked with UNDP for NADP implementation but the partnership was prematurely terminated. However, IFAD and FAO have worked together effectively in the AJK-CDP and are exploring ways to work together again, particularly for the Value Chain TA Support and overall management support to the programme in this very challenging area with capacity constraints. In order to deal with the challenge of climate change, IFAD had committed to exploring the possibility of working with the Global Mechanism to advance implementation of the United Nations Convention to Combat Desertification and the United Nations Framework Convention on Climate Change. However, the opportunity to do so has not yet arisen. IFAD was also engaged fairly actively in the "One UN" pilot programme initially and participated in all the United Nations country team activities. However, its participation in the UN meetings has become much less frequent because these meetings add little value to the country programme. However, IFAD continues to engage actively on a bilateral basis with those agencies which can potentially add value to its work in Pakistan such as FAO, WFP and UNDP. It also plays an active role in the Agriculture, Rural Development and Poverty Reduction Thematic Group and is working together with the other United Nations agencies, especially FAO and WFP, in support of common objectives in the agricultural sector.

17. IFAD has entered into an agreement with WFP to do hazard mapping of GB region as an input for programme design and to enable the programme to develop climate resilient approaches for the implementation of various components. The mapping is currently underway.

Annex 2: Poverty, targeting and gender

A. Poverty Characteristics

a. **Poverty in Pakistan** is **predominantly a rural phenomenon** and over 60% of the population of over 184 million[42] lives in rural areas[43]. Poverty estimates in Pakistan has remained a contentious issue since 2003. Official poverty line in Pakistan is calories based and is defined as per capita food and non-food expenditures per month to support food consumption equal to 2350 calories per adult equivalent per day[44]. This was established by Planning Commission in 2001. The subsequent periodic poverty estimates have always been questioned both from within government and outside[45]. The most recent controversy was with regard to poverty estimates at the end of 2008. Planning Commission estimated poverty incidence for 2007-08 using the HIES data of that year and found that the number of people below the poverty line had declined by more than five percentage point to 17.2 percent in 2007-08 compared to figures in 2005-06. The new civilian government, elected in February 2008, asked the World Bank to help validate these estimates. World Bank validated these estimates (17.15 percent for national, 10.1 percent for urban and 20.6 percent for rural areas) and also published the same in its Country Partnership Strategy Report 2010. In contrast, a panel of Economists headed by Dr. Hafiz A. Pasha estimated in April 2008 that 35-40% population was living below poverty line in 2007-08 - up from 22.3 percent in 2005-06. The estimates were based on preliminary data for 2007-08.[46] According to another Government source,[47] the share of the population living in poverty (defined as number of people living on less than $1.25 a day) was between 30-35 percent in 2008/09. In 2008, the Planning Commission's panel of economists had reported in its Interim Report that poverty may have increased by 6 percentage points from 23.9 percent in 2004/05 to 29.9 percent in 2008/09.[48] Some have explained the divergence in the different poverty rates by suggesting that this was due to the fact that a substantial portion of Pakistan's population was vulnerable, living close to the poverty line, and fell in and out of poverty as a result of periodic shocks due to the fluctuating security situation, energy crisis and increase in food prices. Food inflation which has an immediate impact on poverty, increased to 23.7 percent in 2008-09, but declined to 12 percent in 2009-10. However, it is showing an upward trend again. A report based on the Household Income and Expenditure Survey (HIES) 2011 calculates the current incidence of poverty to be 36.55 with rural poverty at 37.08 per cent and urban at 35.49.[49] Another report uses the Multi-Dimensional Poverty Index and PSLM data 2008-2009[50] and estimates incidence of poverty to be 33 per cent with urban poverty at 18 and rural poverty at 46 per cent.

b. The latest poverty figures published in official government documents[51] fix the caloric based poverty line at Rs. 1,745 per capita and estimate that 12.4% population is living below poverty line (7.1% urban and 15.1% rural). However quickly also qualify it by saying that a technical group was working on preparing official estimates. This reduction is attributed to social safety net programmes (BISP), PPAF, better support prices for agriculture crops, philanthropy and increase in female labour force participation. The same report however quotes World Bank's Poverty Head Count Analysis 2014 which, on the basis of $ 1.25 income per day, estimates 21% population below poverty line at 2008 population estimates. And if the poverty line is raised to $ 2/day then 60% population falls below

[42] Pakistan Bureau of Statistics, Pakistan Statistical Year Book, 2011.
[43] Pakistan Bureau of Statistics, Demographic Survey 2007
[44] Pakistan Economic Survey 2013-14.
[45] Pakistan Institute of Development Economics. S.M Nasim. 2012.
[46] Pakistan Institute of Development Economics. S.M Nasim. 2012
[47] Economic Survey 2008-09, Economic Advisors" Wing, Government of Pakistan.
[48] Economic Stabilization with a Human Face, October 2008
[49] Haroon Jamal, Pakistan Poverty Statistics: Estimates for 2011, Research Report No.84, SPDC
[50] Arif Naveed and Nazim Ali , Clustered Deprivation: District Profile of Poverty in Pakistan,SDPI,2012 (based on PSLM 2008-2009) uses Multi-Dimensional Poverty Index developed by Alkire and Santos.
[51] Pakistan Economic Survey 2013-14

poverty line. In the Government's MDG Report 2013, the poverty figure is taken as 12.4% and on track to meet MDG target. Different poverty head counts over the last years is as below:

Table 1: Poverty Headcount in Pakistan

Year	2000-01	2004-05	2005-06	2007-08	2010-11
Overall	34.4	23.9	22.3	17.2	**12.4**
Urban	22.6	14.9	13.1	10.0	7.1
Rural	39.2	28.1	27.0	20.6	15.1

Source: Pakistan Economic Survey 2013-14

c. The **drivers of poverty in Pakistan** are structural constraints such as landlessness, lack of opportunities for diversification of livelihoods, illiteracy, and marginalized positions in social hierarchy which make households vulnerable to the risk of falling into persistent poverty or limit abilities of households to improve their economic circumstances. Although agriculture is at the heart of the rural economy, and **the majority of Pakistan's poor live in the rural areas, they are neither tenant farmers nor farm owners and depend upon non-farm sources for their income**. Poverty and vulnerability levels are highest among rural households with no access to land or other productive assets, and among large households with minor dependents. They are also positively correlated with low human capital, making the low level and high inequality of health, nutrition, and education outcomes in Pakistan particularly worrisome as they contribute to perpetuating intergenerational poverty.[52]

d. Social inequalities based mainly on class, caste, religion and gender persist throughout rural areas which particularly limit access of certain groups to livelihood options, social services, and political empowerment. Disadvantaged populations such as women, religious minorities, or socially excluded ethnic groups are particularly vulnerable.[53] A major reason for rural poverty is the prevailing highly unequal distribution of assets particularly land, access to water[54] and lack of services, particularly education, health, and lack of voice in decisions that directly affect the poor and credit. Because of this skewed distribution of ownership and access to productive assets, much of the direct gains in income from crop production, particularly irrigated agriculture, accrue to higher-income farmers. In addition, other factors which are identified as causes of poverty include large family size, gender discrimination, vulnerability to environmental degradation and deterioration of the natural resource base, given that the poor tend to be strongly dependent on such resources.[55]

e. Remittances have been found to have an equalizing and poverty-alleviating impact given that international migration from Pakistan has mainly been from the disadvantaged households of the rural areas.[56] Remittances substantially lower the poverty headcount, as well as the depth and severity of poverty.[57] In Pakistan, remittance inflows have continued to increase over the years. Families of overseas workers, particularly those in the low-income groups, depend on these remittances for meeting their day to day expenses. Due to their countercyclical nature, remittances provide relief to low income households particularly in times of economic crisis. The diversion of remittance income towards productive investment opportunities can help raise economic growth and development. On a macro level, along with providing balance of payment support, these inflows also help in lending a

[52] World Bank (2007) Social Protection in Pakistan: Managing Household Risks and Vulnerability, Human Development Unit, South Asia Region, World Bank.
[53] Asian Development Bank (2008) Poverty Assessment Update http://www.adb.org/Documents/Assessments/Gender/PAK/Poverty-Assessment-Update.pdf
[54] According to the 2000 Agricultural Census, only 37 percent of rural households owned land, and 61 percent of these land-owning households owned fewer than five acres, or 15 percent of total land.
[55] Shah, Marshuk Ali. The Growth of Poverty in Pakistan - Issues and Causes. Presented. ADB Pakistan Resident Mission. October 2002. NIPA, Lahore.
[56] Lucas 2005.
[57] Mazhar Mughal et al. August 2012. Remittances, Inequality And Poverty In Pakistan: Macro And Microeconomic Evidence . Catt Working Paper 2.

hand to the economy. The main obstacle preventing the government from utilising the remittances effectively is essentially the informal nature of these inflows, meaning lack of recording and regulation and the fact that remittances have been mainly used for consumption purposes.

B. Gender Dimensions of Rural Poverty

f. Women in rural Pakistan have been described[58] as being the most socially excluded. They have heavy workloads and carry out a wide range of tasks in agriculture, livestock rearing and off-farm activities. Studies show that a rural woman in Pakistan works 15.50 hours a day, spending 5.50 hours in caring for livestock, but can provide only 50 minutes for the care of her own children.[59] The migration of men to urban areas has further exacerbated their workload. Rural women are also the most deprived in terms of access to basic social services, livelihood opportunities and vulnerability to violence. For example, 65 per cent of the women in urban areas are literate in contrast to 30 per cent in the rural areas of Pakistan.[60] Similarly, the overall incidence of home deliveries in Pakistan is significantly higher in rural areas (78 per cent) compared to urban areas (68 per cent).[61] Gender disparities are also more pronounced in rural areas: men's literacy rate (60 per cent) is twice as high as that of women (30 per cent).

C. Poverty in Gilgit-Baltistan

g. PSLM 2004/05 indicates that mean monthly consumption in GB is about 90 percent of the national average, which translates into a substantially higher incidence of poverty of about 29 percent in GB, compared with 24 percent for the rest of Pakistan. However it is worth noting that rural areas of GB, comprising 86 percent of the population are broadly at par with the national average for rural areas.[62] While the urban- rural divide appears smaller in GB than in other parts of Pakistan, regional disparities are a significant issue within GB. For instance, the incidence of poverty across different districts of GB ranged from about 14 percent in Gilgit to 33 percent in Ghanchae district in 2005.[63] There is very high ownership rate of agricultural assets in GB compared to the four provinces. More than 90 percent of households in GB own agricultural lands and similarly ownership rates of cattle, goats, sheep and poultry that are at least 30% higher than other provinces. However the benefits of higher land ownership rates in GB are tempered by the small size of agricultural holdings. In three districts, more that 70 percent of households were marginal landlords, comprising less than 2.5 acres and in the remaining two districts, such landlords accounted for at least 40% of the total. **The society and culture markedly differs from other regions/ provinces of Pakistan. There are no big landlords and the society is largely tribal, agrarian and egalitarian in character.**

h. In contrast to the high ownership rate of agricultural assets, households in GB possessed far fewer consumer durables and electronic equipment (like refrigerators, TVs, fans and telephones) than those in other provinces. Part of this lower ownership of electrical equipment is the result of less access to electricity in GB compared to other provinces. At the same time, other aspects such as lower demand for cooling equipment due to the temperate climate, limited prior investment in communication infrastructure, extremely difficult terrain, high altitude and high mountains, narrow and deep valleys, poor accessibility seems to have played a strong role. It also appears that ownership of a means of transportation (bicycle, car and motorcycle) which is usually a good proxy of household wealth, is far lower in GB compared to other provinces, perhaps in part to difficult geography and

[58] Gazdar, Haris, and Shandana K. Mohmand. Social Structures in Rural Pakistan, Determinants and Drivers of Poverty Reduction and ADB'S Contribution in Rural Pakistan,. Rep. no. TA4319-PAK. 2007. Asian Development Bank. <http://www.adb.org/documents/reports/consultant/37711-pak/socialstructures-rural-pak.pdf>.
[59] http://www.fao.org/sd/wpdirect/WPre0111.htm
[60] Government of Pakistan, (2007) Pakistan Social & Living Standard Measurement Survey (2006-2007), Federal Bureau of Statistics ,Islamabad
[61] ibid
[62] World Bank, GB Economic Report 2011
[63] Ibid

lower road density constraining mobility in any event.[64] Despite broadly comparable performance of GB on several welfare indicators, the fact remains that Pakistan as a whole and GB as a region is still poor and vulnerable. Empirical evidence on indicators of vulnerability is scarce, but participatory assessments conducted at various locations in GB are instructive. Food insecurity, as measured by a composite of food deficit, food absorption and food access, suggests that four out of five districts in GB were "extremely insecure" and the remaining district Gilgit was categorized as "very insecure"[65].

i. The percentage of children who are either stunted, wasted or are underweight is lower in GB as compared to other provinces. Children under the age of 5 who are underweight in GB is 13% while in case of Punjab it is 26%,Sindh 42%, KPK 26% and ICT 14%.[66] Similarly the children under 5 years who are stunted in GB is 36%% as compared to Punjab 40%, Sindh57%, KPK 42% and ICT 22%.[67]

j. These findings are also confirmed by looking at the household consumption data over time. The incidence of poverty increased by nearly 10 percentage point between 1998-99 and 2001-02 in GB, which was followed by a reduction of more than 10 percentage points during the subsequent three years period. One possible explanation for the elevated volatility of welfare in GB is the **high reliance of poorest households on income from agriculture, which experience weather shock and substantial movements in market prices for produce.** It is telling that lowest income quintile of the population in GB drew 59 percent of their incomes from farm sources, while the top income quintile derived only 34 percent of their total income from the farm sector. [68]

k. Finally anecdotal evidence suggests that there is an element of chronic poverty that is worrying. Some households remain in a state of poverty for extended period of time, triggered by a shock due to the death of the sole income earning member of a household or loss of landholding due to a natural disaster. The full extent of the chronically poor in GB is not known. Anecdotal accounts suggest that chronically poor families tend share similar characteristics such as limited natural resource endowments, a prevalence of physical disabilities and the absence of young workers in the family.

l. Overall major challenges remain, especially in mitigating the risks faced by poor, as they move out of subsistence agriculture, possibly undermining traditional social safety nets, before they can be replaced or meaningfully supplemented by formal structures. Still, important gains are being made in improving the wellbeing of the people of GB, which is substantially remarkable given the difficult circumstances.

m. **Vulnerability:** Vulnerability estimates suggest that approximately 56 percent of the population were vulnerable to remaining poor or falling into poverty within a two-year horizon. Half of this burden stems from vulnerability to chronic poverty (i.e., low consumption), while the other half is associated with vulnerability to transient poverty (i.e., exposure to risk and variation in consumption levels). Poverty and vulnerability levels are highest among rural households, particularly those employed in the agricultural sector or those with no access to land or other productive assets, and among large households and children. They are also positively correlated with low human capital, making the low level and high inequality of health, nutrition, and education outcomes in Pakistan particularly worrisome as they contribute to perpetuate intergenerational poverty. Thus, in addressing welfare, it is useful to factor in both poverty and vulnerability to poverty.[69]

n. A special survey of safety net recipient/applicant households found that nearly two-thirds of respondents (about 80 percent of whom were poor) suffered from one or more major shocks in three years before the survey. While this survey was not nationally representative it gives an indication of

[64] Ibid
[65] FAO Food Security Survey. 2014
[66] Pakistan Demographic and Health Survey 2012-13
[67] World Bank, GB Economic Report 2011
[68] Ibid
[69] Social Protection in Pakistan, Managing Household Risks and Vulnerability, World Bank

the shocks that potentially affect Pakistani households. Specifically, over half of all shocks to this group (58 percent) were caused by individual specific factors, mainly health (e.g., death, sickness, disability) or family matters. The remaining (42 percent) shocks were community specific: natural calamities including drought (30 percent), economic shocks (10 percent) and law and order (2 percent).[70]

o. Ensuring a minimum desired income for the poorest and protecting those who face a high risk of welfare loss is a crucial challenge in GB where one in every three citizens is either poor or vulnerable to experiencing poverty in the near future. In the absence of formal support, poor households often choose lower risk but also lower return activities. They resort to seemingly counterproductive coping mechanisms, including lowering investments in human capital or liquidating productive assets such as agricultural land, which ultimately undermines their long term potential to break away from poverty.[71]

p. Households rely largely on *asset-based strategies* (using savings/assets—28 percent, or credit—25 percent) and less on *behavioral strategies* (decreasing consumption—1 percent, increasing labor supply, or relying on public and private assistance—10 percent) to cope with shocks. A surprisingly large share of households (25 percent) are inactive or 'do nothing' in the face of shocks. Use of asset-based strategies is more common under law and order shocks. In contrast, increased labor supply is used more often for family-related shocks, with both strategies important for health shocks. More informal strategies—using savings, shopkeeper credit, help from friends and relatives—are more common for less costly shocks. More formal strategies—selling major assets, borrowing from a moneylender, requesting government assistance—are used for more costly shocks, where more resources are needed.[72]

q. Looking among the poor and non-poor among this specific sample of households, the non-poor, with likely greater access to markets, are more likely to use asset-based strategies while the poor are more likely to use behavior-based strategies. Because there are limits to the effectiveness of behavior-based strategies (e.g., consumption levels can only be reduced so much without falling into starvation and labor supply increases are similarly capped), these differences have important short- and medium-term implications, particularly among households with low pre-shock consumption and market access. As a result, these households were forced into situations that lead them deeper into poverty.[73]

r. In GB low levels of economic activity and limited integration-key manifestations of small scales and long distances- translate into more poverty and vulnerability. Harsh geographic and climatic conditions result in frequent individual and group shocks, such as an illness afflicting one or more family members, a flood destroying crops, or a landslide blocking roads or disrupting irrigations channels. Limited connective infrastructure and low level of affordability only widens gap between the vulnerable and needed public services. Based on experience with vulnerability from other parts of the Pakistan, it is likely that nearly two-thirds of the people of GB face one or more shocks in any 3 year period.[74] While over 58 percent of these shocks were health related (such as death, sickness, and disability) and specific to individual households, the other shocks originated from natural calamities (30%) and economic downturns (10 percent).

[70] Ibid
[71] Ibid
[72] Ibid
[73] Ibid
[74] World Bank, GB Economic Report 2011

D. Target Groups

s. The overall goal of the ETI programme is to reduce poverty and improve incomes in Gilgit-Baltistan region. The programme will primarily target about 100,000 small and landless farming households. This will include households with **less than one hectare of land** and are involved in production on the existing land. Landless households will also be beneficiaries through development of new irrigated land which will be distributed equally among the community. **Special focus will be placed on the poorest and vulnerable particularly females i.e. poorest rural woman headed households, head of households suffering from a chronic debilitating disease affecting their productivity and those large poor households with greater number of children. Youth will be another segment of particular focus.**

t. The programme is focused on bringing more financial returns to the target communities and individual smallholder households hence benefiting the community as a whole. Since almost 90 percent of households own some land and have farm based income, the development of value chain in main crops (initially apricot and potato and later others) along with development of irrigation and road network will bring more income to the farmers and the community at large and generate additional on-farm and off-farm income generating activities for youth and women in harvesting, grading, polishing, packing and transportation. Since a large majority is small landholders and either falls in the category of poor or vulnerable, the programme will bring positive change in the life of entire communities.

u. **Productive Poor:** The productive poor are those who own either less than the average **(0.8 acres)** land or have share in community owned fruit forests/trees like Pine-nut and wild walnut. These households are typically involved in agriculture particularly the production of fruits, vegetables or fodder crops. They may own three or four livestock usually goats or one cow along with a small flock of poultry. The productivity of both land and animals is low and there are extremely limited opportunities for marketing their produce resulting in low and variable return on their produce. Lack of access to capital forces most of the farmers to borrow from middlemen, in cash or kind, to purchase seeds and other inputs and commit their harvest to the middlemen right at the sowing time. The purchase prices fixed by the middlemen are most often exploitative and have little relevance to the markets in down country. Most often the seller has no knowledge of actually prevailing rate in the city. Small and scattered volumes also weaken the bargaining position and the middlemen collect the produce from various farms for aggregation and volume generation. The milk from livestock and poultry birds and eggs are sold in the local market and the returns on this produce are used for education, clothing etc. In various areas there are free grazing facilities and the household have no bar on maintenance of livestock and poultry; but in other areas where there is either no or little free/community land, the community itself puts a bar on keeping of poultry particularly, since the birds harm the nearby cultivated land. In extremely cold weather the feeding of animals becomes a challenge in view of the scarcity of fodder and reliance is mostly on the stored husk. Special geography, extreme weathers, land erosion and deforestation, landslides, poor irrigational infrastructure vulnerable to disruption due to climatic conditions, poor knowledge of modern production practices, absence of local marketing mechanisms, lack of knowledge of prevalent market rates, poor road and transport facilities resulting in high transportation cost of any marketable produce, limited access to livestock and agri-extension services translates in low and extremely variable productivity and returns thereon. This whole scenario results in poverty and vulnerability of these households who are not able to bear the brunt of any unforeseen shock to their welfare.

v. In such a typical household, ploughing the fields is one activity which is usually the exclusive job of the men, while women are mainly involved in all the remaining activities on the farm, including the keeping of livestock and poultry. Maintenance of the households is also her sole responsibility. While women shoulder most of the workload, men make all the economic decisions in the household and control all the cash and assets. Patriarchal social structures, lack of say in household economic and social decisions, illiteracy and higher than fair share of workload makes most women vulnerable.

However the physical violence against women is lowest in GB as compared to rest of Pakistan, perhaps because of generally peaceful nature of these people and minimum or no challenge to established male-female respective societal roles. Since the typical household is large, one or two of young male members of the household are infrequently involved in off-farm labour.

w. **Landless/Vulnerable Poor:** Almost 90% of the households own some land and even the landless have their own home in most cases. Hence the number of landless households is almost negligible. This is because the area is large and sparsely populated and there are large swathes of land owned by the community or 'shamlat'. Houses are almost invariably built of stone or concrete and almost no mud (kachcha) houses. However the houses are smaller in size as compared to the size of the family. A typical poor household with little or no agricultural land lives in a single room house.

x. **Land Tenure System:** There is no uniform land law or conventions in GB and different areas follow different practices. In Diamer District all the land and forests belong to the community and when a new irrigated area is developed then such area is distributed among all the households equally. There is no difference between those who previously own land and the landless. However in order to take a share in the newly developed land, one has to be a native of the community. Non-natives are not given any share in the newly developed land. **Hence those owning marginal amount of land or landless are poorest of the poor and are vulnerable**. In Districts where land settlement has taken place, like Skardu, Ghizer, Astore, Gilgit and Ghanche, most undeveloped land is called "khalsa" or state land. Theoretically, it is available for allotment to individuals and communities if they submit their intent to develop it for agriculture purposes. Initial allotment is conditional involving a time-frame for its development and failure to develop the land within that time frame leads to cancellation of allotment. If the land is developed as per commitment, then the land is transferred in the name of individuals on payment of a nominal fee. In actual fact, most of khalsa lands have already been either occupied through forced occupation or won through court decrees or are contentious between individuals or between communities or between State and communities/individuals. Any new developed land under the programme will have to be mindful of this ground situation in case of khalsa lands and take appropriate measures to ensure that such developed land is allocated equitably to all the community members with proper legally enforceable titles and land records. In unsettled districts however the local customs on land allocation still prevail and these are generally fair and enforceable. Under these customs any new developed land is equitably allocated to all resident community members irrespective of their current social or wealth status. But even in this case, it would be prudent to have a clear and legally enforceable allotment and land titles policy and regulations.

y. A typical landless household is involved in daily-wage labor locally either on-farm or in the market and keeps a small number of poultry birds and few goats (keeping of poultry and livestock is dependent on permission from the community). In a larger household, the adolescent are involved in labor in cities even outside GB and supplement the family income. **The men are typically involved in daily wage labor, while the gender division of remaining labor is the same as in the case of productive poor**.

z. The conditions are particularly difficult for those who reside in the valleys or at high altitudes/ mountains and have no access road and have to travel long distances on foot. The vulnerable poor face all the challenges that the productive poor face but the challenges are intensified by greater poverty. The vulnerability is greatest in case of those households which are headed by chronically ill male or female, particularly of advanced age which incapacitates him from doing any meaningful productive activity. The condition is further complicated by large family size due to greater number of children resulting in chronic intergenerational poverty.

aa. **Women-headed households:** These include households headed by widowed, divorced, separated or single women. Men may or may not be present in these households. Households in

which men are present but cannot contribute financially due to illness, addiction, handicap or age will be included in the definition of women-headed households. These households are highly vulnerable as they have lower status in the largely male dominated society which leads to their social and economic exclusion. They depend entirely on women earnings. A typical woman headed households relies on the farm income if it owns a land (in such households the woman is then involved in all the on-farm activities), raise livestock and poultry. However they have less voice in community decision making and are devoid of any income coming from daily-wage labor either locally or from the cities.

E. Poverty Targeting and Gender Strategy

bb. Concentrating resources on the poor or vulnerable can increase the benefits that can be achieved in a given budget. The theoretical gain from targeting can appear to be large. In practice, the full theoretical gain is not realized, because targeting is never completely accurate and because higher transaction costs are associated with proper targeting. Programs can focus resources on the poor to a moderate or high degree without incurring unacceptably high errors of exclusion.[75]

cc. For a single program to use a number of targeting methods is common and usually yields better targeting than a single method. Means tests and proxy means tests have the highest costs but tend to produce the lowest errors of inclusion. Self-selection via a low wage rate and geographic targeting are also powerful and proven targeting tools.[76] The inputs to good targeting outcomes include adequate staffing; well defined rules of the game, clearly assigned institutional roles and adequate information systems, material inputs, monitoring and evaluation. [77]

dd. The total population of the Gilgit-Baltistan is estimated to be **1.3 million** consisting of about **180,000 households**, which is 86% rural and only 14% urban population. *(There is no reliable data source. Last population census was conducted in 1998. All the population estimates and the relevant figures are derived as estimated from the same data. PSLM and HIES reports even do not mention any figures relating to GB. All the data given about the region hence remains unauthentic and come from various sources and the numbers used in this programme document are on the basis of triangulation of various sources)* The average household size is **7.2** per households which is higher than the national average (6.4[78]). There are around **609 villages** and around 6000 male and female community organizations established under various programs including AKRSP. The area is divided into two regions: Gilgit (comprising districts of Gilgit, Hunza Nagar, Ghizer, Astore and Diamir) and Baltistan (comprising Skardu and Ghanche) and administratively divided in three divisions of Diamer, Gilgit and Baltistan. The population mainly follows four sects of Islam namely Shia, Sunnies, Ismailies and Noorbukshies. The main languages are Shina (40%, spoken in Gilgit, Diamir and part of Ghizer), Balti in Baltistan region, Wakhi (upper Hunza and part of Ghizer) and Khowar (major language of Ghizer). The other significant languages are Burushashi, Domaaki and Pashto. The differences in ethnic groups and religious sects usually do not account for any significant differences in farming and livestock rearing practices. However there are significant differences in development level and social indicators of various religious groups: Ismailies are much more advanced in terms of social development and community organization as compared to all other, primarily due to the work of Agha Khan Rural Support Program and support from their religious leader.

ee. The programme will cover four poorest districts for infrastructure component and entire region for value chain development. The average population density is 18 person per sq km with Gilgit most dense (54) and Ghanche (32), Diamer (29), Nunza/Nagar (10), Ghizer (15), Skardu (15) and Astore

[75] For Protection and Promotion: The design and implementation of effective Safety Nets by Margaret Grosh, Carlo del Ninno, Emil Tesliuc and Azedine Ouerghi, The World Bank
[76] Ibid
[77] Ibid
[78] PSLM 2011-12, Pakistan Bureau of Statistics

(15). There are 20 Tehsils (sub-district),108 Union Councils, around 609 villages and around 6000 male and female Village Organizations established under various programmes including AKRSP[79].

Table 2: Programme Area Villages, Households and Population Density

District	Tehsils	Population	Area Sq. Km	Population density	Union councils	Rural UCs	Villages
Gilgit	1	217998	4046	54	11	10	58
Hunza/Nagar	4	145470	14246	10	15	15	85
Ghizer	4	178638	11772	15	16	16	82
Diamer	3	199007	6820	29	11	10	96
Skardu	4	322886	22124	15	32	31	171
Ghanche	2	131749	4103	32	15	15	71
Astore	2	106053	7221	15	8	8	46
Total	**20**	**1301802**	**72496**	**24**	**108**	**105**	**609**

ff. The primary target of the programme around 100,000 hhs of the total 180,000 rural households and about 200 villages in all the seven districts who will directly benefit from the programme activities. Since majority of households are smallholders, the primary beneficiaries will be poor women or men headed farming and livestock owing households who have average or less than average landholding and rely solely on subsistence farming and income from livestock as a source of income, food security and a safety net. Within this group the programme will target the productive poor, vulnerable poor and poor women headed households.

gg. **Use of BISP Targeting:** BISP scorecard is a targeting tool that includes a limited number of simple indicators that correlate well with poverty along with a scoring system that helps identify program eligibility. The scorecard proposed for Pakistan's BISP is marked by two main characteristics – (i) Ease of implementation and (ii) A "Proxy Means Testing" approach to improve targeting performance.[80] The "Proxy Means Testing" method determines program eligibility based on a predictor of household income or welfare that is created from a set of typical proxies of household welfare, like household demographics, housing conditions, and ownership of durable assets. The assumption behind this methodology is that the proxy means testing method relies on the proxies of household welfare that can be easily collected and verified as opposed to collection of direct consumption information.

hh. Any targeting mechanism, including a proxy means test, involves some targeting errors which leads to exclusion and inclusion errors. BISP has established a *National Poverty Targeting Registry* based on house to house survey of the entire country. Survey was designed based on a targeting manual and a poverty scorecard based on Proxy Means Testing (PMT) along with collection of detailed household information (names of all household members, address, education, disability, CNICs, age, phone number etc). Since the participation in survey was voluntary, households not desiring to take part in survey could refuse. The information was collected on the doorstep of the households and based on self reporting by the head of household. The registry contains data of almost 27 million households out of a total of approximate 34 million households in the entire country. **The registry contains information on 139,636 households of GB (over 87% of the total households) and their corresponding scores based on proxy means testing.** The household data can be segregated down to Union Council level (can be segregated based on district and tehsil

[79] Reliable demographic data is hard to come by as last census took place in 1998 and since then it is mostly based on estimates by various agencies. The estimates about population, household size and number of villages vary depending on the source used. In this report, figures are taken from Government of Gilgit-Baltistan presentations and reports of 2014 and BISP survey of 2008/9.

[80] Poverty Scorecard for Pakistan: A Recommended approach for targeting the poor, World Bank

as well). Further, a Union Council data can be manually sorted for each village in the Union Council on a spread sheet. The survey was conducted by partner organizations and monitored by Process Evaluation and Spot Check consulting firms.

ii. BISP Poverty Registry data for all the districts with total number of households and those at various ranges of PMT scores are given below:

Table 3: BISP Poverty Registry for Gilgit-Baltistan

District	Tehsil	Total HH	0 - 10	10 - 20	20 – 30	30 – 40	40 - 50	50 – 60	60 – 70	70 – 80	80 - 90	90 - 100
Astore	Astore	7,286	169	2,712	2,545	1,165	553	112	21	8	1	0
Skardu	Gamba	3,459	45	980	991	871	423	85	36	16	12	0
Skardu	Kharmang	4,648	105	1,323	1,614	1,023	464	101	13	4	1	0
Skardu	Rondu	5,087	194	2,395	1,479	700	291	25	1	1	1	0
Skardu	Shigar	6,688	358	2,396	2,038	1,205	599	63	16	11	2	0
Skardu	Skardu	11,079	174	2,005	2,853	2,453	1,886	910	420	246	131	1
Diamir	Chilas	10,899	2,655	4,645	2,145	1,142	226	48	23	13	2	0
Diamir	darel/tangir	10,052	744	5,214	2,690	1,022	348	27	5	1	1	0
Ghanche	Daghoni	2,548	58	554	768	971	153	27	14	3	0	0
Ghanche	Khaplu	6,851	158	1,169	1,908	2,585	783	167	43	31	7	0
Ghanche	Mashabbrum	3,697	114	943	1,065	1,284	255	29	6	1	0	0
Ghizer	Gupis	4,194	74	1,168	1,721	790	346	73	18	3	0	1
Ghizer	Ishkoman	3,008	24	618	1,271	618	362	81	18	10	6	0
Ghizer	Punial	6,205	37	1,097	2,277	1,506	857	261	92	57	19	2
Ghizer	Yasin	4,208	17	919	1,825	866	433	112	27	8	1	0
Gilgit	Gilgit	31,993	1,403	7,560	9,729	6,626	4,035	1,456	598	379	203	4
Hunza Nagar	ali abad hunza	4,895	14	371	1,685	1,466	917	288	95	45	14	0
Hunza Nagar	gojal hunza	2,205	13	242	937	577	273	98	42	18	4	1
Hunza Nagar	Nagar	5,252	18	1,268	1,942	1,176	625	179	28	12	4	0
Hunza Nagar	sikandar abad nagar	5,382	48	1,700	1,911	1,005	479	165	46	21	6	1
Total		**139,636**	**6,422**	**39,279**	**43,394**	**29,051**	**14,308**	**4,307**	**1,562**	**888**	**415**	**10**

Source: BISP Targeting Registry (Tehsils created after the survey are not shown. Further larger urban establishments like Skardu are shown as separate entities.)

jj. Since the survey was a massive exercise, there are instances of erroneous reporting by the household and missed out households. The instances of missed out households in the programme area may be due to extremely scattered population and difficult approach. However on the average this data can serve to identify the poorest Union Councils and poor households particularly the women headed poor households. The imperfections of the data can be addressed through additional targeting mechanism particularly **social targeting and self-selection**.

Resource allocation among the Districts

kk. The districts in the programme area are different in terms of size, population, population density, level of poverty and vulnerability and the development potential. The following factors should determine the resource allocation among the districts:

a) Since land development through construction of irrigation channels is prime strategy for asset building and economic empowerment, Hence identification of land with potential for irrigation development will be an important factor determining area selection.
b) Potential for value chain development will also be an important factor in resource allocation. Greater production potential for a single crop of an appropriate variety will define the VCD potential.
c) Development level of the district in terms of education, health, irrigation and road infrastructure and the capacity of public sector institutions.
d) Size of the rural population: Since the primary target area of the programme is rural, greater rural population would mean that greater number of households will benefit from the programme activities.
e) Poverty: BISP database would give estimate of rural poverty in the districts after excluding the urban area households.

Targeting of the Valleys for comprehensive Value Chain Development

ll. Provinces in Pakistan are divided into Districts which are fairly large geographic entities. Each District is then divided into 1-4 Tehsils which in turn are divided in to Union Councils. The number of Union Councils, the administrative unit above the village level varies has variable number of villages with approximately population of **20,000** inhabiting villages of various sizes. Such a division/ classification at Union Council level may be appropriate in plains of Punjab, Sindh and KPK as a Union Council is a geographical entity with uniformity of characteristics. GB is entirely a mountainous region with narrow valleys separated by high mountains. With its peculiar landscape, it is valleys which are the real geographic entities having common irrigation/water supply source, common access route to some main link road, land characteristics and farming patterns/ practices. Each valley is separated from the adjoining valley usually by high mountains. Hence each valley has its peculiar living and social conditions and culture. Each UC may encompass one or more than one valleys. There are 105 rural UCs and about 609 villages.

mm. The programme should therefore use an inclusive approach which is a combination of targeting and demand driven potential for value chain development supported by required economic infrastructure. Within that selected area/valley, the programme can deploy special targeting tools to specifically target the poor and vulnerable including women and persons with special difficulties.

nn. The programme will be implemented through a comprehensive value chain based approach:

i) Building irrigation channels and development of new land for cultivation backed by clear land titles to **all** small-holders and landless households, estimated to number over 50,000. These households will be provided land leveling development costs to enable them quick development of land and economic returns. Farm to Market road component is aimed at providing critical road linkage for the new developed irrigated production areas to valley and main roads. In view of the limited funds and competitive demands for this component, a targeting criterion will be applied for selection of valleys for this component.

ii) Land which is not claimed by any one belongs to the community. As per customary practice, any such land when developed through land leveling or construction of an irrigation channel, the land is distributed equally among all the native households of the community. There is no discrimination against the poor in this regard as he gets equal share compared with a big land owner. *Hence development of irrigation channels will benefit the poor as well in the*

beneficiary community. Landless, poor, vulnerable and women headed household will acquire valuable assets in the process which will result in addressing the poverty and vulnerability at household level through asset building.

oo. BISP data segregated at UC level will be used for this purpose. Component Households in the UC have recorded address with the name of village. Hence detailed UC data will be segregated on a spreadsheet village wise and hence combined for single valley component households. The valley level data will have its stratification at various PMT scores and concentration in lower scores would signify poverty prevalence in the valley.

pp. The criteria for selection of valleys will be:

a) Valleys which have greatest number of beneficiary population with potential cash crops for value chain development will be given preference over those with lower number of *beneficiary population*.
b) Valleys with greater *number of poor within the district* will be given preference over relatively better off. BISP data segregated at UC level will be used to assess the relative prevalence of poverty in a valley. However this will be combined with collection of data/information by the CSO partner organization.
c) Potential for land development and feasible new irrigation programmes in the valley. New irrigation schemes may have different costs per acre of consequent land development; those with lower costs and greater potential for land development will be preferred.
d) Willingness of communities to participate in the programme activities particularly the collaboration in land development through new/rehabilitated irrigation channels and collective marketing for value chain development.
e) Positive attitude towards women taking part in programme activities and community consultation processes.
f) The number of those households directly benefiting from the programme activities is reasonable so that only a limited number of individuals/ households do not capture the benefit.

qq. The Programme Coordination Unit and the Social Mobilization partner will upfront carry out a baseline study/survey that would also help in selecting the priority target valleys based on the above criteria. This will be the basis for programme's targeting and phasing of activities in each district as well as allocation of annual budgets and resources.

Self-selection

rr. In the process of development of irrigation channels and valley roads, full cost payment of material, equipment and labor will be made by the programme and there will be no upfront community contribution for implementation of these schemes. This will result in injection of around US$25 million into rural economy through full provision of wage labor. This wage labor will be an earning opportunity for the poor in the community. Preference will be given to the local poor population of the valley particularly the females, for provision of labor. Poor households with active household members will be primary beneficiaries and the targeting for this cash for work initiative will be through *Self-Targeting/Self-Selection.* The poor will themselves take initiative and present themselves for the wage labor.

Direct/Social targeting

ss. The Programme provides for land-leveling and development costs **(US$ 100/acre)** to enable them quick development of land and economic returns. The beneficiary community will pay-back fifty

percent of scheme cost in accordance with a repayment schedule worked out mutually through a trilateral agreement to be signed between CSO, Programme and the beneficiary. The development of land and getting full crop may take years. Hence the recovery period has to flexible and variable and must be determined on case to case basis. Fixing the recovery upfront on a fixed time-table is not advisable. The recovered amount will go into a **community and programme managed development fund** that will be used for a range of communal social and economic activities. *However female-headed poor households, poor households, households headed by men suffering from a chronic debilitating disease or are handicapped and those landless will be exempt from payment of these costs*. **An estimated total of 5000 female headed poor households and 5000 vulnerable households will benefit from this facility**. CSO Partner Organization will select the eligible households and will use the eligibility criteria as follows:

- **Female Headed household**: A household headed by an ever married female (married, divorced, separated, widow) with average or less than average landholding (0.8 acres) without any male household member above the age of 25.
- **Poor Household**: A household with less than average landholding, more than average household size (8 or more) and no additional household male member above the age of 25 and no member of the family employed in government service and no alternate source of income except subsistence farming and livestock/poultry rearing.
- **Vulnerable Household**: A household headed by a handicapped or chronically ill male, more than average household size (7.2 or more) and no additional household male member above the age of 25 and no member of the family employed in government service and no alternate source of income except subsistence farming and livestock/poultry rearing.
- **Landless Household**: A household with no farm land and no member of the household employed in government service and no alternate source of income except share in community owned fruit forests and livestock and poultry rearing.

tt. Social Mobilization Partner Organization will use the **Direct Targeting method** for selection of these households through a **Community Based Approach**. The concerned Women/Men Village Organization will be involved in the selection of the households against clearly defined criteria. At this stage, BISP beneficiary list/information can serve as a guide to approach the households. The community will also identify the households which are either not part of the BISP database or are wrongly excluded as BISP beneficiary due to the limitations of Scorecard method and erroneous reporting during the BISP targeting survey. Resultantly, the errors and exclusions of BISP survey and poverty targeting registry will be handled at this stage. The CSO Partner Organization will ensure an inclusive approach wherein the eligibility criteria is widely shared and understood by the community to ensure **transparency** and must avoid conflict and division in the community and stigma for the identified poor. Special attention will be given to include the women groups and those who exclude themselves, in the process. The data of such households shall be collected on a proforma designed for the purpose and stored in a database. CNIC of the household head will be used as a unique identifier so that there are no duplicate entries.

uu. BISP data will serve as a **monitoring tool** for the targeting of individual households in the above four categories (landless, poor, vulnerable and female headed) as there is a potential for misuse. The selected households should generally fall in lowest three quintile of PMT score in the BISP database (should have PMT score below 30). Wide variations in the two targeting exercises would result in programme intervention and random verifications and evaluations. *Poverty Targeting will be evaluated at regular intervals to make adjustment and mid-course corrections in the process of programme implementation.*

Empowerment and Capacity Building

vv. Comprehensive Value Chain development would involve identification of various capacity building initiatives for the community. Females in the programme area being the active partners in the

farming will be given preference for inclusion in these capacity building initiatives. The programme will empower poor men and women in the area by giving them training in farming practices, entrepreneurship, vaccination and de-wroming of livestock, packaging, polishing and grading of produce, organizing them into groups for collective marketing, linking them with public sector departments for on-farm Management, Agriculture extension and Livestock. The programme will work through community organizations of women actively engaging them in planning, decision making and programme activities. Women and men will be briefed about the programme objectives and scope of the programme and a plan to implement the programme in the village will be prepared with the facilitation of social mobilisers using participatory techniques. The plan will include a visioning exercise to set the community-specific goals and indicators of success. The community organizations will be involved in determining the monitoring and evaluation arrangements for their plan.

ww. A communication and media strategy will be developed by the programme to make all target audience, specially the poor and the vulnerable, about programme objectives, activities, terms and conditions etc. Additional messages on education, nutrition, legal rights etc. would be part of this strategy. An Communication Specialist within PCU will spearhead this activity. In addition, SMPs will launch a mass awareness campaign about the programme activities through community meetings and information dissemination material. Such meetings and dissemination materials will reflect the programme activities in detail and as to how the poor can benefit from the programme. Both the male and female village organizations will be involved in the exercise. Education, literacy and numeracy for the women and poor would be a priority activity in partnership with SMPs and other interested NGOs/partners. The exercise would be aimed at **maximum informed inclusion and empowerment of the poor** in the programme activities and also giving them the voice in the programme decision making. Public meetings with government, donors, private and public stakeholders will be held periodically to highlight the poverty and gender issues. The programme will ensure the participation of poor women and men farmers as participants and speakers and enable them to voice their views and concerns.

xx. The **gender strategy** of the programme is based on lessons from programmes which have been effective in the inclusion of women and also of the previous and ongoing programmes and programmes. It in particular keeps in view the existing social capital built by social mobilization partners, AKRSP and DPAP, through thousands of male, female and mixed VOs and WOs. It is also mindful of the fact that rural society in GB is very varied from an extremely conservative strongly patriarchal Diamer to extremely open and gender balanced areas in Hunza, Ghizer, Skardu and parts of Ghanche and Gilgit. So it will be a flexible horses-for-courses approach to promoting gender agenda and increasing women's participation in social and economic decisions concerning the communities and women's well-being.

yy. The empowerment of women will be ensured through a range of activities and processes: (i) Village social development priorities will be ascertained through full participation of women in mixed or separate meetings as the social norms of area dictate (ii) targets for women's and men's participation in all key activities will be specified with a primary focus on women (see Table 1); (iii) the Annual Work Plan and Budget (AWPB) of the programme will contain a **specific gender action plan** and budget allocations. Gender workshops will be organized at PCU and RCU level. The gender action plan developed in these workshops will be periodically reviewed by the management at the provincial and district levels; (iv) the terms of reference for staff and technical experts will include responsibilities for mainstreaming gender; (v) the monitoring and evaluation framework will include **qualitative and quantitative indicators disaggregated by sex** to track the programme's performance in promoting women's empowerment in terms of their decision-making, capacity-building and asset building. Indicators for women's well-being and empowerment will be contributed by community women and incorporated into the M&E framework; (vi) targets will be specified in staffing (see Table 2) The PCU/RCU will be encouraged to maintain a **gender balance in staffing**, with women comprising at least 30 per cent of the staff. There will be a **Manager, Gender Mainstreaming** in the PCU to provide

oversight and lead on mainstreaming gender. (vii) partner social mobilization organizations will be required to have a demonstrated capacity to organize and mobilize women; (viii) the PCU, RCU and social mobilization partner will be required to take the necessary steps to comply with the Protection Against Harassment of Women at the Workplace Act 2010; (viii) in the stakeholder forums and review workshops, the programme will ensure the inclusion of women and men farmers as participants and speakers with the forum structured so as to ensure that they have space to voice their views and opinions; (x) a **poverty and gender specialist** will be included in the yearly supervision missions, Mid-Term Review and Programme Completion Mission.

Table 4: Gender Targeting in Programme Components

	Unit	Total	Women	% of Women
1. Economic Infrastructure				
New Irrigated Land	acre	50,000	5,000*	10
Land leveling packages		50,000	5,000	10
2. Value Chain Development				
Village Producers Organizations	organization	200	20	10
Processors/Value Addition Groups (Milk, apricot, pine-nut)	Groups	100	25	25
Training in Value Chain processes	groups	200	40	20
Training in production	groups	200	40	20
Training in Packaging, grading etc. (30 Associations + 10 Groups)	persons	2,000	1,000	50
Access to Value Chain matching funds	Farmer groups	200	20	10
Programme Management				
Staff of PCU/SMP	persons			20
Staff of DCU/SMP	persons			15

* Women-headed house and per-women package will be US$ 500 (Total US$ 3.5 million)

Appendix 3: Country performance and lessons learned

1. Pakistan is one of the founding members of IFAD. Since 1978 IFAD has approved assistance equivalent of USD 528 million for 25 programmes in the country. Total cost of the programmes including co-financing, government and beneficiary shares comes to about USD 202 billion. Currently two programmes are on-going and one approved in December 2013 is awaiting signing of Financing Agreement. Apart from loans, IFAD has also approved several country specific and regional grants to enhance its strategic objectives in the country.

2. IFAD until recently has mainly been focusing on agriculture development at the community level. IFAD interventions had mostly been characterized by integrated, multi-sectorial, community-based participatory approaches, supporting interventions in agricultural and livestock development, forestry, fishery, community mobilization, and community infrastructures, including rural roads and small-scale irrigation.

3. IFAD experience in Pakistan, and elsewhere, has generated a rich and diverse set of lessons which have been incorporated into the country programme as it evolves and the programme design of Economic Transformation Initiative has consciously benefitted from this experience and lessons. There has been considerable reflection on how to enhance impact and utilize programme resources more efficiently through a value chain development approach including the role of farmers associations and active involvement and participation of private sector for marketing of produce of small farmers, input supplies and provision of services.

4. Even though programme designs, implementation performance and outcomes of some of programmes had mixed results, they led to important lessons and have been instrumental in this shift towards a value chain approach. IFAD during the current COSOP has found that a move to more sector specific and value chain focus has the potential of a much higher impact on reducing poverty, engaging private sector with small producers/farmers, improving market linkages and other impact domains. The move away from collaboration solely with government line agencies provides IFAD with a more responsive mechanism to address poverty alleviation and improve programme implementation through a varied range of NGOs/Rural Support Programmes and other private sector institutions. IFAD interventions have also been a catalyst for change in the way agriculture and rural development programmes were designed and implemented in Pakistan. IFAD first contributed to the early attempts at introducing participatory development in the irrigation sub-sector. The experience was invaluable in terms of programme design, management approach, social mobilization techniques, targeting and sustainability. IFAD demonstrated a willingness to learn from this experience and improve and innovate in future programmes. The refined participatory approach and management structure led to an enhanced impact on rural poor and women.

5. A Country Programme Evaluation (CPE) of IFAD's programme in Pakistan was completed in November 2007.[81] The CPE assessed that despite being recognized as important high-value crops-had not received the attention necessary to maximize their potential for rural poverty reduction. Some of the principal lessons learnt from IFAD's operations in Pakistan include the recognition that there is need for (i) better balance between agricultural and non-farm investments in the rural sector (ii) greater attention should be given to livestock and high-value crops that will provide higher returns on investments (iii) small scale village infrastructure especially roads and water resources has had the most immediate and significant impact on poverty alleviation in rural areas (iv) enhancing the marketability of rural products was key to increasing rural incomes. These lessons have been incorporated into the design of the current programme.

6. Building on IFAD experience of smallholder farmers and poverty reduction and in line with the its Strategic Framework 2011-2015, IFAD in Pakistan responded to the changing global context with new opportunities and challenges facing poor rural people by shifting focus from productivity enhancement at community level to marketability of rural products and private sector linkages. This shift in focus was first reflected in Gwadar-Lasbela Livelihood Support Programme in the coastal

[81] Office of Evaluations, IFAD. November 2007.

areas of Balochistan. The recently designed Livestock and Access to Market Programme provides to support production increase and access of livestock products to the market, and facilitate the linkages between smallholder producers and a wide range of private entrepreneurs along the dairy and livestock value chains. IFAD in recent years have gained considerable experience in value chain approach including working with private sector in rural areas. Realizing that value chains are one of the instruments through which market forces can be engaged to benefit the poor, IFAD is increasingly pursuing this approach. Since 1999, most of IFAD programmes either have value-chain components or are value-chain programmes.

7. IFAD aimed to further increase the use of loans and grants in support of value chain and Public Private Partnership PPs, and specifically agreed that 20 per cent of all new loan programmes or grants from 2013 onward would include the private sector as a partner or recipient. Progress to date indicates that more than 50 per cent of country loans and grants approved by IFAD since 2013 (of a total of 45) are to finance programmes that include the private sector as a partner or recipient. Typically this involves facilitating the engagement of private value chain actors (e.g. processors, traders, input dealers, business and technical service providers, financial service providers) with IFAD target groups, thus leveraging the expertise and resources of private agribusiness companies and the local private financial sector. In some countries, IFAD-funded programmes are working with global companies such as Mars in the cocoa value chain in Indonesia, and Nestle in the maize sector in Ghana. However, in the majority of cases, IFAD-supported programmes work with domestic SMEs at local or national levels.

8. In addition to regular IFAD instruments (country strategic opportunities programmes [COSOPs], loans and grants), which has value chain approach and now include a much higher level of private-sector engagement, IFAD has also developed new mechanisms and programmes to attract further private-sector investment in smallholder farming. Examples are: the public/private producers' partnership (4P) mechanism. for which it will launch a five-country pilot later this year; and equity financing mechanisms to support rural small- and medium-sized enterprise (SME) growth, such as the Uganda Small and Medium Agribusiness Development Fund (with support from the European Union) and the Technical Assistance Facility of the African Agriculture Fund (also financed mostly by the Union). In addition, IFAD formed its first two global private-sector partnerships – with Unilever and the Intel Corporation – as a result of more proactive outreach to companies at the corporate level. The Unilever partnership spans diverse knowledge and thematic issues and is working on the ground in China and India.

9. In terms of overall management and administrative issues there are also some lessons which have been learnt. The quality of the Pakistan portfolio has suffered considerably as a result of the extremely long delays in programmes from the date of approval by IFAD's Executive Board to the date of effectiveness, and from the date of effectiveness to the date of the first disbursement. The experience of the Pakistan portfolio shows that the choice of implementing partner has been a key determinant of performance. Programmes with Government line agencies have tended to work well only when there has been a competent Programme Director and strong commitment and ownership of the provincial Government. Programmes housed in Planning and Development Departments with limited or no field presence have generally not performed well (CMP and SPPAP). Programmes with a clear focus and a limited set of activities have tended to perform better such as PRISM with its clear focus on financial service provision. Learning from this experience the proposed programme will try and incorporate some lessons that will enhance the implementation performance of the programme. This will guide the manner in which implementation arrangements are structured, guide staff salary and compensation packages for additional workload and make provision for retroactive financing to enable the programme to initiate activities as soon as approvals have been obtained.

10. Some key lessons learnt from programmes in Pakistan, IFAD strategy and approaches in value chain development and public private partnership and global experiences have been taken into consideration for incorporating in the design of the Programme have been highlighted below;

a) Private sector is willing to deal with small farmers if transaction costs and risks are reduced. In this regards IFAD programmes have supported a variety of activities, such as: (a) facilitating linkages between small farmers and agro processors or commercial buyers; (b)

providing technical assistance for small farmers to increase their productivity and improve the quality of their produce to meet market standards; (c) helping organize farmers into groups or associations, which improves their interaction and negotiation with the private sector; (d) helping integrate women and ethnic minorities into the supply chain to increase their incomes; (e) supporting contract farming agreements between small farmers and private agribusiness companies; and (f) building mutual trust between the communities, local public agencies and the private sector.

b) Social Mobilization needs Specialized Agencies: The process of social mobilisation and formation of farmers organisations is a specialised field, requires a process approach and developing and nurturing to maturity is a long term process and requires substantial resources. This experience confirms the realization of a need for a professional social mobilization agency like NGOs/Rural Support Programme and as was practices in the past programmes requires collaboration between NGOs/Rural Support Programme and the Government. This approach has proven to be a far reaching innovation in the context of participatory rural development in Pakistan.

c) Greater attention to the high value crops and livestock sector: The CPE 2007 assessed that despite high-value crops like fruits, vegetables and flowers had not received the attention necessary to maximize their potential for rural poverty reduction and recommended greater focus should be given to this sector. Other recommendations of the CPE that have been incorporated in the design of this programme included enhancing the marketability of rural products is critical to increase rural income, and a better balance between on-farm and non-farm investments in the rural sector should be pursued to ensure sustainable rural development.

d) Approach to engagement with the private sector in the areas of pro-poor value-chain: IFAD experiences in value chain development and working with private sector points to the following important lessons:

- Engagement with the private sector needs to become more systematic, with clear principles of engagement as to which types of private-sector companies it will partner with or support, and under what circumstances.
- Partner with others to leverage knowledge, resources and economies of scale.
- Professionalization of Farmers' Organizations. Investing in farmers' organizations is potentially a very promising way to facilitate equitable access of rural producers, including the poor to agricultural markets. Producer groups strong enough to negotiate bulk input prices and transportation contracts can pass on substantial cost savings to farmer members. They can also negotiate more attractive producer prices and provide guarantees for financing seasonal production credit.

e) Gender: IFAD has long recognized the importance of women in agriculture and taken a leadership role in promoting women's empowerment and gender equality both in its field operations and at the corporate level. IFAD programmes provides special focus on wealth creation among poor rural women to ensure their integration as economic and entrepreneurial actors within the rural economy. Experience show that women play substantial and key role in pre and post harvest agriculture and livestock keeping, rearing, and management.

f) Start-up delays and Implementation Performance of Programmes. Based on the experience of start-up delays and poor implementation performance, the Programme will incorporate steps like signing of Financing Agreement only after completion of all GoP approval formalities, minimum tenure of at least three years for Programme Coordinator and key staff, inclusion of private corporate sector representatives and representatives of farmers organisation in Programme Review Board/Steering Committee, provision for retroactive financing to enable the programme to appoint programme director and key programme staff immediately after approval of the programme by IFAD EB and initiate preparatory activities.

g) Revolving Extension Funds and Cost Recovery Based Demonstrations. Past IFAD programmes have proved the usefulness of placing full cost recovery based revolving funds

with the extension and research agencies. This goes a long way in protecting the agencies from limited and unpredictable flow of government funds and enables them to respond to farmer needs in efficient manner.

h) Co-Financing: The Pakistan experience shows that the emphasis on co-financing as a corporate IFAD strategy has some benefits but it does not always work to IFAD's advantage and has not proved very reliable. UNDP and WFP both withdrew from their participation in IFAD programmes in the country. IFAD has fared much better by using the parallel financing modality much more effectively in the MIOP, REACH and PRISM programmes with the Word Bank and other donors. This modality enables each agency to abide by its own time lines and strategic objectives, retain their individual profile and at the same time coordinate and leverage the resources of other donors. IFAD will do well to focus much more on the strategy for parallel financing than co-financing in Pakistan.

11. **Compliance with IFAD policies.** The programme is in line with IFAD Strategic Framework 2011-2015. The programme activities, implementation arrangements and M&E system have been designed in compliance with IFAD M&E Guide, Targeting Strategy and in line with the policy on Gender equality and women's empowerment and approaches outlined in the Framework for Gender Mainstreaming in PMD Operations. The programme is consistent with IFAD Private Sector Strategy and Agricultural value chain finance strategy and design.. Finally, the programme is aligned with both IFAD Climate Change Strategy and Environment and Natural Resource Management Policy. The programme is considered Category B as far as its environmental classification is concerned[82].

12. **Compliance with IFAD procedures.** The design process included 4 CPMT meetings, the first one in Nov 2014 to present and seek comments on the Programme Concept Note, the second in ? (after the design mission) to present and seek comments on the draft Programme Design Report, and the third one in ? (after appraisal) to present the draft final Programme Design Report and assess readiness for submission of the Report to QA. QE Review Meeting was held in ?. OSC Meeting has not been held because the draft concept note was included in the COSOP 2010-2014.

[82] IFAD Environmental and Social Assessment procedures have been reviewed to ensure that the project does not in any way cause any adverse impacts on the environment. The project will contribute to environmental conservation and sustainability because of its emphasis on making the livestock sector more productive and use the existing resources more efficiently and reduce wastage. The project will not support activities that might generate significant irreversible or cumulative environmental impacts. The project will strictly follow the existing environmental laws and regulations applicable in the country and represents an environmentally less stressful approach to using the already degraded natural resource base in the project area.

Annex 4: Programme description

1. **Programme Area and Targets:** ETI's target area consists of Gilgit-Baltistan region with a population of around 1.3 million. It's a relatively under-developed and remote highly mountainous area with challenges of low population densities, long distances from markets, extremes of weather and terrain and weak implementation and management capacities. It has been recently upgraded to the level of a province but still remains dependent on federal Ministries for its financial resources and administrative approvals. The area holds lot of promise in terms of high value fruit and vegetable crops but is constrained in realization of its full potential due to limited landholding per households and limited overall irrigated land, lack of access to technology and private sector investment, absence of local processing and value addition, low road densities and connectivity and poor capacities of support extension, financing and research entities.

2. Main programme targets include; (i) increased incomes and reduced poverty for almost half of the region's population (ii) additional 50,000 acres of irrigated area benefitting around 50,000 smallholders including women; (iii) Upgrading of 400 kms of farm to market roads improving marketing and profitability prospects of existing and additional production; (iii) Development of effective value chains for two largest products of the area – apricot and potato - linked to private sector buyers through performance based and mutually responsible contracts; (iv) Development of local input supply, processing, value addition services operated by private sector; and (v) capacity building of public sector extension, research and construction entities along with supportive policy and regulatory regime.

3. In terms of implementing partners, the programme will work with a range of public and private sector partners and farmers groups and associations. This will include government extension and research agencies, infrastructure development departments, local traders and processors, down-country corporate buyers with interest in the region and social mobilization entities. All this will be coordinated by a central programme coordination unit.

4. **Programme Approach:** ETI will have an integrated participatory approach to value chain development involving farmer based organizations, and private sector buyers/processors/aggregators as the main actors, backed by public sector entities through support and facilitation in extension, research, enabling policy and regulatory regime and financing. Programme will initially focus on two main products, apricot and potato, in view of their importance and spread, and will consider inclusion of additional products at MTR.

5. **Centrality of Participation and Social Mobilization:** The programme will follow a very participatory approach and principles whereby the intended target beneficiaries will be organized through effective social mobilization approach into village level production groups and valley level production associations. The Programme will engage capable social mobilization entities in the region for this purpose. Once the priority valleys for development of value chains of existing productive areas and development of new irrigated lands and road links have been identified through the baseline survey and PCU based targeting committee deliberations, the social mobilizers will establish dialogue with the concerned villages/communities to organize them into village production groups. Terms of engagement will be agreed with the community at the very start. Once agreement is reached, village development needs assessment involving both men and women and landowners and landless, for both economic and social aspects, will be ascertained. From this point onwards, there will be a three track approach for the villages with existing promising products for value chain development, villages where new irrigated land is going to be developed and existing processors and value adders in the region. There would be quite a few villages where existing promising products for value chain development exist and there is scope for additional irrigation development and in such villages the two approaches will merge and will be synthesized. There will be other producer groups that are already organized, are involved in the marketing of a product, and are interested in further scaling up their business and improving their product quality and returns. Such groups will also be eligible for programme assistance in value chain development.

a. **Valleys with Existing Promising Products for Value Chain Development:** In such valleys, every village with potential for apricot or potato value chain development will be contacted by social mobilization partners and helped to organize. Once an agreement on organization is reached, a diagnostic of issues and challenges in the existing production and marketing will be carried out with the community in each village, involving both men and women, with the participation of line departments and VCTAT staff will be carried out. Based on this diagnostic, a production plan, identifying community and programme related actions and interventions, will be developed that addresses both production and productivity issues as well as impediments to market linkages and fair returns for the farmer. During this diagnostic and development planning process, the villages will be guided to develop a valley producers association for that particular product. The valley level association will have representative from all participating villages and will be formally registered as a business entity. VCTAT will assist in this entire process while facilitation will come from SMPs. Once registered, office bearers selected and byelaws established, the VCTAT will assist the VPA in negotiating a seller/buyer contract with a marketing or corporate entity for their product. Once such a contract is established, the Valley Producers Association will be eligible for a range of programme funded products including training, matching grants etc.

b. **Valleys and Villages with New Irrigated Lands:** The valleys/villages where there is no existing promising product but are found eligible for development of new irrigated area, the villages will be organized and village development need assessment carried out involving both men and women. The terms and conditions for the development of new irrigated areas will be agreed with the community including critical conditions like distribution of new developed land among all community members on equitable basis (including women headed households), scheme execution through a scheme management team, priority access to local poor and youth to wage labour opportunities, levelling and de-stoning of land within one year of scheme completion, return of 50% of construction cost within three harvests (women and ultra-poor exempted from it) and deposit the recovered amount in an account jointly managed by programme and community, and use of these funds for addressing priority social and economic development needs identified by the community. As the lands are developed, the second part of agreement would be to use these lands for high value crops and develop business plans with the help of VCTAT for the marketing and value chain development aspects. Groups of such beneficiary villages within a valley may form their own producers association or become part of another existing association.

c. **Existing Producers or Processors Groups:** In addition, the programme will also focus on old and newly emerging producers and processors groups in the region involved in apricot processing and export, apricot oil extraction and marketing, potato seed multiplication, cherry production and marketing, milk production, processing and marketing etc. Such groups face many challenges in terms of skills, quality, scale and access to capital and markets. These are the low hanging fruits which can be quickly take advantage of and it will also give the programme a kick-start as well as the opportunity to test various approaches before eventual full-scale expansion. These existing groups will be eligible for programme support provided they meet the requirements of a proper business plan, formal registration and formal contracts with interested buyers/importers. They will be supported by VCTAT to address their existing capacity and business planning constraints and would be also eligible for matching grants from programme subject to fulfillment of criteria defined by the programme.

6. **Planning & Coordination:** A central PCU at Gilgit and three RCUs at Divisional/regional level will be established under P&D Department for overall planning & coordination. Activities will be implemented by the SMPs, government partner agencies (Department of Agriculture (Extension, Tissue Culture Labs etc.), WMD and PWD) and they will coordinate their respective activities at the producers groups and association levels in accordance with annual workplan and budget phasing and guidelines provided in the PIM. In brief, the SMPs will be responsible for organizing the groups, facilitating their linkage with the government agencies and VCTAT, resolve any emerging inter/intra group issues and ensure groups adherence to the terms and conditions agreed for irrigation and other investments. Delivery of technical inputs as per business plans and agreements with the groups will be the responsibility of the line departments and VCTAT.

7. **Programme Components:** The programme is organized around three complementary components: (1) Economic Infrastructure for Value Chain Development (2) Support Services/PPP for Value Chain Development, and (3) Programme and Policy Support.

8. **Component 1: Economic Infrastructure for Value Chain Development (US$ 61.45 million/61% of base cost):** The component is aimed at adding around 50,000 additional acres of irrigated cropped area, thereby increasing the current irrigated production area in GB by around 30%. In addition, the component will upgrdae around 400 km of roads from pony tracks to jeep able (40% of target) and from jeep able to Truck able (60% of the total) for existing priority value chains and new irrigated agriculture areas.

9. **Sub-component 1.1- Irrigation Development (US$ 44.36 million/44% of base cost):** The sub-component is aimed at developing 50,000 additional acres of irrigated land in GB region. Priority will be assigned to irrigation facilities for bigger chunks of land, say around 500 acres or more in the initial phase and then moving to smaller schemes on a sliding scale. In doing so, inter district balance and equity, in terms of phasing and resource allocation, would be kept in view. The overall programme criteria given in Table 2 of main report for district allocations will be used to cap per district allocation.

10. *Challenge and Opportunities:* Irrigation development and its maintenance in a highly mountainous area with extremes of weather is a challenging prospect. An ambitious target of 50,000 acres new irrigation in four years therefore appears a daunting prospect. However, this ambition is rooted in a promising implementation environment. ETI is essentially aiming to considerably scale-up an activity that has well established principles and practices thanks to the work done in this sector by AKRSP and DPAP (ex NADP) and government agencies including WMD, LG&RD and PWD. The SOPs and practices, guidelines and related capacity and expertise is well-developed and well understood both among the potential partners and farmer communities. The major constraint in non-development of additional areas has been lack of financial resources both from the supply side and beneficiaries own limited capacity to quickly develop the land that has been provided irrigation supplies. ETI intends to address both by providing funding for the new development and also financial support to farmers to quickly develop the new land for crop production.

11. *Potential for Quick Start:* Considerable work has already been done by WMD, AKRSP and other agencies in preparation of pre-feasibilities for a large number of irrigation schemes including hydrology studies/availability of water, area to be irrigated, land and water source status, estimated costs and basic design parameters. This offers an opportunity for quick start of implementation and hence the plan to develop the entire area in the first five years of programme implementation. Water Management Directorate (WMD) has already indentified 43 water channels covering all 7 districts. Of these, 25 are in the priority four districts selected for infrastructure development. 11 of these 25 channels have everything ready for implementation including detailed designs and cost estimates. These 11 channels cover 13,530 acres of land. The identification of channels is based on surveys conducted/facilitated by three different agencies in the past. The agencies include; JICA, MIES – the engineering wing of AKRSP- and the department itself. The costs and design parameters of these channels were updated and further validated by the design mission.

12. *Other Potential Channels:* Water Management Directorate carried out a rapid survey of the GB region in Nov-Dec 2014 to identify additional irrigation schemes with secure water source, clean land ownership and land development potential and identified 296 channels in all seven districts with total command area of 139,765 acres. Out of these 160 schemes are in the priority four target districts of ETI with a total potential command area of 71,528 acres (Complete list available in Working Paper 1)

13. **Per Unit Cost of Proposed Channels:** The average cost of identified channels varies widely across districts and with agencies that conducted surveys. For instance; cost per acre varies from as high as Rs. 94,000 for district Ghanche to Rs. 21,000 for Hunza-Nagar and Rs. 57,000 as an overall average. Similarly cost per km varies from Rs.3 million for Hunza-Nagar to Rs. 17 million for Skardu district. The survey of 24 channels done by MIES gives around Rs.30,000 per acre cost as against Rs. 94,000 estimated by department, and Rs. 73,000 for survey facilitated by JICA. Discussions with the agencies with past experience in implementation and farmers groups indicate that the average cost per acre/per km will fall somewhere in between these figures say around Rs. 50,000 per acre.

The design mission, together with WMD and PWD, carried out a detailed analysis, especially after receipt of QE minutes and expressed apprehensions about costs being unworkable. The analysis suggested that US$ 580 per acre would be a safe cost for programme estimation purpose and the same has been used for programme budget. Table:1 below gives the cost variation per km and per acre by district.

Table:1 Cost Variation per Acre and per km by District

S.No.	Distict	No. of Channels	Cost Per Km (Rs.M)	Cost per Acre (Rs.M)
1	Ghanche	5	14	93,960
2	Gilgit	4	10	86,771
3	Skardu	13	17	73,908
4	Ghizer	7	9	61,411
5	Diamer	9	4	27,789
6	Astore	4	10	21,122
7	Hunza-Nagar	1	3	20,942
	Average	**-**	**11**	**56,990**

Source: GB WMD

Table:2 below gives the cost variation per km and per acre to benefit by the agency that conducted survey for identification of water channel.

Table:2 Cost Variation per Acre and per km by Agency

Agency*	No. of Channels	Cost Per Km (Rs.M)	Cost per Acre (Rs.M)
WMD	4	9	94,085
JICA	15	19	72,933
MIES	24	5	29,566
Average		**11**	**56,990**

**Survey conducted/facilitated by*

14. *Current Institutional Set-up:* Irrigation implementation is institutionally a divided responsibility in GB. While larger schemes are implemented by GB PWD, the medium size and smaller schemes are implemented by the Water Management Directorate of Department of Agriculture, headed by a Director with offices in each District headed by a Deputy Director. Smaller schemes, funded by Local Government and MLA's budgets, are generally executed by the Local Government & Rural Development Department. However, there is no clear demarcation of scheme responsibility between various departments. The large schemes of PWD are constructed by contractors engaged as per PWD rules and generally involve no community involvement in construction or contribution. However, all WMD and LG&RD schemes are implemented through Scheme Management Committees/Teams of the community and entail community contribution in the form of labour and materials ranging from 20% (general norm) to even higher depending on nature of scheme and community's need. In such schemes, contractors can be engaged by the community for some specific difficult portions or technically complex structures. Completed schemes are maintained by the beneficiary community and there is generally a well-developed community operated system of scheme O&M that has been refined over the years. The system involves payment of fixed amount per acre by each beneficiary (in kind or cash) after every harvesting season into an account managed by a community selected committee or an individual. The amount varies from scheme to scheme depending on number of beneficiaries and size of the command area. The amount is used to engage one or more people, depending on size of scheme and area served, to maintain the scheme. In case of larger damage or repair needs, ad-hoc raising of funds from beneficiaries, as per their holding, is done. In case of major damages due to flash floods etc., which is considered beyond the financial capacity of the community,

the government development agencies and local government are approached for assistance. The maintenance system generally works as irrigation is critical for crop production in this very arid area.

15. Options Considered: PWD is the most well resourced civil works/engineering department in terms of facilities, resources and staffing. Its major portion of work however relates to roads and buildings construction and irrigation is a much smaller proportion of their portfolio. In terms of rules of business also, this is not their main responsibility. Local Government Department does all kind of small rural infrastructure including small rural roads, water supply schemes, small irrigation schemes, foot-bridges etc. But again neither they have any specialized engineering expertise for the irrigation works nor is it their main mandate. The only agency with stated mandate for irrigation development is Water Management Directorate and has the orientation and experience in irrigation development and management. Keeping in view the demand for irrigation, its importance and development potential, the provincial government has already decided in principle to upgrade the directorate to the level of a full department headed by a Secretary. However, the decision is not yet implemented due to resource constraints. Keeping in all these factors in view, WMD ought to be the first choice for the execution of ETI sponsored schemes. But keeping in view the very ambitious target of 50,000 acres of new irrigation in a short period of five years, the programme need to have a flexible approach in terms of partners. Detailed discussions with P&D Department, PWD, WMD and at village level strongly suggest that all large and complex schemes should be assigned to PWD and all small to medium schemes should be implemented by WMD. And that will be the ETi strategy for irrigation development. This would also require that PWD will also have to adopt the community based implementation approach which previously has not been the norm in the schemes implemented by them.

16. Community mobilization, community centered scheme implementation and management of 50% repayment of scheme cost by the community are other important elements in the programme approach that need to be also kept in view. For these aspects, an experienced and qualified social mobilization entity is a must and for this purpose the programme will engage experienced social mobilization entities through a competitive process. So the technical part, including scheme design and construction oversight will be the responsibility of PWD and WMD but community mobilization, scheme execution with community engagement, identification and training of youth groups and management of repayment of construction costs and further utilization of these recovered funds for community development will be the responsibility of Social Mobilization Partners.

17. Institutional Capacity and Responsibility: PWD set up at district level is headed by a Superintending Engineer who is supported by Executive Engineers and Sub-Divisional Officers (SDO) and Sub-Engineers. This set-up handles roads and buildings works as well as other special projects. Typical establishment of WMD at the district level consist of a Deputy Director and limited number of junior technical staff. While PWD capacity is adequate at district level, WMD is in need of some additional capacity in terms of field level technical staff, some HQ support and equipment and mobility. ETI will support PWD only in terms of provision of additional mobility and maintenance pool augmentation. However, WMD will be given support for mobility, additional technical staff as well as equipment. The departments will be represented at PSC by their respective Secretaries. Both departments will notify dedicated staff for programme works at the provincial and district levels. Chief Engineers PWD at Gilgit and Baltistan will be members of Programme Coordination Committee and Director WMD will also be member of Programme Coordination Committee, headed by the Programme Coordinator. AWP/Bs of the programme, prepared in consultation with PWD and WMD, will guide the annual targets of the sub-component. PWD and WMD will work in close coordination with SMPs and village producers groups and will be responsible for the implementation of schemes in line with programme conditions. All schemes will be executed with the participation of beneficiary communities and there will be no requirement of any community contribution in the scheme cost.

18. Social Mobilization Partner: Social Mobilization partner will have a critical role in implementation of irrigation component including organizing the communities, facilitating agreement of programme terms and conditions for investment, organizing scheme management team, assistance in timely execution of scheme as per agreed standards, recovery of 50% repayment and its utilization on agreed community social and economic development plans etc. The SM partner will be paid a lumpsum percentage (to be agreed in final agreement with the SMP) for its overhead costs.

19. **GIS Mapping and Baseline Survey:** To overcome the current information gaps in terms of total feasible area available for irrigation development, location and size of each parcel of land, ownership status, water availability etc. a GIS mapping exercise would be carried out upfront (preferably prior to programme appraisal through a small grant) to guide the implementation strategy and programme priorities. The GIS mapping will be supplemented by a quick cross-checking exercise with Revenue Department and Water Management Department to be double sure about the status of land ownership and water rights and feasibility of developing identified parcels for equitable distribution among all households in the village. The outcome of this exercise will be a long-list of potential feasible irrigation schemes. Selection of each scheme for development would be subject to other investment criteria as explained in the Working Paper 1. A baseline survey will also be carried out to establish the socio-economic status of communities in each valley and district, existing production of key commodities and development potential in each valley, poverty, nutrition and vulnerability profile of each valley etc. The baseline survey will preferably be also completed before the programme start-up and will provide the benchmarks in terms of RIMS for future programme evaluation and impacts.

20. ***Implementation Approach and Methodology:*** All irrigation schemes will be implemented through full participation of the beneficiary communities. Unlike the prevailing practise in community executed schemes, where over 20% community contribution is expected, the schemes under ETI will not require any community contribution in the shape of labour or materials. The rationale is based on two important lessons from prevailing practise. The contribution largely comes at the cost of the poor who end up losing wage-labour opportunities on the scheme and work for free. Second, it is most often a disincentive for the community to develop the larger irrigation systems with high beneficiary contribution. ETI programme will pay the full cost, as approved by PCU, for labour and materials, but communities will agree to payback 50% cost of the scheme into a community based account for future investment on their own priority social and economic development priorities in the village. This approach is expected to have two-fold benefit. First, the programme will pump almost half of the sub-component cost (around US$ 22 million) into the economy of 200 plus villages in the shape of wages and local materials. Second, the recovered 50% cost (again around US$ 20 million) would be reinvested in the local social and economic development bringing further economic benefits for the village economy.

21. Each scheme will have two distinct types of works – one that is to be executed by a contractor and other that can be done by community itself. The scheme design would clearly demarcate the two types. The community specific work will be carried out by the community itself under the management of the scheme management team. For other works, a contractor will be engaged by the implementing agency in consultation with the community and community will have a oversight and quality control role in contractor executed works. The funds for construction of community led works will be released to the community as per approved cost, in tranches as outlined in programme proposal, and each tranche will be released after certification from PWD/WMD that previous tranche had been effectively utilized. The right of way and securing a reliable water source/share from an existing stream/river will be the responsibility of concerned community, supported by SMP and PWD/WMD.

22. ***Term of Partnership between Community and ETI:*** Selection of scheme for construction and its financing by ETI will follow an agreement between the community, PWD/WMD and PCU. Once a scheme is identified as feasible, the village will select a Scheme Management Team. The agreement will be signed by a Scheme Management Team (SMT) selected by the community through consensus and SMT will be responsible to the programme for all aspects of construction agreement. main terms of agreement will be:

No community contribution for any of the works involved will be charged or asked for and full payment of labour and material costs will be made to the community as per scheme approved cost.

The land so irrigated will be equitably distributed among all the members of the community including women-headed households and landless and people with special difficulties.

Priority access will be given to the poor and local unemployed youth in all wage earning opportunities on the schemes.

The beneficiaries will undertake to develop (levelling, destining, terracing) individual shares of land parallel to the construction of scheme so that the land can be cultivated as soon as the irrigation scheme is complete.

For levelling and de-stoning, each beneficiary will get US$ 100 per acre

The beneficiaries will undertake to follow Department of Agriculture and ETI/SMP advice on choice of crops and crop management on new developed lands and VCTAT advice on marketing of their produce.

Beneficiaries will pay-back 50% of the scheme development cost over four harvests (four years). Women headed households and ultra-poor households will be exempt from such re-payment.

The pay-back funds will be placed in a community operated bank account with SMP as joint signatory. These funds will be spent on eligible activities for social development or economic development priorities of the community/village. The social development activities may include education, health, water supply and sanitation etc. The economic development may include further land development, processing and value addition equipment for the marketed products, aerated storage and aggregation and sorting platforms, packing facilities, additional road links etc.

18. **The responsibilities and main interventions in this component will be:**

a. *Scheme Identification and Phasing**:*** A PCU based Targeting Committee will be responsible for priority valley selection and within that selection of irrigation schemes and link roads. The Committee will have representation from all key stakeholders including PCU (Convener), SMP, VCTAT, PWD, WMD, Agriculture Extension and Research, two civil society members, and two members of local business community related to priority value chains. PCU, PWD, WMD, in consultation with concerned SMP, will propose potential schemes from the priority valleys selected by the committee for value chain development. Initial selection will be guided by the GIS Mapping and Baseline survey and existing list of priority schemes prepared by WMD and PWD. .
b. *Community Mobilization and Organization**:*** Organizing of beneficiaries in the priority valleys will be by community mobilization partner who will explain the terms and conditions, along with concerned PWD/WMD staff and facilitate agreement on terms and conditions;
c. *Design and Cost Estimation**:*** Detailed design and cost estimation by PWD/WMD Staff as per approved design parameters developed by consultants for five initial schemes
d. *Approval and Agreement with Community**:*** Final approval will be accorded by PCU, on recommendation of PWD/WMD and SMP and PWD/WMD will sign the agreement with the beneficiary community.
e. *Scheme execution/construction*: by PWD/WMD and community as per design parameters on community and contractor led segments;
f. *Land Development*: Provision of US$ 100 per acre to beneficiary households for land development and the development will be supervised and monitored by PWD/WMD and SMP; The land development would be carried out through machines under bulk contracts for entire land/all beneficiaries to achieve economies of scales and fast development
g. *50% recovery of scheme cost* over three harvest periods by social mobilization partner and deposit into joint account of Village Producers Association and use of funds for approved business promotion activities of association and prioritized social development needs of the communities in the valley; women headed households and landless beneficiaries will be exempt from repayment.
h. *Training of youth groups in construction*, stone blasting, other land development tool and machinery operation etc. Each Group will be provided a set of appropriate tools for their work(40 groups – 400)
i. *7 Pilots, one in each district,* for identification of cost-effective solutions for lift-water schemes on main rivers to irrigate the lands (*Daas)* along the main rivers like Indus, Shyoke, Gilgit, Hunza etc.
j. *Development of provincial water policy* including formal community based O&M system and their formal adoption

k. *Capacity building of WMD and PWD Department* including revised mandate and organizational structure for WMD, vehicles and equipment, incremental staff and training and travelling costs***.***

19. **Phasing of Irrigation Activities:** GIS mapping of potential areas for irrigation development and baseline survey will be completed prior to programme start-up which will help identification of promising areas for immediate development. The identified areas will be compared with the current list of priority schemes available with the WMD and PWD and all those schemes matching ETI focus and priorities will be selected for immediate development. The strategy will be to develop all target lands by year five of the programme so that programme has sufficient time to consolidate the management systems for scheme O&M and ensure recovery and reinvestment of the 50% scheme cost. Tentative phasing would be Year 1 (2,500), Year 2 (12,500 acres), Year 3 (17,500 acres) and Year 4 (17,500 Acres). The command area development will go on till year 5. Youth Groups training will be aligned with the selection of schemes so as they have work opportunities immediately in their own area and vicinity. Lift irrigation pilots will be initiated within the first two years of the programme through competitive process involving technical and financial proposals.

20. *Water Availability and Rights:* Almost all irrigation channels in GB are dependent on glacier-melt fed streams or springs and there are customary rights over the use of these water sources. Such rights are also bought and sold between different communities and there are cases where one community acquiring such right/share from another community either paid a one-time price or agreed to provide a share of land irrigated from such source to the water-sharing community. An established right of water will be a fundamental requirement, along with adequacy of source and non-disputed nature of land, for financing of any scheme under the programme.

21. *Mitigation of Climate Affects:* While there is no scientific hydrological data available on water flow patterns in glacial melt streams, anecdotal information from farmers suggests variable flows in manuy streams during different years due to lesser than normal snow in certain years or longer than norm low temperatures in upper reaches of the mountains resulting in less glacial melt and water flows. While farmers have little control over natural phenomenon like snow-melt and stream flows, there are possible measures that can be adopted at user levels to make most of the available flows. These include adoption of efficient irrigation technologies, use of water efficient crops and proper levelling of lands for flood irrigation. These will form part of ETI's training and capacity building activities at farmer level during irrigation and land development activities.

22. *Right of Way for Irrigation Schemes:* Right of way for new irrigation channels is an important consideration in development of new schemes. In cases where the channel passes through lands belonging to the beneficiary community, such right of way is made available by the community and if there is any damage to any structure or land belonging to some of the community members then compensation for such loss is settled by the community among themselves. In other cases where the proposed channel passes through lands belonging to any other community who are also not beneficiaries of new channel, the right is to be negotiated/acquired by the beneficiary community and there are multiple ways/practices in the region through which such passage is acquired. Under AKRSP, NADP and many other local government sponsored schemes, the communities make available the required land if the land in question belongs to the beneficiary community. In other cases, where land in question belongs to a community other than beneficiary community, then the communities make a mutual barter arrangement of land in lieu of land or make compensation to the owner community in some other form. Where the land in question belongs to State (Khalsa Land), such land is transferred by the government for the scheme on the request of beneficiary community and sponsoring department/programme.

23. *Repayment Oversight and Management Mechanism**:*** Repayment funds will be treated as a Community Asset and would be available only for activities and purposes that benefit the entire community through development investment identified collectively. Fund management will be carried out in a transparent and accountable manner jointly by the community nominated persons and programme appointed staff. Repayment liability of each irrigation scheme beneficiary will be clearly computed at the completion of scheme and conveyed to SMT in writing along with schedule and timing of repayment and responsibility for repayment collection and its deposit in the bank account. Repayment collection will be done during the scheduled meetings of the village producer organization and duly accounted for in a repayment account book and promptly deposited in the designated bank

account. Account balances details will be shared/reviewed in each monthly meeting of VPG/WUA. Use of collected funds will require community resolution identifying the priority scheme for use of collected funds, technical feasibility of the scheme by ETI/SMP and approval of proposed scheme if found feasible by the programme. Scheme execution process will be again through a community nominated Scheme Management Team with oversight and monitoring by SMP and ETI. Expenses on scheme will be presented in the monthly meetings of VPG/WUA. DCU Accounting Staff will carry out annual supervision of all Repayment Funds to ensure their proper management and usage.

24. **Irrigation Schemes O&M:** ETI will adopt, and further refine, the formal beneficiary centered scheme O&M system introduced by AKRSP and WMD. A water user association representing the beneficiaries will be established before the start of construction. The WUA will have formal rules of business duly agreed between the community and executing agency. The rules of business will specify the user fees, mode of their management and usage, scheme O&M responsibilities and operating procedures etc. The user fees will be managed through a bank account with multiple signatories nominated by WUA. As part of the provincial water policy formulation through ETI funded TA, the role and responsibilities and structures of WUAs will be given a proper regulatory cover and system will be established for their monitoring and accountability.

25. IFAD funding will not finance any costs on land acquisition/right of way for the identified irrigation schemes. The required land will be made available either by beneficiary community voluntarily or government will provide funding through supplementary grants in annual budgets for the acquisition of any required land.

26. **Sub-component 1.2 - Farm to Market Roads: (US$ 17.08 million/17% of base cost):** FMR component is aimed at providing critical road linkage for the existing and newly developed irrigated production areas to valley and main roads and improving road densities in GB which are currently the lowest in the country. District fund allocation for roads will be based on two considerations. First, overall share of the district in the programme financing (as illustrated in Table 2 of main report) and valleys identified/prioritised for value chain development. The sub-component will finance upgrading of 400 km roads from pony tracks to jeep able (40% of target) and from jeep able to truck able. The upgraded roads will have shingle compacted surface. Most of the roads are likely to have most of right of way available under existing expanse and would not pose any problems in terms of right of way or land acquisition. If there is some need for additional land in some stretches, such land will be made available by beneficiary community or government and no IFAD funding will be available for this purpose. The sub-component will be implemented by PWD and road identification will be carried out in conjunction with value chain development and irrigation. No road will be selected for development in isolation of value chain development and/or irrigation. Completion of roads will be aligned with completion of related irrigation scheme and land development.

27. *Current Institutional Set-up:* GB PWD is mandated to construct and maintain all main valley and farm to market roads in the province. The department is quite well resourced in terms of funding and human resource and is one of the largest technical departments in the province. The Department is headed by a Secretary and two Chief Engineers head the Baltistan (two Districts and Gilgit regions (5 districts). Below Chief Engineers, there are Superintending Engineers responsible for district level and Executive Engineers for Sub-Division. The department maintains a machinery pool which it rents to contractors and also uses for the roads maintenance. Road maintenance is generally irregular and the main issue is shortage and irregular provision of funds and that too often without any yard-stick. The province as yet have no master plan for roads development. Past experience of IFAD with PWD was in implementation of roads component of NADP and it was not entirely happy one with issues in terms of quality, contractor's performance and time and cost over-runs. Given the size of ETI roads portfolio, there would be need for much better performance and quality controls.

28. *Options Considered:* Two options were considered for the implementation of farm to markets component covering upgrading of 400 kms of compacted shingle roads of 16 feet (pony track to jeepable) and 22 feet (jeepable to truck able) width with support structures. First option is to implement the works through a PCU and RCU based engineering staff, backed by engineering consultants and execution through capable contractors. That's an attractive option in terms of accountability, simplicity of coordination etc. However, the down side of it is getting the PCU and RCUs bogged down in brick and mortar work in an aspect which is notorious for contractor related issues and an impression of corruptibility. Most importantly, the road maintenance is ultimately the responsibility of PWD department and they would only take the responsibility for these roads if they

were executed by them as per their standards and specifications. In view of that, execution through PWD is considered a preferred option with all necessary safeguards to ensure quality and efficiency as well as post-completion maintenance.

29. *Institutional Capacity and Responsibility:* PWD has adequate human resource capacity. However, given the scale and time-frame of ETI works, PWD department would need some additional capacity in terms of mobility and field equipment for roads maintenance. These requirements will be funded by ETI. Secretary PWD will be member of the PSC and the two Chief Engineers will represent their respective regions in the Programme Coordination Committee. The concerned SEs will be members of the RCU Coordination Committees. AWP/Bs of the programme, prepared in consultation with PWD, will guide the annual targets of the sub-component and PWD responsibilities at all levels. PWD will work in close coordination with WMD and SMPs for phasing and selection of roads and execution of road works.

30. *GIS Mapping and Baseline Survey***:** As in case of Irrigation, GIS mapping and baseline survey will help initial identification and prioritization and linking of roads with the promising existing production areas and future irrigated land development. This will be a long list of possible schemes and final selection will follow the outcomes of the irrigation development and value chain development findings and priorities. GIS mapping and baseline survey is essential for this sub-component as PWD has no existing master or priority plan for the roads in the region and value chains and production has never been the main deciding factor in road prioritization. Generally the overall availability of funding, sponsoring agencies' and political and regional imperatives dictate the selection.

31. *Methodology and Responsibility:* The ETI methodology and responsibility framework is guided by the past and existing experience in GB in terms of road types and quality vis-à-vis needs, road maintenance regime, contractor quality and capacity, PWD capacity to execute programmes in resource and time efficient manner, bidding processes and contract enforcement. While PWD's overall capacity is much better compared to many other provincial departments, yet there are still gaps and its performance on road works execution has considerable room for improvement. The current designs and specifications of farm to market roads have varied standards in terms of carriage width, surface quality, gradient and support structures. Most such existing roads can only be used by 4x4 jeeps and not fit for carrying heavy loads having generally steep gradients and narrow turning radius. Essential cross and side drainage structures, and side and breast wall structures, are often ignored resulting in fast deterioration of roads. Current contractor registration process and award of capability certificates is opaque and not trust-worthy. Black-listed contractors are known to easily get fresh registration under new front companies and names. Bidding processes are also generally non-transparent and suspect to manipulation. The construction work window in GB is generally very narrow due to seasonal factors and work can be done up to speed only between May and November before the onset of severe cold and snow. Combined with unpredictable flow of funds from the central government, all these factors result in generally poor progress, poor quality and cost over-runs. ETI road implementation strategy will is guided by this experience and steps have been included to address quantity, quality, relevance and efficiency (of construction and O&M) concerns.

32. *PWD Capacity and External Quality Controls:* PWD capacity gaps in terms of survey, design, supervision and road O&M will be addressed in holistic manner. An independent consultant will be hired to assist and oversee the road selection process, undertake detailed design and cost estimation, supervise the tendering and work award process, verify and progress and bills and ensure timely completion as per agreed quality standards. PCU and RCUs will maintain overall monitoring and quality checking through their own engineering staff based in PCU and RCUs. All payments to contractors for the completed works will be made only after certification by the consultant and random spot-checking by the PCU and RCU engineering staff.

33. *Prequalification of Contractors:* Only prequalified contractors will be eligible for participation in the ETI financed roads. Pre-qualification will be carried out by PWD under the supervision of roads consultant and with participation of PCU engineering staff. Efforts will be made to invite better capacity contractors from within and outside the region to participate.

34. *Packaging of Roads:* Roads in same valleys, regions or districts will be packaged in a manner to make reasonably large packages that are attractive for bigger and better capacity contractors with credible track record.

35. *Land Acquisition/Right of Way:* There is no hard and fast rule in the region regarding land provision for smaller farm to market roads. Under AKRSP, NADP and many other local government sponsored schemes, the communities make available the required land if the land in question belongs to the beneficiary community. In other cases, where land in question belongs to a community other than beneficiary community, then the communities make a mutual barter arrangement of land in lieu of land or make compensation to the owner community in some other farm. Where the land in question belongs to State (Khalsa Land), such land is transferred by the government for road on the request of beneficiary community and sponsoring department/programme.

36. IFAD funding will not finance any costs on land acquisition/right of way for the identified roads. The required land will be made available either by beneficiary community voluntarily or government will provide funding through supplementary grants in annual budgets for the acquisition of any required land.

37. **Main interventions under this sub-component will include:**

- GIS mapping and baseline survey (part of main pre-programme exercise) to identify main production areas, existing road network, missing links and potential areas and link for programme support
- Selection of a consultant for survey, detailed design, tender documents and construction supervision
- Selection of priority roads as per criteria, and in association with WMD and PCU, in each district and detailed survey, design and cost estimates/tender documents
- Pre-qualification of contractors based on a transparent qualification criteria, contractor capacity and antecedent verification, available equipment and staff and past performance within the region and elsewhere. Not more than 15 companies will be pre-qualified.
- Packaging of roads in attractive packages and tendering/bidding and award of contracts
- Construction/upgrading of 400 km shingle-compacted truck-able and jeep-able roads including drainage and support retaining and breast structures
- Formulation of road Provincial roads master plan and O&M policy including establishment of a dedicated O&M fund by Government of GB for assured regular maintenance of the roads on annual basis
- PWD capacity building including provision of vehicles, equipment, road maintenance machinery pool, staff allowances, and consumables

38. **Component 2: Support Services/PPPP for Value Chain Development – US$ 31.25 Million/31% of base cost):** The component is aimed at providing comprehensive and mutually-supportive solutions to current challenges in developing value chains for the main cash crops (fruit and vegetable products) of the region. The component will be implemented with the support of multiple partners including public sector extension and research institutions, private/corporate sector and farmers organizations. The component is aimed at providing a comprehensive solution for the current value chain development constraints from farmer field to end client. ETI will initially focus on two main products of the region – apricot and potato in view of their spread, total production, importance for the incomes of small holders and potential for value addition. In doing so, the component will address pre-and post harvest issues of farmers/producers, aggregation, grading, packaging and storage, public sector extension and research services support, local value addition and processing industry development, transport and market linkages. The overarching principle will be to follow 4-P model involving effective partnerships between producers (farmers), public sector (extension, research) and private sector (local entrepreneurs, down country seed companies and corporate clients). This component consists of a number of interconnected and complementary sub-components.

39. ***Sub-Component 2.1. Value Chain Fund And Value Chain Technical Assistance: (US$ 20.29 million):*** A Value Chain Fund will be established within the PCU and will be used to provide matching grants to different actors along the value chain. The specific objective of this sub-component would be to develop producer-public-private alliances in the programme areas aimed at improving market linkages and value addition to local products. The fund will be available for valley producers associations, village producers groups, local and external private sector service providers for various segments of value chain, youth and women groups involved in processing and marketing aspects,

existing processors, transporters, packagers etc. The main criteria for access will be formal registration, documentary proof of engagement in that particular activity and track record, a feasible proposal/business plan that demonstrates that the activity will directly contribute to adding value to any of the local produce or its access to better markets with better returns for farmers and region, and a proof of applicants own contribution/matching investment in the venture.

40. *VCF Management Options:* The design team considered using an existing financial institution for the management of fund as a credit window for supporting local entrepreneurship. However the idea was finally discarded due to number of operational constraints. There are currently two local micro-finance institutions in GB – First Micro-Finance Bank (an outcome of AKRSP's savings and credit programme at village level) and Karakoram Cooperative Bank. First Micro-Finance Bank still has a very limited foot-print in the area and limited portfolio. The Karakoram Cooperative Bank has 45 branches in all districts of GB and is performing reasonably well and has a strong nexus with the GB Government (Chief Secretary is Head of Board of Directors). However, borrowing for agri-business is very limited and most agri-businesses complain of high interest rates of the Bank (22%) and cumbersome procedures to obtain loans. Agriculture Development Bank (ZTBL) also has a presence in the area through two branches but the past experience of using the bank in IFAD programme is not very encouraging. As for other scheduled banks in GB, their branch spread and past experience in agri-business support are both limited. Lending to commercial operators in agri-business sector across the banking sector is generally very limited with the exception of large exporters and processors. DFID has recently started a Credit Gurantee Scheme, in collaboration with State Bank of Pakistan, under its Financial Inclusion Programme and the scheme is aimed at small and rural enterprises. The scheme currently does not cover GB.

41. Considering all the institutional and other factors, and the past experience in other programmes within the country and elsewhere, financial support to local producers and other actors involved in value chains through a credit window does not appear to be very viable. A matching grants option is more doable in the given situation with the added advantage that it would bring in about equal or more amount of private sector investment into the existing and future value chains in the area. Once a critical mass of commercially oriented agriculture production and processing regime is established through the matching grants mechanism, it may open the window for the other financial institutions in the region to get actively engaged in credit financing for the sector on appropriate interest rates.

42. *Operating Principles:* The fund will be used only as a matching grant for viable business proposals/plans submitted by private and public sector entities clearly demonstrating that such a venture would directly contribute to the promotion, marketing, higher returns, employability, and profitability of a product emanating from GB. There would be a clear evidence of the formal existence of the applicant group or individual as a registered entity with a bank record and a business experience for the venture that s/he is proposing. Approved matching grant funds will be provided in instalments only when the applicant has invested his own share of funds. For procurement of equipment and machinery identified in the business proposal, PCU will establish the specifications for such equipment and the beneficiary entity will do the procurement itself as per those specifications through a competitive process. Upon satisfactory delivery of the equipment, payments for the matching grant component will be directly made to the supplier by the PCU. As a rule of thumb, the matching grant contribution from valley and village producers associations, local small entrepreneurs and processors will be kept on lower side (30-40%) and for the larger corporate sector applicants the requirement of matching funding would be comparatively higher (60-70% of the total investment). There would be definite caps on total amount of matching grant permissible for each type of applicant and each type of business. Detailed operational guidelines will be developed by PCU, with assistance from VCTAT and submit for IFAD concurrence.

43. *Eligible partners*. Programme funding would be channelled through partnerships with legal entities in the private sector who have already been successfully engaged with smallholders to increase output, productivity, quality and marketing and who are interested in scaling up those activities. The partners would need to have a demonstrated capacity to manage contracts and activities of the scope and nature identified in the proposed partnership. It is anticipated that the majority of partnerships would involve identified farmer groups and any of the following:

- An agribusiness or private sector firm or association of firms engaged in the sector;

- A knowledge or service provider (private, public or civil society entity, such as University or NGO);
- Smallholder farmer cooperatives or associations;
- A multiple partnership involving more than two of the above, with one partner designated as the *lead.*

44. To be eligible, private entities would need to be legally registered in Pakistan/GB and demonstrate a history (minimum one year) of involvement in similar activities. To qualify as a lead partner, an entity must be eligible to sign legal contracts and receive funds. The lead partner must be a legally incorporated company or business group registered under the Securities & Exchange Commission or a cooperative society registered with the Cooperative Societies Act of Pakistan or a registered Association. The other partners and participants need not be legally registered or incorporated.

45. *Eligible activities*. Those eligible activities will be demand-driven, and based on agreed results which would be consistent with the specific objectives of the programme. Some of the indicative eligible activities include the following:

a. *Production of improved planting material*: Development of new and expansion of existing farmer operated nurseries, and the establishment under technical control of Department of Agriculture, satellite nurseries and budwood gardens. These nurseries will be established and operated on purely commercial principles with no element of subsidies and Agriculture Extension would support the farmers in their marketing outreach and sale of plants to other farmer groups.
b. *Sustainable and certified production systems*. Support to interested groups of farmers for producing certified or specialty products under internationally recognized sustainability schemes, including the provision of objective information to assist farmers to make informed decisions on whether certification is a sound option for them and, if so, what type of certification is the best solution. This includes support for knowledge providers and farmer groups or cooperatives that would build group capacity, and address certification requirements;
c. *Post-harvest and processing*. Matching grants will be available to partners that make investments in improved processing, trading, and storage facilities for quality management, value addition, packaging, branding and aggregation and grading of the products;
d. *Diversification of farming systems*. Partnerships to facilitate alternative crops and new technologies for the diversification of current production systems to more remunerative cropping systems.
e. *Aggregation and Marketing of Fresh produce*: Collection, transport and marketing of fresh produce like milk and vegetables in the local markets to meet local commodity deficits and to process and products for down-country sale and marketing
f. *By-product processing:* Processing of high value products like apricot kernel oil, pine-nut paste, Sea-buck thorn processing into multiple products etc.
g. *Input Supplies:* Establishment of sale or processing units of various locally needed agriculture inputs like fertilizers, certified seeds, pesticides, animal, chicken and fish-feed, animal medicines and vaccines etc.

46. *Partnership arrangements*. Expected results and cost-sharing arrangements would be specified in the agreements between the programme and successful recipients. The PIM provides detailed guidelines on cost-sharing arrangements.

47. *Tentative Cost Sharing: (**The cost sharing suggested in this section is very tentative and PCU and VCTAT are expected to firm up the criteria and matching grant shares and eligibilities at the start of programme after due consultations with all stakeholders.)*** Cost sharing between ETI and recipients of matching grants will vary depending on the nature of business and its import for local value chain development, nature and type of recipient (business, corporate, farmer association, women groups etc.) relative assets of the recipient. Recipients who belong to the region and have lower revenues would receive a higher level of support. The main partners identified in the proposals would be classified into three levels:

a. Partners with combined annual revenues in excess of Pak Rs 5 million will receive 40% support for eligible activities and expenditures under their proposals;

b. Partners with combined annual revenues between Pak Rs. 1 million and 5 million will receive 60% support for eligible activities and expenditures under their proposals;
c. Partners with combined annual revenues less than Pak Rs. 1 million will receive 70% support for eligible activities and expenditures under their proposals.

48. The maximum programme financing per Partnership would be USD 100,000. This would be revisited as the programme progresses to ensure optimal use of the funds.

49. *Partnership development*. The PCU would advertise and call for proposals for partnerships. The PCU, through its VCF Management Committee, would identify eligible proposals. If need be the VCTAT will assist the proponents in improving their proposals to meet the required standards. Financing of eligible proposals would be appraised by the VCTAT and placed before Fund Management Committee for approval. The PCU will also entertain any unsolicited proposals submitted by firms, groups and individuals or farmers associations/groups.

50. *Selection and ranking criteria*. Proposals should respond to eligible activities as defined in the call for proposals or general component guidelines. The selection and ranking criteria are defined in the PIM and include: (a) the financial and management capacity of the lead partner; (b) relevance in responding to the call for proposals and alignment with ETI objectives; (c) technical aspects, including feasibility of business plan, relevance to local needs and demands of value chains and farmers; (d) number of households to benefit from the activities; (e) expected benefits –social, economic and environmental; and (f) consideration given to smallholders in disadvantaged locations and to vulnerable groups (including women and young farmers).

51. The guidelines on cost sharing arrangements, ceiling level for partnerships, standard contractual formats and the rules for the implementation of this component (e.g. eligibility criteria, selection process, evaluation process, etc) will be further developed by PCU and VCTAT at the start of programme after consulting all stakeholders.

52. By the end of the programme, it is expected that up to 100 partnerships would be assisted and up to 60,000 smallholder farmers would directly and indirectly benefit from such matching grant partnerships. About 20 processing facilities would be established through programme support for value addition and reduction in wastage.

53. *Fund Management Committee,* headed by the Programme Coordinator with Finance Manager, Business Development Manager, Head of Social Mobilization Partner (s), two private sector members, two representatives of the farmer groups/associations and head of Value Chain Technical Assistance Team will manage the operation of the Fund and consideration and approval of matching grant proposals. The Management Committee will meet once every sixty days (more often if need be) to consider the proposals and take decisions. All decisions will be minuted and outcome of every proposal will be communicated in written to the applicant individual/association.

54. *Value Chain Technical Assistance Team* will assist the PCU in developing systems, procedures, criteria and monitoring mechanisms for effective and transparent operation of the Fund. VC Manager in PCU will be the focal person for Value Chain Fund and VCTAT and will also act as the Secretariat for the Fund and maintain all related documentation, records of meetings and follow-up with approved matching grant recipients and advise PCU on the status of each matching grant and appropriate actions wherever required. VCTAT will assist the target groups and beneficiaries eligible for ETI support in developing their business proposals and operation of the businesses once the matching grant is approved. The financial record and accounting of the fund will be the responsibility of Finance Manager.

55. *Technical Support to Women, Youth and Small Entrepreneurs*. The SMPs, VCTAT and line agencies staff would assist those potential partners with lower capacity (such as women or youth, and farmers in more remote areas) in the preparation of their proposals and subsequent implementation once their proposals are approved. Assistance could extend to continued support in monitoring the implementation of the partnerships.

56. *Indicative Allocation of VCS Fund:* The Value Chain Support Fund will essentially be a flexible window for matching grants and primarily driven by demand and comparative importance of various aspects of different value chains. However, to ensure that different partners in a value chain get an equitable access to the funds, the PCU based VCF committee will develop detailed operating

rules and allocation criteria for both farmers organizations and public and private sector entities at the start of the programme. Indicative procedures, processes and limits are articulated in draft PIM for further refinement.

57. **A Pilot under Credit Guarantee Scheme:** ETI will explore the possibility of doing a pilot in collaboration with DFID and State Bank of Pakistan with a view to establish sustainable options for formal finance in rural value chain enterprise development.

58. ***Value Chain Technical Assistance Team***: The Value Chain Technical Assistance Team will be an integral part of PCU and will address the current challenge of absence of quality advice in the region and engaged private sector on developing win-win partnerships for various products/value chains in the region.

59. *Options Considered:* The design team considered number of options for the establishment of this expertise in the programme. One option was to engage individuals for various positions within PCU and they provide the technical support to farmer organizations, private sector and public sector for development of different value chains. The option was discarded in view of recruitment challenges for long-term positions in GB region and difficulty of moulding individuals from different backgrounds into an effective multi-disciplinary team. The second option is to engage a consulting firm through competitive process. The difficulty in this option is that there are hardly any local consulting firms with the experience and expertise in offering value chain development related services. Opting for this option may ultimately result in either very poor response or response from entities who are not exactly capable of delivering quality services. The third option is to engage an international organization with mandate and track record in supporting value chain development. In the GB context, such an organization is FAO which also happens to have a long history of working in the area and played an important role in introduction of high value crops which are now being tipped for value chain development. A challenge in this option is that the governments are not very keen to engage 'expensive' international agencies for loan funded activities. So unless an element of grant funding, from FAO's own sources or a bilateral funding source, is secured for engaging FAO, the option may not find much interest in national approval bodies. The three available options need to be further pursued prior to and during appraisal to find a workable option.

60. *Composition and Duration:* The Value Chain Technical Assistance Team will be engaged for first three years of the programme on continuous basis and afterwards its services may be engaged on intermittent/need basis. VCTAT will be a multi-disciplinary team, with a designated Team Leader, covering various aspects of value chain development. The main disciplines covered by the team would include Fruit Value Chains Development, Vegetable Value Chain Development, Agri Products Processing, Agri products Economic and Financial Analysis, Small-holder Agriculture Marketing and Value Addition etc. The team will be based in PCU and will report to Programme Coordinator for its assigned tasks.

61. *Approach and Responsibilities:* VCTAT will be an integral part of PCU and will work in close coordination with all implementing partners. It will develop a comprehensive value chain development strategy, covering priority products, priority geographical areas for selection, value chain gap analysis, approach and strategy for engaging and organizing smallholders in value chain development, potential private sector partners to engage with, coordination at village/valley level between SMPs, line agencies and VCTAT, guidelines for effective use of Value Chain Fund including eligibility criteria and processing of proposals etc. The strategy will be developed in a consultative manner involving all implementing partners and will be presented to Programme Steering Committee for its endorsement. Successful implementation of strategy will be a key factor in performance assessment of VCTAT. VCTAT will provide hands-on support to producers associations and private sector in developing contract based buyer-seller relationships against agreed quality and price standards. The team will assist valley producers associations and related local entrepreneurs to develop feasible business plans and assist them in accessing value chain funds where required. At least 20 producer-buyer contractual relationships with corporate and other large industry and market players for key products like potato, tomato, apple, cherry, nuts and other niche products of the area will be established on long term basis. At least ten local processing and other service provision businesses will be developed/supported.

62. *Annual Plans and Budgets:* VCTAT will develop annual plans of activities for its areas of responsibility and attendant budgets and such plans will form part of programme AWP/B. The plans

will be prepared on the basis of programme phasing for various activities and in close coordination with other implementing partners including SMPs.

63. *Performance Assessment and Retention:* The VCTAT will be subject to comprehensive performance assessment on annual basis to determine usefulness of its retention or need for adjustments in its composition including leadership. Apart from PCU's internal assessment of VCTAT, IFAD supervision mission's will specifically evaluate the performance and effectiveness of VCTAT and suggest improvements where needed.

64. ***Sub-Component 2.2 Social Mobilization, Farmers Organization & Institution Building*: (US$ 4.01 million/4% of base cost).** Social mobilization and organizing the farmers in village level production groups and valley level producers associations will be crucial to addressing the current challenges of scattered production, lack of aggregation and quality control forums, challenges of extension and research links to smallholders, disincentive for the private sector in approaching individual small producers spread over large areas and lack of credible institutions at producer level to engage with. Two options were considered for achieving the social mobilization and farmer organization objectives of the programme. First, use existing NGOs/social mobilization agencies already active in the area and, second, develop in-house social mobilization capacity within the PCU/RCUs to address this need. Among the existing social mobilization entities, AKRSP[83] is active in six districts while DPAP[84] is operating in remaining one district Diamer. Both have combined clientele of over 6,000 male and female village organizations established over the last many decades. Both programmes have now sporadic relationship with the COs based on different government and donor agency programmes and programmes and there is no regular interaction across the board as was the norm at the peak of these programmes. AKRSP is currently promoting clustering of VOs into Union Council level Local Support Organizations (LSOs) as a means to improve institutional sustainability and improved linkages of VOs with government and other funding agencies for local development. Single sourcing of services from the two entities is not tenable under both IFAD procurement guidelines and government's PPRA rules which require competitive selection of such services. However, these agencies can be considered for engagement as co-financing partners if they agree to bring in the required level of funding to undertake the social mobilization aspects of the programme. Programme may however consider providing some additional funding for activities that are purely incremental in nature and not part of the two agencies' routine working. Possibility of their engagement was discussed at length with the two agencies as both were part of the provincial working group constituted to work with the design mission. Both the agencies expressed their keenness to undertake programme's social mobilization and institution building activities but the level of financing they expected from the programme was too high and their own indicative co-financing was comparatively too low. The workability of this option remained inconclusive.

65. *In-House Social Mobilization Unit:* Feasibility of establishing an in-house social mobilization and institution building unit within PCU and DCUs was also considered as an alternate. The key features of this option are a 2/3 person Social Mobilization Unit based in PCU to lead the team. A team of two male and one female social organizers in each district, based in the District offices of Department of Agriculture with their own mobility (two jeeps), computing equipment and couple of support staff. The total expense for this alternative is about US$ 5 million (See details in the Annex4). However, this alternate should be a last resort option as establishing a new social mobilization unit takes time and all programme activities would remain on hold till such a unit finds its legs.

66. In the given situation, ETI would select social mobilization partners from the entities active in the region through a competitive process. Terms and conditions/TOR and selection process guidelines are available in PIM at Annex 11.

67. *Social Mobilization Approach:* A two track approach will be adopted to organizing farmer organizations around identified value chains. **Track 1** will be organizing the farmers of selected promising crops (potato, apricot, milk etc.) in a village and valley level producers associations in existing crop areas and from among previously established FEGs. This may include some existing groups already engaged in joint production and marketing activities but are facing challenges of production, productivity, quality and scales. Programme is expected to establish/sponsor/support

[83] Established by Agha Khan Fund in 1982 to develop areas of GB and adjacent Chitral (KP Province) through community based social mobilization approach.
[84] A successor of IFAD-funded NADP (1998-2009) project, established through a IFAD Grant and GoGB financing.

around 10 groups in the year 1 which would also help kick-start the programme activities in the value chain realm. **Track 2**, will entail organizing farmer groups that will benefit from the land selected for irrigation development. The process will start with reaching an agreement with the farmers on organizing and accepting programme's terms and conditions for the development of irrigation system, levelling of land and crop production including the stipulation on equitable distribution of land among the community members including native of the village poor and women and repayment of 50% of scheme cost into community's own development fund for further investment in social and economic development activities. Along with irrigation development and needed road linkages, these beneficiary groups will be assisted in developing production and business plans for the newly developed land and become part of an existing valley producers association. In both cases, specific steps will be included in the process to identify the poorest households, the women-headed households and unemployed youth to ensure that get priority appropriate assistance through various programme activities included under different sub-components.

68. *Addressing of Nutritional Deficiencies:* Nutrition related activities will be mainstreamed into activities at the community level, particularly with the women and youth. A trainig need assessment will be conducted at the start of programme to assess the needs for nutrition related training and accordingly appropriate training materials will be sourced off the shelf or developed if need be. TOT will be conducted to train the SMP staff and extension agency staff in nutrition knowledge and skills. Training will be further imparted to male and female members of VPG/FEGs and youth as part of community training and mobilizations activities. Appropriate nutrition related information materials will be sourced or developed for distribution and dissemination.

69. ***Main inputs in sub-component 2.2 will include:***

i. Engagement of social mobilization partners through a competitive process.
ii. **In the alternate,** establish in-house social mobilization and institution building capacity under PCU and DCUs (at district level) to manage all farmer organization and social mobilization related activities.
iii. Development of a social mobilization and community interaction strategy on the basis of programme objectives in collaboration with PCU, line departments and private sector and deployment of appropriate number of male and female social organizers
iv. Assistance to PCU based Stakeholder Committee for selection of priority valleys and crops on the basis of Baseline Survey and in close collaboration with Department of Agriculture (Extension & Research), VCTAT and PCU/DCU.
v. Engagement with existing active production and marketing groups. Immediate priority crops include seed and table potato production, green peas, capsicum, apricot, apple, cherry and walnuts, milk production and marketing.
vi. Training of SMPs staff in programme objectives and approach, coordination processes to engage with other implementing partners, reporting and accountability and deployment of trained staff
vii. TOT training for selected male and female staff of SMP and extension agencies in nutrition and delivery of nutrition training at village level for male and female members.
viii. Dialogue with the villages in selected valleys to establish 220 village producer groups, including women, around specific crops and preparation of village development needs/plan in economic and social sectors
ix. Identification and engagement of special target groups including women, women-headed households, special needs individuals, landless and unemployed youth for targeted assistance as well as assurance that they get equitable priority benefit from programme funded activities.
x. Phase formation of village producers associations in a manner to organize all target villages and most of the valley producers associations by end of year 3.
xi. Establishment of 25-30 Valley Level Producers Associations, at least one in each valley, representing village producers groups and assisting them, in collaboration with TA team, in establishing formal structure, registration, business plan and opening of accounts etc.
xii. 3-4 Regional Producers Associations formed once the Valley Associations are fully operational and working profitably.

70. ***Sub-Component 2.3: Agriculture Extension (Department of Agriculture) US$ 2.13 million/2% of base cost):*** Directorate of Extension, headed by a Director each in Gilgit and Baltistan Regions, with seven district offices and Tehsil and UC level presence, is responsible for all Agriculture

Extension related activities in GB. Main mandate of the directorate is to transfer improved production technology to the farmers through training, demonstrations, adaptive trials, field days and provision of quality planting materials for fruits and vegetables. Department has its own farms and nurseries (25) for the multiplication of quality seeds for cereals and vegetables and production of fruit plants. However, all these activities and facilities are working at sub-optimal levels due to shortage of funds and a subsidy based regime. Currently the department can meet hardly 30% demand of quality fruit plants and less than 5% of the need for the quality certified seeds of cereals. Revolving funds for the provisions of planting materials and seeds were introduced under NADP and the arrangement worked very well during the currency of the programme. Those funds are still lying with the department but no longer used as the provincial government has yet to notify the rules for their usage. So the option of again going for revolving funds as a solution for resource uncertainties appears to be a non-starter. A better and preferred option would be to promote farmer based and commercially operated plant material production centers. Department of Agriculture (Extension) will be engaged by ETI for delivery of extension support services to the target groups covered under the programme. Department of Agriculture will be represented by its Secretary at the PSC level while Director (Extension) will be overall responsible for the delivery of inputs assigned to the extension wing and will be member of the Programme Coordination Committee headed by the Programme Coordinator. The District level Deputy Directors will be members of the Regional Coordination Committee. The Directorate will work in close coordination with its sister Directorate of Research/Tissue Culture Labs, SMPs and Village and Valley Farmers Groups.

71. *Activities and Responsibilities:* The main activities assigned to Extension Wing include: assignment of its district and field staff in support of programme implementation; farmer training, as identified during the business development plan formulation at the village and valley level, adopting a Farmer-to-farmer training approach whereby key farmers will be trained for each group and association who will train the fellow farmers for a particular crop; support to farmer groups for expansion of existing and establishment of new nurseries for production of quality fruits and other planting materials and assist in market outreach. To enable the Extension Directorate to fulfill its responsibilities in an efficient manner, essential required equipment, mobility and incremental staff will be funded by the programme. The soil testing lab would be made fully functional.

72. ***Main activities covered under this component will include:***

- Up grading of department capacities including Human resource Development Center, soil testing lab, incremental staff and provision of mobility
- Training of department staff for effective extension service delivery
- Support to producers associations and farmer groups in establishment of commercial nurseries for fruit and vegetable planting materials including access to improved progeny sources
- Training of Village and Valley Association nominated farmers for improved production and productivity in selected crops including nursery development and operations
- Establishment of a responsive and demand driven training and extension regime based on business plans of producer groups and associations

73. ***Sub-Component 2.4: Agriculture Research, Department of Agriculture: US$ 2.69 million/03% of base cost).*** Directorate of Agriculture Research is an attached entity of Department of Agriculture and mainly responsible for the operation of three tissue culture labs for the production of pre-basic and basic seeds of potato and other crops and adaptive trials for different varieties of vegetables, cereals etc. on Department's own farms in different districts/zones and farmer fields. The Directorate has links and collaboration with Pakistan Agriculture Research Council (with a research Station in Jaglot) and Federal Seed Certification Directorate who have a regional office in Gilgit. Agriculture Research is a small by capable outfit but has been often neglected in terms of provision of resources. Its three Tissue Culture labs were established under IFAD-funded NADP and worked quite well as long as programme resources remained available but are now in various stages of decay and disuse. If used properly, they can be the real resource base for disease free seed potato production and multiplication. That will also need capacity development of the Gilgit and Skardu set-up of Federal Seed Certification Directorate to be able to effectively certify both inbound and outbound seeds.

74. *Activities and Responsibilities:* ETI will use the Research Directorate in support of its value chain development activities. The Directorate will be in particular responsible for the potato seed multiplication (target 25,000 tons) and improvement of production and productivity of table potato. The

Research Directorate, in collaboration with Extension Directorate, work with the Village Production Groups and Valley Producers Associations to improve the production, productivity and marketing prospects of potato and any other prioritised crops and value chains. The Research Directorate will also assist the Producers Associations and local processors and intended exporters to obtain required product certifications like organic food, EURGAP etc. While the Directorate will be represented in the PSC by Secretary Agriculture, the Director of Research will be a member of the Programme Coordination Committee of PCU and the Assistant Directors of its Field Farms will represent the Directorate in the DUC Coordination Committees.

75. ***Main inputs covered under this sub-component include:***

a. A Revolving Fund for sustainable production of pre-basic and basic potato seed and its sale and multiplication at farmers' fields with full cost recovery of inputs, backed by Government notified rules and audit oversight
b. Full rehabilitation (green houses, screen houses) of the three tissue culture labs along with capacity enhancement to be able to support production of 40,000 tons of seed potato in GB
c. Provision of equipment machinery and chemicals and baseline inputs (seed, fertilizer, pesticides)
d. Construction of seven 50 mt capacity seed stores, one in each district
e. 150 adaptive research trials to select optimal areas for production of seed and table potato
f. Office equipment, vehicles and farm machinery
g. Contract growers and staff training
h. Incremental staff salaries and allowances for the seed certification office in Gilgit and daily wage workers wages for TCL
i. Inputs and outputs transportation costs

76. ***Sub-Component 2.5: Land Titling and Record System, Provincial Land Commissioner: US$ 2.13 million/2% of base cost):*** New irrigated land development is the largest component of ETI programme. The new developed land is supposed to benefit the small-holders not only in terms of increased area for production but also in terms of additional fungible assets for collaterals and other securitization usage. That is only possible if there are secure recorded titles for such land for the owners. The land tenure and land records system in GB is a very mixed and confusing one as some of the districts have undergone land settlement while others are still following customary practices in terms of land entitlements, allocation and shares in new developed irrigated lands. In the areas where land settlement has taken place, the institutional inadequacies of the land revenue department and absence of revenue courts has led to an interminable situation of disputes and civil disputes in many parts. Where such settlement has not taken place as yet, the customary practices appear to be very fair and even-handed in terms of distribution of irrigated agricultural areas and access to common lands including forests. However, such customary practices have no force of law in formal forums when such land has to be pledged or mortgaged. The institutional set-up for the land titling and settlement in GB is still incomplete as compared to other provinces. There is no Board of Revenue and there are no functional Revenue Courts at the District or sub-district levels. The revenue record in the settled districts is now highly suspect in the light of pervasive occupation of khalsa (Sate) land and numerous decisions by civil courts in favour of occupiers of Khalsa lands. In view of this situation, the development of new irrigation lands under ETI needs to be pegged to some credible system of classification of the land in terms of its ownership, determination of the share of community members in the new developed land and a system of award of titles to persons who benefit from a share in such land. This is particularly very important in case of the poor and landless members of the beneficiary village/community.

77. *The Legal Aspect:* Since the promulgation of Empowerment Act of 2009, the provincial legislature is empowered to legislate on all matters pertaining to land in GB. Despite widespread unrest and issues in terms of current land tenure and records system and adjudication of land disputes, unfortunately the GB Legislative Council has yet to take any step in reforming the system through appropriate legislation. Base on the prevailing situation and customary practices, there is a dire need to legislate on a new land law for the region including its institutional aspects.

78. *The Administrative Aspect:* While the GB land administration system is governed by Land Revenue Act 1967 of Pakistan but the attendant administrative and judicial framework is not fully in place. There is no Board of Revenue and there are no functional revenue courts. There is a Land

Commissioner at the provincial level who happens to be Chief Secretary and Deputy Commissioners are also notionally custodians of lands and land records with no concomitant judicial set-up or fully functional revenue administration system. GB being a tax free zone, the Land Revenue is also exempt and there is no interest in the system to maintain proper records for revenue assessment and collection.

79. *The Programme Aspect:* ETI's largest investment is going to be in the development of new irrigated lands equal to around 50,000 acres that would almost double the current irrigated agriculture area. The programme's other abiding interest is to ensure that the developed land is allocated in equitable and fair manner among the beneficiary community and all the landless and women-headed households get an equitable share in a secure and legally enforceable manner in the new developed land. This requires a clear classification of the land that is being developed and delivery of clean and legally enforceable titles to all the beneficiaries. That will only happen if there is a credible system for the record keeping of developed land that is also capable of issuing written land titles that are legally enforceable. While the overall reform and legal updating of the system is a long-haul issue, the programmes immediate interest is to develop a system which addresses programme's concerns. For this, the programme will adopt a two pronged strategy whereby it will assist the provincial government to carry out the required legislative work but, at the same time, get an interim regulation promulgated that safeguards the interests of programme's beneficiaries for the newly developed irrigated areas. Such a regulation will establish the basis for classification of lands identified for development and the shares of people living in the beneficiary/claimant community. In doing so, the programme will assist the provincial government to start establishing the basics of a computerised land records system at provincial and district levels. This computerised recording of land titles will start with the new irrigated lands developed through ETI assistance and result in issuance of written land titles to all the beneficiaries of such lands.

80. *Programme Inputs and Activities and Responsibilities:* The Provincial Land Commissioner will notify a focal person from the provincial government to be responsible for this activity who would also be member of the PCU Coordination Committee. Implementation of all programme financed activities and reporting thereon will be the responsibility of that Focal Person. The main activities and inputs under this sub-component will be:

a. *Legal Consultancy for Provincial Law and Interim Regulation-* a legal expert will be engaged to assist the provincial government in drafting a new land law that is commensurate with the local customs and usages and provides a fair system across the area for recording and protection of land rights and their enforcement. The legal expert would also assist in framing an interim regulation for the recording of rights and issuing of titles for the new lands developed under ETI. Interim regulation will be promulgated by end of Programme Year 1.

b. *Establishment of Provincial and District Land Record Computerisation Cells* – Cells will be established at the office of Provincial Land Commissioner and District Revenue Offices for computerization of land records starting initially with the land developed under ETI. The initial set-up including equipment, staffing and training will be completed by end of Programme Year 1. The cells will be subsequently developed in full-fledged Land Record Offices by the provincial government when the new law is in place for the computerization of entire land records.

c. *Procurement of servers and computers along with allied equipment for the provincial and district cells along with software* – basic equipment for putting in use the software for land-records data of ETI sponsored land development and issuance of titles to the beneficiary households will be procured through programme funding and installed at provincial and district offices

d. *Training of the provincial and district staff and study tour to Punjab:* Punjab happens to be the most advanced in terms of computerization of land records and issuance of land titles through computerised system. The selected staff would be sent for training and study tour of Punjab Board of Revenue and Selective districts to study the system and learn tools of trade.

e. *Recording of Data and maps of lands selected for irrigation development by district land records cells along with beneficiaries* – To initiate the system, the digitized maps of land selected for development and data of the beneficiaries along with allocated parcels of lands will be recorded in the new computerised system

f. *Issuance of land record titles by the cells to each beneficiary under the interim regulation of provincial government* – once the land is developed, each allocated parcel of land will be verified by the revenue staff and district cells will issue an official land ownership title to each individual under the interim regulation.

g. *Promulgation of New Land Law*: With the help of legal consultant, a new Land Law will be drafted for the GB Province which will be submitted to the provincial assembly for debate and approval. The New Law will be promulgated by the end of Programme year 2.

81. **Component 3: Programme and Policy Support: (US$ 8.33 million/8% of base cost):** This component *aims* at providing an effective programme coordination, procurement, monitoring and technical support capability at Gilgit-Baltistan level for effective management of programme resources and attainment of its objectives. (ref. Organizational Framework). Being a multi-sector programme covering almost entire region, the most appropriate place for placing the Programme Coordination Unit would be P&D Department being the lead development planning and coordination agency in the province. Key elements of programme coordination and policy support component will be:

a. **Programme Steering Committee**: headed by the Chief Secretary, a Steering Committee will be established in GB to provide the overall policy and administrative support, coordination and direction to the programme in accordance with IFAD Financing Agreement. Rest of the membership will be drawn from core development and finance departments (P&D, Finance) and implementing departments (PWD and Department of Agriculture representing Agriculture Extension, Agriculture Research, and Water Management Department.). Give the importance of private sector in ETI, two representatives from the private sector (one local and one from main buyers of GB products) will be made part of Steering Committee. Ministry of AK& GB will be represented as well by an officer not below the rank of Joint Secretary. Three representatives of Valley Farmers Associations, at least one of whom will be a woman, will also be selected by SMP to represent farmers' interests. Head (s) of SMP will also be members of Steering Committee.

b. **Programme Coordination Unit**: PCU will be administratively attached to Planning & Development Department of GB but otherwise fully autonomous and empowered to implement the programme fully in terms of the Financing Agreement between IFAD and Government of Pakistan. PCU will be based in Gilgit and headed by a Programme Coordinator who will be responsible for the implementation of programme activities as per programme Financing Agreement and procurement guidelines, PC-I and approved annual work plans and budgets. PCU will have appropriate complement of the sectoral experts and support staff. All professional and technical staff of PCU and subordinate entities will be recruited on a competitive basis and entitled for market based salaries (for persons recruited from private sector) and/or incentivised programme pays as per P&D notified norms. A Programme Coordination Committee, headed by Programme Coordinator, with heads of implementing departments and social mobilization agencies as other members, shall be responsible for regular monthly and quarterly programming, review, coordination and monitoring.

c. **Regional Coordination Units**: In view of the physical spread and to provide effective day to day implementation support and coordination, Regional Coordination Units will be established in each of the three regions. Each RCU will be headed by a Regional Coordinator and will have a small complement of technical and monitoring staff. RCUs will be responsible for provision of inputs for AWP/Bs to PCU and coordination of implementation of the approved plans through partner organizations and producers associations and private sector. RCUs will also be responsible for the monitoring of activities and liaison with all relevant district and other development agencies in their region. A Regional Coordination Committee will be established under each RCU, with heads of implementing partners as members, to coordinate the programme activities in each division and its constituent districts.

d. **Policy Support:** ETI Programme will provide policy formulation support to the government in number of areas related to value chain development as well as priority areas for programme investments. These include Land Settlement and Titling, Irrigation Water Policy, Roads O&M Policy, Seed and Products Certification and quality certification etc.

Annex 5: Institutional aspects and implementation arrangements

A. Institutional Analysis

1. The Gilgit–Baltistan Empowerment and Self-Governance Order 2009, granted self-rule to the people of Gilgit–Baltistan, by creating, among other things, an elected Gilgit-Baltistan Legislative Assembly and at the same time Gilgit – Baltistan Council headed by the Prime Minster of Pakistan was also continued as a apex decision making body including allocation/approval and provision of financial resources. Since Gilgit-Baltistan is totally dependent on Federal Government for its development non-development budgets, and since there is an additional oversight Ministry in the shape of Ministry of Kashmir Affairs & GB, the freedom of action for the GB Government still remains circumscribed. Approved policy and plans of the government and GB Council are implemented by a structured bureaucracy headed by a Chief Secretary. The bureaucratic set up is divided into departments, each responsible for a specific or set of specific functions overseen by a provincial secretary. Currently there are seventeen provincial departments each headed by a Secretary. Compared to other provinces in Pakistan, the number of departments is less than half and capacities also limited in terms of staffing and competencies.

2. **Federal and Provincial Level:** Economic Affairs Division is the focal agency at the Federal level for all foreign loan and grant funded assistance and is a counterpart Ministry for IFAD at the Federal Level. At the provincial level, Planning and Development Department (P&D) is the focal government agency for all development planning, coordination and monitoring of local Annual Development Plans and donor funded development activity. In Pakistan Multi-Sector programmes are usually executed by P&D through dedicated Programme Management/Coordination Units, overseen and coordinated by provincial level Programme Steering Committees. While the PM/CUs are responsible for overall planning and coordination of the programme activities, the concerned line departments, NGOs/Rural Support Programme, and Private Sector are also involved and responsible for implementing the components specific to their mandate and role.

3. **Social Mobilization Agencies**: Effective targeting and establishment of community/farmers organisations is carried out through appropriate social mobilization methodology, approach and process. There is no capacity within government departments for effective social mobilization and past experiments in programme based social mobilization units have proven to be costly and non-sustainable. Experience of engagement of NGOs/Rural Support Programme (RSPs) for social mobilisation, technical and managerial capacity building of beneficiaries/farmers institutions and linkages with public and private service providers for IFAD and other donors financed programmes has proven to be effective and successful experience and in most cased ensured post programme sustainability. Most of the RSPs have permanent and long term presence in the areas of their operations and their engagement therefore ensures sustainability.

4. In the programme area Agha Khan Rural Support Programme (AKRSP) and Diamer Poverty Alleviation Programme are present as specialised non-governmental organizations involved in social mobilization and participatory rural development. While AKRSP is active in six districts of the programme area for that past more than 25 years and DPAP is operating in remaining one district since 2010 as successor social mobilisation institution to the IFAD funded Northern Area Development Programme (NADP) for continuation of the process of community institutional maturity and linkages between the community institutions and public and private service provider and donors.

5. The two Social Mobilization Agencies were invited by the Provincial Government to be part of Provincial Working Group that was constituted to work with the design team. Both very actively participated in the mission and provided very good inputs based on their long experience in the area and large number of VO/WOs that they have sponsored over the years. Discussions were held with them on possibilities of their engagement as social mobilization partners in the programme. The existing procurement procedures of IFAD and Government do not allow for single sourcing of service providers so they were invited to either participate as co-financiers or subsequently compete for provision of services if that ultimately becomes the preferred option for selection of a partner.

6. **Private Sector:** Due to a number of institutional, logistics and administrative reasons the private sector footprint in the programme area is quite limited. SMEs are mostly conspicuous by their absence. Very little processing and value addition is currently taking place in the area. Most of the high value agriculture products of the area like potatoes, dry apricots, apples, walnuts, pinenuts etc. is traded by middlemen mostly through individual contacts. Some farmers' organisation and private sector entities are involved in marketing and contract farming but such relationship are not systematic, adhoc in nature and usually does not have long term commitment. Most of the input suppliers (fertilizers, pesticides etc.) have no dealership or sale points in GB and farmers have to individually source the inputs from neighbouring districts of KP which is expensive, cumbersome and without any quality assurance.

7. There is However, a great potential and scope for private sector involvement in provision of services, input supplies, marketing and processing. Some large private sectors seed producers and suppliers, input suppliers and processors like PepsiCo/Lays, Engro, Zamindara, and Ali Akbar Group have earlier made forays in the area for contracted cultivation of potato and potato seed and there are still some ongoing activities at a limited scale. However, the scale remains limited due to the challenges posed by distances, scattered production, absence of farmer organizations for consolidation and aggregation of volumes, and contract enforcement issues. Meetings with down-country private/corporate sector and public sector revealed strong interest and willingness of both private and public sector entities (e.g. Government of Punjab Agriculture Department) to enter into long-term partnership/contracts if the farmers were organized and they could guarantee quality and volume of various products and some logistic issues were resolved. The programme will be well placed to build on these opportunities and facilitate private sector companies in establishing direct links with the farmers groups. .

B. Overall Capacity Assessment

8. Gilgit-Baltistan is part of unfinished agenda of partition of India and Pakistan involving Kashmir. After 1948, the Pakistan administered part of Kashmir was divided into Azad State of Jammu and Kashmir (AJK) and Northern Areas (NAs). While AJK was politically given all trappings of a state with its own legislature, a Prime Minister, a President and own courts, NAs remained just a special administrative region headed by a Chief Commissioner appointed by Federal Government. A common feature between AJK and NAs was that both were under the overall oversight of a Ministry of Kashmir Affairs and Northern Areas and a Council and budgets for the two were administered by the Ministry and Council. NAs also remained in a constitutional limbo in terms of its status within Pakistan and fundamental rights of the citizens. There was no locally accountable elected government. This situation changed in 2009 when NAs was given the status of a province and An Empowerment Act of 2009 gave the area an elected legislature, own Governor and Chief Minister and a High Court and Supreme Appellate Court. Though the Federal Level Council and Ministry of AK&GB still remain there and continue to exercise control over their budget and strategic level decision-making. GB is a tax-free area and has very little revenues of its own and is almost 100% dependent on the federal government for its development and non-development budgets.

9. The provincial administration in GB is headed by a Chief Secretary and it currently has seventeen departments managed by a Secretary each. This is far less compared to other province in Pakistan where around 36 to 40 full administrative departments exist. The Chief Secretary and provincial secretaries of key departments are appointed on secondment from the Federal Civil Services and officer turn-over is quite high. Three Chief Secretaries have been changed over the last two years and there have been quite frequent transfers at the Secretary level as well. The technical staff in infrastructure and extension/research and other service delivery departments are almost entirely from within the region and enjoy decent tenures. Quality and capacity of officers from technical departments is generally very good and given the right resources they can acquit themselves quite well. However the strength in terms of numbers is often inadequate, especially in the newly created three districts of Astore, Ghizer and Ghanche. The old four districts are quite well provisioned.

10. The previous year development budget for GB was Rs. 9 billion which is quite inadequate given the comparative development level of the province and its difficult geography. Even this budget could not be fully expended and Rs. 2 billion were surrendered unutilized. There are two very important

factors that determine the effective utilization of budget in the region and both are interconnected. First is the timely release of funds from the Federal Finance Ministry to MoAK&GB and from there to provincial government. These releases are most often piecemeal and late. Current year's development funds had not been released till October. The second factor is the local climate which allows work only during the summer months in most of the high altitude places. So funds released at the start of winter season are of little use for the departments.

11. There is as yet little thinking or concern at the local level to attain financial empowerment as well through generation of local revenues. This appears to be a politically sensitive issue and the general feeling is that being a special area they should be looked after by the Federal Government. Political sensitivities apart, there has been little constructive debate on this issue either in the legislative or at civil society and media channels. There are number of avenues from where the province can start improving its local revenue collection. First of these should be services including hydel electricity which happens to be the cheapest in the country and prone to wasteful use during summers when it is in plenty due to full water availability and non-existent during long winters. Right pricing the hydel power can enable the province to invest the profits in thermal generation during winters when the energy is direly needed for heating and people resort to further cutting of forests and even fruit trees. Property taxes and motor-vehicle taxes, road tax etc. are other avenues that need to be explored for local revenue generation.

12. ETI implementation will involve P&D Department, four directorates of Department of Agriculture, GB PWD (for large irrigation as well as upgrading of farm to market roads), Office of Land Commissioner (for land records and titling) and social mobilization partners. Brief assessment of their capacities is as under:

(a) ***P&D Department:*** Headed by a Secretary, P&D Department is responsible for the overall development planning, donor coordination, approval of provincial development schemes and release of development funds. A Provincial Development Working Party is housed in P&D which examines and approves development schemes falling with its purview. It has specified sections dealing with different sectors of provincial economy including infrastructure, social sectors, agriculture, foreign aid etc. Each section is headed by a Chief with 4/5 junior staff. Department's current capacity is adequate to deal with the level of development funding that the region currently receives though better staff stability at the Secretary level would be required to enable the department to develop a longer term vision and understanding for holistic development of the region.

(b) ***Water Management Directorate:*** Irrigation development is an overlapping and diffused responsibility in GB and currently at least three government departments are implementing irrigation related works. Of these PWD, LG&RD and WMD are the key players apart from various non- governmental organizations (predominantly AKRSP and DPAP). None of these departments have clear mandate or distinct boundaries that could precisely distinguish respective irrigation related activities from others'. Generally the cost limits currently differentiates the role of each department with further qualifying vague terms like "smaller" and "larger" schemes, with largest schemes generally assigned to PWD, the medium ones to WMD and smaller ones to LG&RD (Rs. 0.2-0.5 million). WMD implements irrigation schemes from small to medium size costing Rs. 5 million as an average, while PWD mostly implements only larger schemes costing more than Rs. 5 million. However, PWD spends only about 0.5% of their annual development budget on irrigation schemes. At the moment WMD is the only dedicated provincial agency working on irrigation development and plans are afoot to convert it into a full-fledged department under a Secretary or Director General. A notification to this affect has been issued by the provincial government but implementation is delayed due to paucity of resources. Programme would therefore implement irrigation development component by WMD.

Organizational Set-up: The WMD department is headed by a Director and assisted by two Deputy Directors. The department has a demonstrated presence in all 7 districts through its field offices. Each district /field office is headed by an Assistant Director and supported with 2-4 sub-engineers and 3-6 surveyors. Head office is located at Gilgit. The total staff strength in WMD is 117 including 38 technical staff. The technical staff is largely agriculture engineers with only 1-2 with civil engineering background. WMDs average annual development budget (ADP

allocation) is Rs. 18 million and funds utilization[85] is reported as 100% against annual released amounts.

Given the size of ETI irrigation component, WMD's current capacity is quite low particularly non-availability of technical staff with civil engineering background. Current strength and skill of WMD lack, (i) conducting a detailed study for identifying exact number (potential) of water channels ((ii) designing irrigation infrastructure on sound engineering principles; and (iii) developing synergies with agriculture value chain while strongly linking with agriculture potential. In addition, department also lacks sufficient machinery[86] used for land leveling etc.

The programme would initially support the department in conducting a study, and designing irrigation structures through a TA. The programme would also build department's capacity by funding incremental civil engineer's positions, mobility and office equipment to support their expanded role and responsibility. Still WMD will be engaged only for small to medium scheme implementation and large and complex schemes will be assigned to PWD. Community participation will however be mandatory in both cases.

(c) **GB Public Works Department:** GB PWD is one of the largest department in GB and responsible for roads construction and maintenance. Apart from road sector (called Transport and Communication-T&C), the department is also responsible for construction and maintenance of three other sectors, (i) Area, Rural & Urban Development, (ii) Irrigation, and (iii) Physical Planning and Housing (PPH). However the major chunk (60%) of development budget is spent in road sector, followed by 27% in PPH, 12% in area, rural & urban development while merely 0.5% in Irrigation sector.

Institutional Set Up and Staff Distribution: The PWD is headed by a Secretary (usually a senior level bureaucrat from Federal civil services), who is assisted by two Chief Engineers, one for each region (Gilgit and Baltistan). Three Superintending Engineers (SEs) head their respective circles under each Chief Engineer. In all 7 districts there are B&R (Buildings & Roads) set up called division (B&R – Buildings & Roads); each headed by an Executive Engineer (XEn), All XEns are supported by 2-3 Assistance Executive Engineers and by 4-6 sub-engineers. In addition to B&R, there are two more divisions[87]; one in each region, responsible for water supply and sanitation activities.

Organizational Set-Up: Total staff strength is around 8,616 (148 engineers and rest support and non-technical staff) of which only 22% are regular staff while 78% are temporary and paid on daily wage basis. The temporary staff are largely used for maintenance activities. Of the permanent staff 25-30 % are technical/professional staff while the remaining are support staff.

Main Functions of PWD: The key functions of department include: Planning, Designing, Construction, maintenance and repairs of all Government buildings, Evaluation, Fixation of Rent, Control, Management, developing standards and specifications for various types of Roads and Bridges, planning and designing roads and connected works, construction, maintenance, repairs and improvement of roads, bridges, culverts, and development of integrated Communication Network for Gilgit-Baltistan

ADP Funds Allocation and Utilization: For PWD, as an average about Rs. 2,700 million is allocated under Annual Development Program (ADP). In the last three years as an average, about 93% was released by the government while funds utilization stands at 97% against the released funds.

Capacity Assessment: While PWD is one of the better capacity departments in GB, both in terms of manpower and resources as well as size of the portfolio but it still suffers from certain operational and management issues. First and foremost is lack of a regional master plan and priorities for the different types of roads which renders the road selection and use of allocated resources prone to motivated selection and interference. The contract management and quality control is another weak area of the organization and this became amply clear during the

[85] Fund utilization (%) against the released amount is one of the key performance criteria for line departments; which in turn demonstrates their capacity to implement the schemes within stipulated timeframe.
[86] WMD currently have only one power tractor normally rented out to farmers/contractors for land grading/leveling etc.
[87] Called Public Health Engineering (PHE) divisions

implementation of IFAD-funded NADP. Cost and time overruns are quite frequent on most of its programmes though some of it is related to funding issues whereby large numbers of schemes with huge throw-forward are started and then each scheme gets a small amount of funds each year resulting in long delays and cost escalations. Contractor registration and classification process is opaque and prone to manipulation and black-listed contractor (due to poor performance etc.) are known to get fresh registrations through front companies and individuals. Quality control and appropriate design specifications, particularly for road support structures, are often weak.

ETI Works: PWD will be engaged both for large and complex irrigation schemes as well as upgrading of roads. PCU will have an overall oversight and control over all aspects of irrigation and road identification, survey and design, procurement of consultancy and construction services and payment endorsement. In addition, given the large size of ETI funded road portfolio, a number of additional steps would be required to ensure that PWD delivers timely and quality work under programme funding. This includes, building capacity of the department in certain critical areas including provision of a machinery pool for the maintenance of roads, engagement of a consulting firm for the detailed design, cost estimates, bidding documentation, bid evaluation and construction supervision, pre-qualification of contractors through the consultant to ensure selection of better capacity contractors, packaging of roads to make them attractive for better contractor firms etc. Further, the provincial government will be assisted to develop proper roads O&M policy, a fund allocation yardstick and introduction of appropriate taxation and tolling measures to replenish a road maintenance fund.

(d) **Directorate of Agriculture Extension:** Directorate of Extension, headed by a Director, with seven district offices (each headed by a Deputy Director) and Tehsil and UC level presence (one Field Assistant in each UC), and is responsible for all Agriculture Extension related activities in GB. Main mandate of the directorate is to transfer improved production technology to the farmers through training, demonstrations, adaptive trials, field days and provision of quality planting materials for fruits and vegetables. Department has its own farms and nurseries (25) for the multiplication of quality seeds for cereals and vegetables and production of fruit plants. However, all these activities and facilities are working at sub-optimal levels due to shortage of funds and a subsidy based regime. Currently the department can meet hardly 30% demand of quality fruit plants and less than 5% of the need for the quality certified seeds of cereals. Revolving funds for the provisions of planting materials and seeds were introduced under NADP and the arrangement worked very well during the currency of the programme. Those funds are still lying with the department but no longer used as the provincial government has yet to notify the rules for their usage. Hence the option of additional provision of such revolving funds is not likely to make any difference on sustainable basis. The existing shortage of quality planting materials and seeds would have to meet through more market oriented approaches and therefore the programme, with assistance of Agriculture Extension Department, will support farmer groups to establish and operate nurseries on commercial basis and this will be done through proper development of business proposals for access to Value Chain Funds on matching grants basis.

The main activities assigned to Extension Directorate include, farmer training for improved production through Farmer-to-farmer training approach, support to and training of farmer groups for establishment of commercially run private nurseries for production and sale of quality fruit and other planting materials, and procurement and supply of input packages for the farmers benefitting from new irrigation development and assistance to these farmers (training, field says, demonstrations) for production of high value crops. To enable the Extension Directorate to fulfill its responsibilities in an efficient manner, essential required equipment, mobility and incremental staff will be funded by the programme. The soil testing lab would be made also fully functional.

(e) **Directorate of Agriculture Research:** Directorate of Research is a comparatively small set-up under Department of Agriculture but well linked with the Federal Government research institutions. It is headed by a Deputy Director and has a staff strength of 52 of which 13 are professional scientific staff and rest are support staff. It currently has three Tissue Culture Labs (developed under IFAD funded NADP), around 7 Seed Multiplication Farms and a collaborative

arrangement with the PARC Tissue Culture Lab and seed farm in Jaglote. It also works closely with the Federal Seed Certification Office at Gilgit which has its own capacity issues.

Despite its small size, the Directorate has been playing an important role in the provision of improved variety disease free seeds in the region and performed very well in implementation of NADP. Given the right resources and manpower, the Directorate can play a very important role in local production and productivity enhancement particularly with regard to important crops like seed potato where availability of quality disease free seed is the main constraint. The Directorate has the technical and infrastructure wherewithal to assist ETI in achieving its target of 25,000 metric tons of seed potato production per annum. Certification of multiplied seed is another requirement of the programme and the current capacity of Federal Seed Certification Office at Gilgit, with a branch at Skardu, is not enough to cover the envisaged quantities. They have a total of 10 staff out of which only 3 are professional staff.

Both these institutions will require considerable strengthening of staff to be able to perform the tasks required under ETI. The programme will finance 31 positions for the two institutions out of which 16 will be scientific staff, including a Director Seeds. Programme will also finance operational budgets, mobility, and essential equipment.

Directorate will facilitate the farmer groups engaged in potato seed and table potato production, with assistance from VCTAT, to enter into contractual buyer/supplier relationships with seed companies and other private sector entities in Punjab, assist in development of business plans including their requirement of basic/certified seeds for multiplication and produce this seed at the Labs. The funding for such Lab based production will come out of Value Chain Fund support provided to the farmers groups and will be a purely commercial relationship between Tissue Culture Labs and farmer groups with no element of subsidy.

(f) **Office of Land Commissioner:** Unlike other provinces, GB has no office of Board of Revenue and all land revenue and land titles related matter are managed by office of Land Commissioner and Chief Secretary GB is ex-officio Land Commissioner for the province. Gb also does not have the Land Revenue Courts at District level and most land disputes are either settled through customary forums at local level or civil courts. Given the large investment in development of new irrigated land and programme objective of equitable distribution of these lands among all beneficiaries including the native landless and women-headed households, it is imperative that the provincial land records and titling systems are strengthened. This will require both legislative work and administrative strengthening. This is a large and long-haul thing and the programme would be better served if its focuses initially on its core interest area i.e. proper land records and land titling for the 50,000 acres developed through its funding. So initial legislative and regulatory systems along with basic computing and recording capacities will be built which the provincial government can build on for province wide application. This will entail engagement of legal consultancy to draft legislation, an interim regulation for ETI funded lands, a provincial and district computing and staff capacity and some training for data recording and land title issuing.

(g) **Agha Khan Rural Support Programme:** AKRSP is an agency of Agha Khan Foundation and involved I local participatory development in GB Region and adjacent Chitral District of KP since 1982. It has a central office in Gilgit and regional offices in Baltistan and Gilgit as well as District offices. It has over 4,700 VOs/WOs and has so far implemented 3,721 community infrastructure programmes (benefitting 298,035 beneficiaries) and distributed 28 million fruit and forest tress. It has mobilized around Rs. 500 million in VO/WO savings and disbursed Rs. 1.8 billion in loans. Its model has spawned 11 RSPs in rest of Pakistan. AKRSP is currently in a transition phase and instead of direct intervention with VOs/WOs, it is now promoting Local Support Organizations at Union Council level who are expected to be the development interlocutors with the government and non-government funding agencies on behalf of the VOs/WOs in their UC. It is also shifting towards market and value chain development support for the farmers. The focus areas are apple, apricot and cherries in which 1500 farmers are being linked to national market and large retail chains tripling the per unit price for the farmers.

It is currently implementing a DFATD funded Youth Employability Programme (C$ 19 million) and USAID-funded Sadpara Development Programme including a 15 MW hydel power

programme. Another programme is Livelihoods Enhancement and Protection under which 3,762 ultra-poor families are being helped through asset transfer and livelihood training.

AKRSP is quite ideally place to assist ETI in 6 of the seven districts in GB (it does not have coverage in Diamer District). However, given the regulatory constraints of single source procurement, it can only join as a co-financier for which its HQ has also expressed interest. However, the budget proposal received from their regional office still programme's this as a primarily ETI funded activity. Engagement of AKRSP, and DPAP, as social mobilization partners on single source basis would be possible only if they engage as co-financiers in real sense of the term. Otherwise, the proamme would solicit these services through competitive bidding.

(h) **Diamer Poverty Alleviation Programme:** DPAP is a successor institution of IFAD-funded NADP and was established through joint financing of Government and IFAD. It has a small core office in Chilas and engages additional staff as and when a programme is assigned to it by government or any donor agency. The DFATD funded Youth Employability Programme is currently being implemented by it along with a programme for construction of girls schools in the valleys. Its current core operational costs are covered under a rolling PC-I funded by GoGB. It was originally envisaged that the government would establish an endowment fund to take permanent care of the core operational cost of DPAP but it has not happened as yet. So the uncertainties of a rolling PC-I remain putting a question mark on its sustainability.

DPAP over the years has established a strong trust based relationship with the local communities, clergy and some very conservative segments of the local society which has enabled it to make some important breakthroughs in women education and participation. This is a big advantage in case DPAP becomes an implementing partner for the social mobilization aspects of ETI. However, the current financials of DPAP do not allow it to be a co-financier whereby it meets the entire cost of its deployment of staff and other resources.

C. Implementation Arrangements and Roles and Responsibilities

13. **Implementation Arrangements' Rationale and Approach:** Given the multi sectoral nature of the programme it is proposed to be placed in the Planning and Development Department under the policy level guidance and oversight of the Programme Steering Committee. The implementation of programme activities will however be spear-headed by a fully empowered and autonomous Programme Coordination Unit in Gilgit. In view of the specialised nature of the value chain approach and lack of capacity and expertise in the public sector for implementation of value chain activities, a strong programme based long-term multi-disciplinary value chain technical assistance team will be deployed. The VCTAT will assist the farmer organizations and implementing agencies in developing appropriate business models and linkup with private sector through enforceable long-term buyer-seller contracts. It will also build capacities and support for transformation of the current community institutions into valley and apex level business organisations and build solid partnerships with technical interventions for crop research and improvement, business model development, support for policy and regulatory framework for agriculture sector and sustainability. The team would also be required to promote and assist in development of local entrepreneurship for bridging some of the obvious gaps in the value chain including local processing, grading, packaging, transportation, storage etc. Ideally such an assistance should be sourced from among capable consultancy firms but such competent firm with value chain expertise in Pakistan is hard to come by.

14. Given the importance and centrality of social mobilization of communities/farmers for programme implementation, a capable social mobilization partner would be a must. In view of long experience and demonstration of successful implementation of participatory approaches to planning and implementation of development in rural areas and absence of any other viable local option/NGO in terms of size and depth of coverage required for the programme, the Agha Khan Rural Support Programme and Diamer Poverty Alleviation Programme would be ideal choices for Gilgit (including Astore) and Baltistan region and Diamer District respectively, as service providers for social mobilisation/formation of farmers organisations, capacity building and linkages. However, since there are procurement related constraints with regard to single sourcing and both the agencies have been

unable to propose a viable co-financing option, the programme would engage SMPs through competitive bidding.

15. **Federal Level and Provincial Level:** Economic Affairs Division (EAD) is the designated coordinating and executing agency at Federal level for all foreign development assistance. IFAD loan will be negotiated by EAD, together with the Ministry of Finance and Government of Gilgit-Baltistan representative. Joint Secretary WB/IFAD will be the designated focal person for all programme related loan signing and approval processes, coordination and periodic progress reviews at the federal level.

16. Being a multi-sector programme, and based on the past experience of similar multi-sector programmes financed by IFAD and other donor agencies, Planning & Development Department would be the implementing department for the programme. Planning and Development Department will perform this task through two key institutions; a Programme Steering Committee (PSC) at the provincial level and a Programme Coordination Unit at the implementation level.

17. **Programme Steering Committee:** Programme Steering Committee (PSC) will be established for provincial level coordination, policy directions, and regulatory activities, approval of AWP&Bs, progress review and overall programme oversight and accountability. GoGB will notify Programme Steering Committee (PSC) immediately after the loan approval by the IFAD Executive Board. PSC will be headed by the Chief Secretary and will consist of the following members:

- Secretary, Finance Department
- Secretary, Agriculture Department
- Secretary, Public Works Department
- Heads of Social Mobilization Partner Agencies
- Head of the Value Chain Technical Assistance Team
- Representative of the Ministry of Kashmir Affairs and GB (JS level).
- Representatives of potential Private Sector Partner institutions (senior executive level)
- Regional Level Representatives of Farmers Organisations (as and when formed).

Programme Coordinator will act as Secretary to the PSC. PSC will meet at least twice a year, once for annual review of the preceding year and approval of next year annual workplan and budget and once for the mid-year review. More meetings of PSC may be convened if situation so warrants.

18. The Programme will finance a position of Programme Officer and a Programme Assistant, to be based in P&D Department, to provide secretarial support to PSC in the conduct of its business and also pursuing programme's interests/issues at the provincial level and follow up on PSC decisions.

19. **Programme Coordination Committee**, headed by Programme Coordinator and one representative each from implementing partners, the Committee will be the main planning, coordination and review forum for the day to day implementation of programme's approved AWP/Bs and strategies. The Committee will meet once every quarter to review progress of the previous quarter and approve plans for the next quarter and inter-alia decide on any emergent issues and challenges. The Committee may also have emergent ad-hoc meetings to decide on matters of immediate importance.

20. **Programme Coordination Unit (PCU**): An autonomous and fully empowered PCU will be established in Gilgit Town with its own dedicated office and full-time staff. While technically and for administrative reasons under Planning & Development Department, the PCU will totally independent in its day to day decision-making and answerable for its performance and realization of programme targets to the Programme Steering Committee. PCU will be responsible for formulating programme's implementation strategy, development of strategic guidelines, preparation of annual work plan and budget, procurement of goods and services, financial management and disbursements and overall implementation coordination of the Programme. Once the annual work plan and budget of ETI is approved by the PSC, the Programme Coordinator will have full financial and administrative authority to take all necessary actions to give effect to the plan without any further need for references to Finance or P&D Departments. In doing so, the Programme Coordinator will be guided by the key principles of economy, transparency and efficiency and IFAD Financing Agreement. A programme organogram is attached as Annex 1, and TOR for the key staff is attached as Annex 2.

21. **Regional Coordination Units (RCU)** will be established for Gilgit, Baltistan and Diamer regions to overcome the challenges of large spread of the programme, distances and travel challenges from Gilgit to other districts and effective coordination and monitoring. RCUs will be mainly responsible for implementation coordination at the village, valley and regional level, monitoring and facilitating, and strengthening linkages of implementing partners with the target village and valley level institutions. It will be a small unit with limited number of technical staff Technical staff to provide the important coordination, monitoring, trouble shooting and progress reporting support to PCU. RCU will work in close coordination with the social mobilization partner/NGO.

22. **Programme supervision.** The Programme will be directly supervised by IFAD through fielding of Implementation Support and Supervision Missions led by the IFAD and composed of various experts, consultants or other IFAD HQ staff whose profile will be determined on a case-by-case basis upon analysis of Programme specific needs at the time of each mission. At least two supervision missions will be organized each year to assess overall progress and performance, gaps and constraints, with particular attention on fiduciary aspects, private sector linkages, and identify the necessary implementation support requirements. Ideally, at least one Supervision Mission per year should be organized at the same time as the PSC meetings, so as to allow the IFAD to attend these meetings as an observer.

D. Key Implementing Partners

23. The key implementing partners in the Programme will be GB Department of Agriculture and GB Department of Public Works, Social Mobilization Partners/NGOs, a range of private sector marketing, inputs suppliers, service delivery and processor partners, value chain technical assistance team, Value Chain Management Committee and farmers organizations at village and valley level.

24. **Social Mobilization Partners:** Will be responsible for all social mobilization and farmer organization aspects and facilitation of linkages between the farmer groups, private sector and implementing agencies and VCTAT. There could be one or more partners in programme area depending on their capacity and comparative advantages and experience.

25. **Department of Agriculture (DoA):** Department of Agriculture consists of number of Directorates including Extension, Research, Livestock and Animal Health, Water Management and Fisheries. Directorates of Extension, Research, Livestock and Water Management will be responsible for implementation of Programme activities related to their mandates.

(a) **Directorate of Extension** will be responsible for pre-harvest, post-harvest and crop management related training of the farmers for the identified value chains, and provision of quality planting materials and seeds on full cost recovery principle (through a revolving fund). The soil testing lab in Gilgit will be made fully functional.

(b) **Directorate of Research** will be primarily responsible for effective management of its three tissue culture labs for production of quality seed for potato crop to enable farmers to produce 25,000 metric tons of certified seed potato, farmer training and monitoring for potato seed multiplication, coordination and linkages with private and public sector potato seed buyers, promotion of valley based storage and sorting facilities and introduction of better varieties of vegetables. Capacity for seed certification will be fully developed at Gilgit and Skardu offices of Federal Seed Certification Department.

(c) **Directorate of Water Management** will be responsible for the implementation of small to medium irrigation schemes for the development of new irrigated area. The Directorate will be primarily responsible for identification of potential lands for development and their ownership status, establishment of Scheme Management Teams for the implementation of schemes, design and cost estimation of the schemes, agreement on implementation and cost recovery mechanism for each scheme and future O&M arrangements of the schemes. In doing so, OFWM will work in close collaboration with the social mobilization partners. The department will engage additional incremental staff as per Programme requirements and equipment and vehicles and position them as per targets fixed for each district.

26. **GB Public Works Department:** GB Public Works Department will be responsible for implementation of large and complex irrigation schemes and upgrading of 400 kms of farm to market

roads in association with the SMPs and WMD, establishment of basic design criteria, engagement of a consulting firm for the detailed design, cost estimation, tender documentation and construction supervision, procurement of machinery and equipment for O&M of roads, development of a provincial policy for road development and O&M, and establishment of a Roads O&M Fund and a system for its regular topping up. The roads will constructed only through prequalified contractors selected with the help of consultants.

27. **Value Chain Technical Assistance Team (VCTAT):** Services of qualified personnel will be engaged for specialized long term and short term positions. VCTAT will be based in PCU and will work in close collaboration with other implementing partners, in particular extension and research agencies and social mobilization partners. It will assist each valley producers association in development of a business plan for its key products and their marketing, assist in linkages with down country buyers and formulation and execution of buyer-seller contracts, monitor the progress of business plan and take corrective measures where necessary, promote local entrepreneurship in value addition and processing and link promising ventures with Value Chain Fund and assist the applicants in meeting the conditions for the disbursement of Value Chain Funds. VCTAT will also identify policy and regulatory areas for government action.

28. **Value Chain Development Fund Management Committee:** The Value Chain Fund is aimed at meeting the financing needs of Village Producer Groups, Valley Producers Associations and individual entrepreneurs and product specific groups like Women Milk Marketing Groups. It will also be a facilitating instrument for providing any viability gap funding. The Fund will operate on matching-grant-basis and will provide funds equal to the funds raised by the group/association or individual. A Committee will be constituted within PCU to oversee the management of Value Chain Fund management and disbursement. The Committee will be headed by Programme Coordinator with heads of VCTAT, PCU Finance, Agriculture Extension, Agriculture Research, private/corporate sectors representatives and two representatives from Farmers Organizations as members. The Committee will meet once every month to consider matching grant requests from Farmers Groups/Associations and local entrepreneurs for value chain development of the commodities targeted by the Programme. The book-keeping for the fund will be the responsibility of PCU finance wing. The proposal vetting/scrutiny, district shares in the fund and ceilings for individual proposals and disbursement procedures will be detailed in PIM.

29. **Farmers Organizations (FOs):** All village/valley level Programme interventions particularly business development, agriculture extension, infrastructure, private sector linkages etc. will implemented through active involvement of organized farmers groups including women's organizations. Programme will promote a hierarchy of farmers groups and associations starting with Village Producers Groups that would be subsequently organized into Valley Producers Associations and subsequently district/regional associations for each commodity. While at village level such groups will have a simple agreement with the Programme/SMP for their operational mode and mutual responsibilities, at valley and district level these groups will have a formal structure with proper registration, bank account and bye-laws governing their operations. Programmes value chain related investments in a valley will start once the valley association has been formally registered, a business plan agreed with the assistance of VCTAT and a formal contract agreement signed with a down-country buyer for the given commodity or commodities. The Association will also become eligible for matching funds from Value Chain Fund only after these steps have been completed. Village Producer Groups and commodity specific value chain development groups will however be eligible once such groups have been organized, have a business plan duly vetted and recommended by VCTAT and have raised their own matching resources.

30. **Partnership with Private Sector:** Promotion of partnership with private sector will be a cornerstone of Programme approach and will be pursued through social mobilisation partners and Value Chain Technical assistance Team and partner government extension and research agencies. Partnerships will be pursued both with local private sector entities as well as down-country buyers. In addition to partnerships for sale of local products, other partnerships will also be developed for provision of services and inputs, marketing, contract farming and transport. Some of the potential private sectors service providers and processors include Lays/PepsiCo (for seed production and marketing of potatoes), Engro (supply of fertilisers and micro-nutrients), Zamindara (contract farming for potato seed production), Jaffer Brothers (lift irrigation and efficient water use technologies), Ali

Akbar Group (pesticides and seed potato) and local transporters for provision of specialized transport for high value products/crops.

E. Assessment of Readiness for Implementation

Programme related Institutions

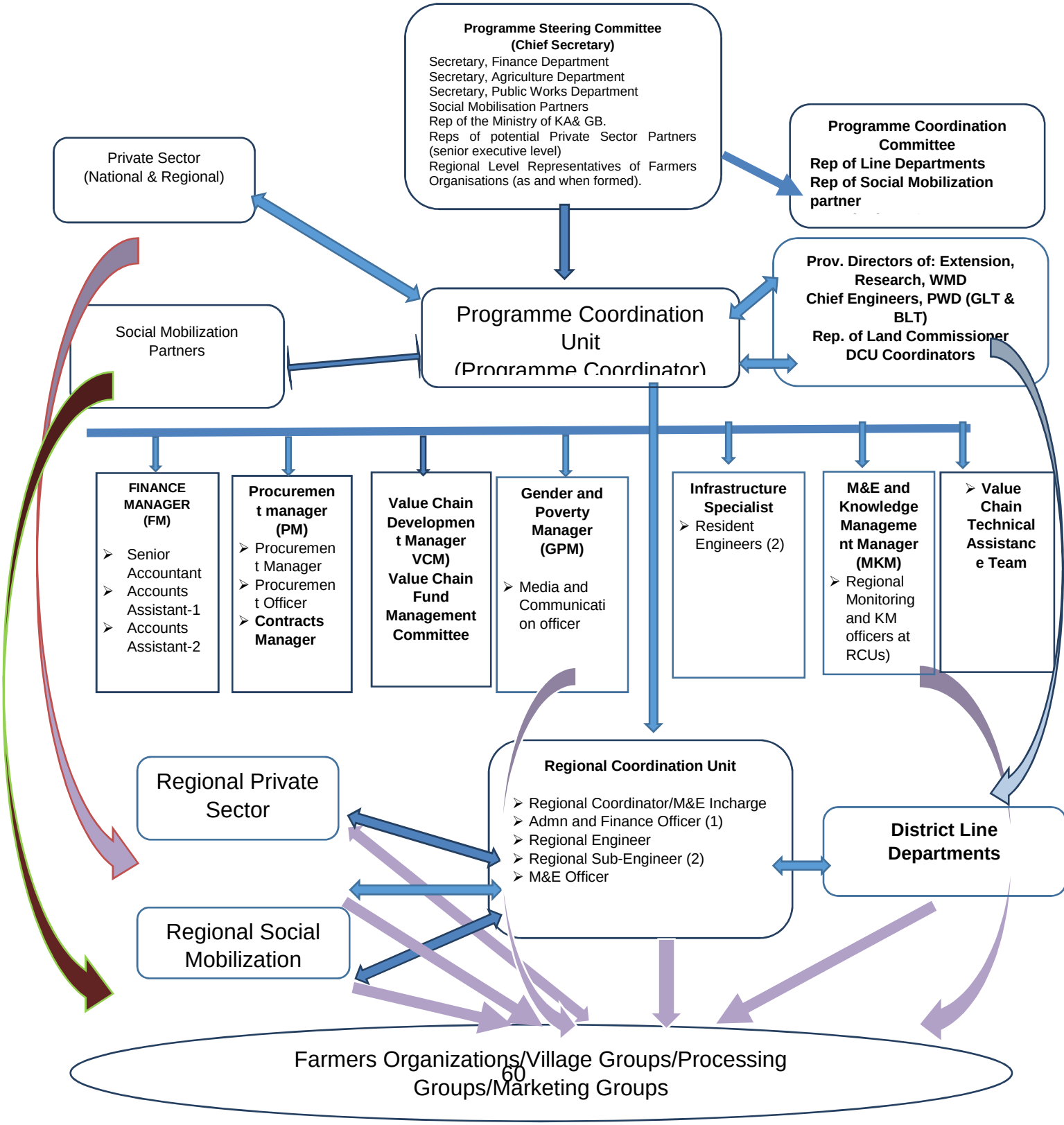
31. Capacities of the Department of Agriculture and its constituent units for provision of extension and technical services provision are limited mainly because of lack of resources. The Programme will make provision of enabling human and physical resources and capacity building to ensure provision of required services in efficient and sustainable manner. Additionally, they will be assisted by the Technical Assistance Team to formulate appropriate implementation strategies and work processes as well as coordination mechanisms with all partners including farmers associations and private sector.

32. The Water Management directorate of the Department of Agriculture is currently one of the three agencies (GB PWD and GB Local Government Department are other two) engaged in irrigation development. The Directorate is very well versed in community based irrigation development processes. GB Government is already in process of converting the Directorate into a full-fledged Irrigation and Water Management Department to be solely responsible for all irrigation related matters. But the conversion process is on hold due to paucity of resources with the Government. Programme will assist the Directorate in bridging some of the important capacity and policy/regulatory gaps to enable it to transition to a full-fledged department and also be able to efficiently deliver on a very challenging Programme target for irrigated agriculture. Technical Assistance/consultants support will also be made available in the initial phase. WMD is already in possession of survey and cost estimates of around 32 large irrigation schemes which offer an opportunity for early start of programme investments in this sector. However, the WMD existing capacities are not enough to implement entire irrigation portfolio on its own. Therefore, they would be assigned small to medium size schemes for implementation and larger schemes will be implemented by PWD.

33. In case of GBPWD, responsible for upgrading of 400 kms shingle compacted roads and larger complex irrigation schemes, the human resource numbers and on-paper capacity appears quite reasonable. However, the past experience in IFAD-funded NADP and other evidence available within the region calls for certain degree of caution. The three major problem areas are: first, very weak capacity of local contractors coupled with manipulation of contractor registration and work-award processes; second, poor design parameters of secondary roads making them rather impossible for the light traffic to use, and; third, lack of effective and regular road O&M system and unpredictable availability of O&M resources rendering many rural roads unusable most of the times. Programme would address these issues through multiple interventions. These include: In view of the rather weak capacities and unsatisfactory performance of the local road construction contractors, the road component would be packages in such way that it would attract large and reputable construction firms from other areas of the country. The participatory development work carried out by AKRSP and NADP and its successor organisation DPAP, the Programme area has been extensively covered with a good network of Community Organisational and Women Organisation. This will provide a jump start to the process of formation of valley level Farmers Organisation.

34. The Programme design and approach requires establishment of a number of Programme specific institutions and forums to enable the Programme to start implementation. These include PSC, PCU, RCUs, selection and agreement with Technical Assistance and social mobilization service providers. Many of these activities are process based and consume considerable time. In order to ensure timely start for the Programme, it is necessary that PSC and PCU and RCUs are establishment (including recruitments, opening of accounts etc.) and preparatory work for procurement of goods and services, agreements with social mobilization and Technical Assistance service provider is initiated immediately after the Design Completion/Appraisal stage. Retroactive financing can be considered for these activities to enable the government to complete them in time, as an exception to IFAD rules, to reimburse costs incurred on activities carried out prior to signing of financing agreement.

Appendix-1
PROGRAMME MANAGEMENT STRUCTURE



Appendix 2
ETI Management Structure and TOR for Key Staff

I. Programme Coordination Unit, ETI

A well-staffed **Programme Coordination Unit** (PCU) will be established within the Planning and Development Department of the Government of GB. The PCU will be based in Gilgit with three Divisional Coordination Units (DCUs) located at Gilgit, Skardu and Diamer. The PCU will be responsible for overall management, implementation coordination, financing, procurements, monitoring, knowledge management and evaluation.

The PCU Staff will consist of the following:

- **Programme Coordinator(PC)**
  - Deputy Programme Coordinator/M&E Coordinator
  - Knowledge Management Officer
  - Communication And Media Officer
  - Statistical Assistant
  - M&E Assistant
  - Admin Officer (1)
  - Admin Assistant (1)

- **Finance Manager (FM),**
  - Accounts Officer (1)
  - Account Officer (1)
  - Account Assistants (2)

- **Procurement Manager (PM)**
  - Procurement Officer
  - Assistant Procurement Manager

- **Contracts Manager (CM)**

- **Value Chain Development Manager (VCM)**
  - Value Chain Fund Officer
  - Value Chain Fund Assistant

- **Infrastructure Specialist**
  - Resident Engineers (1)

Support staff for PCU will include:

Assistant to PC	1
Assistants/Computer Operators	3
Drivers	6
Nab Qasid/Chowkidars	4
Security	(Outsourced)

REGIONAL COORDINATION UNITS

Three Regional Coordination Units (RCU) will be established for field level coordination, management and monitoring of programme activities. **One RCU office will be established in Gilgit** for Gilgit, Hunza Nagar and Ghizar districts, **one in Skardu** for Skardu and Ganche districts and **One in Diamer** for Diamer and Astor districts. Gilgit office will be established within the PCU. The

RCU will be headed by Regional Coordinator who will also act as M&E Incharge and will include essential staff related to main areas of programme operations and management

The Regional Staff for three offices will Include:

- Regional Coordinator (3)
- Admn & Finance Officer (3)
- Regional Engineer (3)

Support Staff for RCUs:

- Assistant to Reg Coord (3)
- Admn & Finance Assistant (3)
- M&E Assistant (3)
- Assistants/Computer Operators (2)
- Drivers (4)
- Naib Qasid (3)
- Security (Outsourced)

Appendix -3
Terms of Reference of Key PCU and DCU Staff

1. Programme Coordinator (PC)

The PC will be responsible for the overall management and coordination of the programme activities. These include the provision of strategic guidance for programme implementation, principle accounting officer for the programme and overall coordination and team-building. S/he will also be Secretary to the Programme Steering Committee (PSC), which is chaired by the Chief Secretary of GB Province.

Responsibilities

I. Timely establishment of PCU including completion of recruitments, account opening and operation and management of PCU in an effective and efficient manner;
II. Establishment of sound management systems within the programme for planning, coordination, reporting, financial management, M&E and trouble-shooting in line with IFAD financing agreement and programme documents
III. Develop an effective media management and communication strategy for the programme and efficient dissemination of all programme purposes and activities within and outside programme area.
IV. Be responsible for the overall management of the programme and of the PCU and DCU staff
V. Lead the preparation of the annual work plan and budget (AWPB) and associated Procurement Plan and ensure is timely submission to relevant forums and approvals;
VI. Ensure the effective and efficient utilization of programme funds and other resources according to the AWPB and Procurement Plan through supervision and monitoring;
VII. Ensure that progress, audit and other reports are produced and submitted to the appropriate parties on a timely basis;
VIII. Ensure effective targeting of the poor and the vulnerable in target villages/valleys and mainstreaming of gender in the programme, achievement of gender impacts as planned, and identifying and managing any gender-related risks;
IX. Ensure the timely dissemination of programme experience and results to relevant stakeholders within the learning community;
X. Ensure effective linkages, liaison and networking with other implementation partners and service providers either working in the programme area or potentially concerned with programme activities and with other relevant interventions;
XI. Establish effective fora for public-private sector interaction and promotion of private sector linkages with the provincial, district and valley level levels farmers or any other beneficiary groups.
XII. Represent the programme at relevant functions and meetings;
XIII. Implement the decisions of the PSC; and
XIV. Perform any other duty relevant to the programme as may be assigned by the PS.

Qualifications

I. A BS-19 officer or equivalent from Pakistan Administrative Service, Provincial Management Service or private/corporate sector with reasonable experience of implementing foreign/loan funded programmes/programmes and multi-sector coordination – to be selected on competitive basis
II. Master's degree or higher qualification in Agriculture, Economics, public administration, Business Studies, or other relevant field;
III. At least 10 years' experience at senior management level preferably relating to programmes/programmes with focus in agricultural production, marketing or business development;

IV. Demonstrated recent experience in planning and implementing a large rural development programme/programme aiming at reducing rural poverty with particular focus on increasing the competitiveness and inclusiveness of value chains, including agricultural value chains;
V. Demonstrated Experience in ability to liaise with a wide range and levels of organizations Government, Donors, private sector, NGOs, and community institutions).
VI. Demonstrated creativity, willingness to innovate, think systemically and design catalytic approaches to programme activities;
VII. Commitment to serve in challenging areas
VIII. Strong communications skills (oral, written, presentation); and
IX. Any other task assigned by the PSC.

2. Finance Manager (FAM)

Reporting to the Programme Coordinator, the FM shall lead the coordination of the overall financial functions.

FM will be assisted by Two Accounts Officer and two Account Assistants

Responsibilities

I. Develop and put into operation the programme financial management system in accordance with the IFAD Guideline;
II. Manage programme funds effectively and efficiently, ensuring that programme accounts, disbursements and replenishment procedures are executed in accordance with the provisions of the Financing Agreement and the relevant financial guidelines of Government.
III. Conduct training of implementation partners' and service providers' staff to ensure that they carry out financial reporting and procurement in accordance with multilateral donor guidelines;
IV. Ensure accurate costing for the AWPB;
V. Prepare regular financial progress reports;
VI. Prepare annual financial reports for internal and external auditing in compliance with the provisions of the Financing Agreement. and any specific IFAD reporting requirements;
VII. Assist the PC in preparing the Completion Report and in conducting programme completion and financing closing activities as per the Financing Agreement;
VIII. Undertake any other duty assigned by the PC.

Qualifications:

I. Finance Manager will be a BS-18 or equivalent officer selected from among public and private sector candidates on competitive basis.
II. Degree in Commerce, Finance or Business Administration;
III. At least 8 years' experience at management level in financial management of government-donors funded development programmes;
IV. Experience in financial management/accounting in a government ministry/department and donor-funded programmes.
V. Computer literate, especially in specialized accounting packages;
VI. Good working knowledge of accounting, policies and procedures;
VII. Good working knowledge on financial control;
VIII. Strong management and communication skills.

3. Value Chain Development Manager (VCM)

Reporting to the PC, the VCS shall coordinate the programme activities for value chain development and support. He will be assisted in his tasks by a Value Chain Fund Officer (also coordinator for Value Chain Fund) and a Value Chain Fund Assistant. VCM will be the PCU counterpart and focal person for the Value Chain Technical Assistance Team.

Responsibilities

I. Under the guidance of the Programme Coordinator and together with the Technical Assistance Team and other stakeholder particularly private sector representative, carry out Value Chain analysis of each of the programme districts to identify constraints and opportunities.
II. Based on the value chain analysis, and in collaboration with VCTAT prepare, valley/union council, district and provincial level Value Chain strategy and action plan.
III. Identify, plan and implement capacity building of farmer's organisation for entrepreneurial and business skills.
IV. Facilitate linkages between business model stakeholders including private sector processors, distributors, local promoters and farmer organisations.
V. Facilitate and Promote contract farming ventures between private sector and farmers organisations.
VI. Promote women's access to markets
VII. Guide stakeholders on the identification, planning, implementation, monitoring and evaluation of value chain support activities.
VIII. Ensure adequate synergies between the programme components particularly with VCTAT for Value Chain Development Fund.
IX. Monitor the development of innovative business models and, in collaboration with the Knowledge Management and Communication Officer and the Planning and Monitoring Manager, ensure related knowledge management, including the identification of policy lessons, and participate in developing the Programme Learning System;
X. Guide the preparation and implementation of the various value chain related studies;
XI. Contribute to the preparation of the AWPB and progress reports;
XII. Undertake any other duty assigned by the PC.

Qualifications

I. VCM will be a BS-18 officer or hired from private sector.
II. Master's degree in Agriculture, Agribusiness, Rural Development or a related discipline from a recognized university.
III. At least 8 years working experience in a similar field, 3 of which in senior management position;
IV. Demonstrated professional experience in Identification and development of guidelines for specific value chains, Managing the consultative process during the identification of specific value chains, Developing specific analysis on bottlenecks affecting development of value chains and Conducting Training need assessment for the promotion of specific value chains

4. Procurement Manager (PM)

Reporting to the PC, PM will be assisted by One Procurement Officer and One Procurement Assistant

Responsibilities

I. Develop and put into operation the programme procurement system and procedures;
II. Ensure that all procurement of goods and services are in compliance with the provisions of the Financing Agreement and IFAD procurement guidelines;
III. Ensure administrative management of service provider and other procurement contracts;
IV. Ensure proper use and conservation of programme assets;
V. Preparation of annual programme procurement plans in collaboration with other members of the PCU and implementing partners, and submitting same for approval by the IFAD and PSC along with the AWPB;
VI. Prepare regular procurement progress reports;
VII. Coordination of procurement of programme works, goods and services at the central level and assist/supervise decentralised procurement as appropriate;

VIII. Ensuring the preparation and advertisement of TORs and tender and contract documents for specific procurements according to GOK and Donor-funded procedures;
IX. Participation in relevant tender committee meetings at the Lead Agency and assisting with the preparation of committee reports;
X. Review and advise on tender evaluation reports prepared by the Counties and other implementing agencies and making necessary follow-up;
XI. Maintaining high quality procurement files and contract registers for review by supervision missions and auditors;
XII. Preparation of regular financial and procurement progress reports;
XIII. Undertake any other duty assigned by the PC.

Qualification

I. PM will be a BS-18 or equivalent officer or a private sector candidate with appropriate Master's degree and experience in administration and procurements of goods and services and will be recruited on competitive basis.
II. Master's degree in administration or related field.
III. At least 8 years' experience at senior management level in administration with at least three years' experience with procurement of civil works, goods and services for GoP/donor funded programmes;
IV. Comprehensive knowledge of Public Procurement Regulations/PMRA rules is a must
V. Strong computer and communications skills (oral, written, presentational);

5. Contracts Manager

Reporting to PC and acting in close coordination with the Procurement Manager, the Contracts Manager will be responsible for the following:

i. Develop and implement contract management and monitoring system for all contracts for goods and services and civil works
ii. Monitor the progress of all contracts from signing to final delivery to ensure timeliness and quality
iii. Identify and bring to the notice of Programme Coordinator and Procurement Manager any deviations in terms of quality or timeliness in any of the contracts
iv. Assist the PCU and Implementing Agencies in contract management processes
v. Maintain Contracts register in such form and detail so as to enable effective management and monitoring of all contracts
vi. Prepare monthly and quarterly contracts progress reports for the information of Programme Coordinators and line departments staff

6. Deputy Programme Coordinator/M&E and Knowledge Management Manager (MKM)

Act as Programme Coordinator in absence of programme coordinator. Reporting to the PC and working very closely with the other managers the MKM will coordinate the establishment and operation of M&E system and an integrated programme Learning and Communication and Strategy System. The system will link five functions: output and outcome M&E, IFAD Results and Impact management System (RIMS), M&E, learning and adaptation for continuous improvement of performance; internal (PCU) and external (stakeholders) communication; innovation and experimentation; and information management.

MKM will be assisted by three Divisional Monitoring Officers placed at DCUs, One KM officer and One Communication Officer and two assistants.

Responsibilities

i. Development and implementation of the programme M&E and Learning and Communication System and Strategy;

ii. Develop associated Management Information System for managing data and information for overall monitoring, and for the collection and analysis of data on programme achievements and impact, based on a set of gender disaggregated indicators in line with the programme logical framework and stakeholders' information needs;
iii. Organization and supervision of focused baseline surveys at the beginning of the programme;
iv. Coordinating the preparation and monitoring the implementation of the AWPB;
v. Ensuring that all participating institutions keep records on their activities and feed this information into the Programme Learning System;
vi. Developing a simple reporting system for the monitoring of programme activities and preparing regular reports on implementation progress, performance and impact of operations;
vii. Set up term of reference and conduct studies to assess the impact of the programme
viii. Organization of training on M&E for members of the PCU, implementing partners and counties, and providing technical backstopping to implementing agencies for preparing the AWPBs and for compliance with reporting requirements;
ix. Develop and implement processes and guidelines for systematic capture of knowledge, good practices and innovation, and the sharing and use of same to improve programme implementation, including in the development of the AWPB;
x. Support advocacy efforts through providing evidence of programme impact gathered through the M&E system;
xi. Provide assistance/guidance in implementing the Programme Learning System;
xii. Coordinate surveys and case studies to assess achievements and outcomes of KCEP activities;
xiii. Develop a multi-stakeholder communication strategy along the seasonal performance of the programme including a portal for web-based feedback of beneficiaries, private sector partners and county administrations
xiv. Coordinate the dissemination of the findings from the impact assessment studies.
xv. Foster partnerships for broader knowledge-sharing and learning;
xvi. Oversee communication support to awareness raising and sensitisation of programme participants;
xvii. Contribute to the preparation of the AWPB and progress reports;
xviii. Undertake any other duty assigned by the PC.

Qualifications

MKM will be hired from private sector

i. Master's degree in Agricultural Economics, Rural Development, Communications or other relevant field.
ii. At least 8 years relevant work experience, in M&E, knowledge management and communication;
iii. Demonstrated professional experience in Developing and implementing comprehensive M&E and communication and visibility plans, Developing website whose purpose is to document the programme profile and the periodic reporting to results and to provide a forum for stakeholders feedback during the implementation period, Writing reports, articles and or pamphlets depicting programme interventions and results;
iv. Proficiency in the use of databases, modern information and communication technology (ICT) in development, and other computer applications;
v. Demonstrated skills in quantitative and qualitative analysis and data management;
vi. Demonstrated experience in designing and implementing successful communication and knowledge management strategies for sustainable development, or in planning and implementing strategies at management level;
vii. Experience in analysing complex programmes or policies;
viii. Strong computer and communications skills (oral, written, presentation);

7. Infrastructure Specialist (IS)

Reporting to the PC, the IS will oversee the implementation of the civil works related interventions of the programme. S/he will be a BS equivalent officer hired from private sector on competitive basis.

IDM will be assisted by Two Resident Engineers at PCU (BS 17 equivalent) at PCU and three Regional Infrastructure Development Officer placed at RCU.

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Responsibilities

i. IS will be responsible for review of infrastructure design and cost, supervision and monitoring of the programme Infrastructure activities.
ii. Ensure that the design team/contractors have carried out environmental assessment of the programme infrastructure activities.
iii. Prepare on a timely basis monthly, quarterly and annual progress reports highlighting work plans, progress, key issues, achievements and corrective actions taken.
iv. Review the tender documents for the studies, supervision and construction
v. Monitor the work of consultants, contractors and departments including bidding and qualification processes report on quality, efficiency and progress to the PC;
vi. Contribute to the preparation of the AWPB and progress reports;
vii. Provide assistance for detailed design and supervision of any community level infrastructure.
viii. Undertake any other duty assigned by the PC.

Qualifications

I. IS will be equivalent of BS 18/Executive Engineer level and will be recruited from private sector
II. Bachelors' degree in Civil Engineering from a recognized institution.
III. At least 8 years relevant work experience in irrigation, farm to market road and community based infrastructure.

8. Regional Programme Coordinator /M&E Incharge(RPC)

The RPC will report to PC and will be responsible for the overall management, coordination and monitoring of programme activities at the regional level.

Responsibilities

I. Establishment of systems for planning, coordination, reporting, financial management, M&E and trouble-shooting at the district level
II. Be responsible for the overall management and coordination of the programme activities in the district and of the RCU staff
III. preparation of the divisional annual work plan and budget (AWPB) and associated Procurement Plan;
IV. Ensure the effective utilization of programme funds and other resources according to the AWPB through supervision and monitoring;
V. Ensure mainstreaming of gender in the programme, achievement of gender impacts as planned, and identifying and managing any gender-related risks;
VI. Ensure the timely dissemination of programme experience and results to relevant stakeholders within the learning community;
VII. Ensure adequate linkages, liaison and networking with other implementation partners and service providers either working in the district or potentially concerned with programme activities and with other relevant interventions;
VIII. Establish effective fora for public-private sector interaction and promotion of private sector linkages with the district and valley level farmers or any other beneficiary groups.
IX. Represent the programme at relevant functions and meetings;
X. Perform any other duty relevant to the programme as may be assigned by the PC.

Qualifications

I. A BS-18 officer or equivalent. Candidate from Private sector will be eligible to apply.
II. Master's degree or higher qualification in Agriculture, Economics, Business Studies, or other relevant field;
III. At least 8 years' experience at senior management level preferably relating to programmes/programmes with focus in agricultural production, marketing or business development;
IV. Demonstrated recent experience in planning and implementing of rural development programme/programme aiming at reducing rural poverty with particular focus on increasing the competitiveness and inclusiveness of value chains, including agricultural value chains;
V. Demonstrated Experience in ability to liaise with a wide range and levels of organizations Government, Donors, private sector, NGOs, and community institutions).
VI. Demonstrated creativity, willingness to innovate, think systemically and design catalytic approaches to programme activities;
VII. Strong communications skills (oral, written, presentation).

Annex 6: Planning, M&E and Learning and Knowledge Management

A. Planning process

1. The Programme would follow the planning cycle and process of the Federal Government/ Ministry of Kashmir and Gilgit Baltistan (MoKA&GB) to ensure that it remains aligned with the Federal Government and GoGB planning and annual budget formulation process. All Ministries, including MoKA&GB, in response to the budget call from Ministry of Finance (MOF), furnish their demands for next year during the third quarter of ongoing financial year. The demand for ETI will form part MoKA&GB demand for next year budget and this demand will be based on AWPB drawn out by the PMU in collaboration all implementing partners and RCUs. While the phasing of components/activities reflected in Programme documents/PC-I will generally guide the levels of budget each year, actual demand will be based on Programme progress during the ongoing year and the proposals received from Programme partners including farmer organizations and SMPs. This exercise would also focus on procurement planning. Each agency would prepare their respective procurement plans corresponding to their AWP targets. The PMU compiles the AWPs and the procurement plans and submits it to the Steering Committee for approval in the month of April and, after approval of PSC, submits it to MoAK&GB as part of overall GoGB budget demand. The approved AWPB is then prepared in the IFAD AWPB format and sent to IFAD along with the procurement plans for approval. The approved AWPB would be used for reviewing performance and progress during the supervision missions and will also be the basis for the operation of programme' M&E system. .

2. For the farmer organization based activities of the programme, the AWP/B will only provide the enabling financial provisions and detailed implementation plan for each farmer organization/association, supported processors and marketing groups and private sector partners will be prepared in a participatory manner on a three to four year horizon and will be approved as per programmes internal approval processes. After the first year, annual allocations for these approved plans will follow the phasing and allocations for each plan subject to actual progress. The concerned implementing partners and VCTAT will take the lead in developing the FO's implementation plans.

3. Irrigation sub-component activities will be initiated with the dialogue with beneficiary communities of prospective priority schemes in each district. In the initial phase, focus will be on large schemes that have already been identified and surveyed by WMD and PWD. A fresh verification about the status of land, beneficiaries, source of water (including water rights and adequacy) and post-development land allocation practices would be completed before initiation of dialogue by SMP, PWD and WMD with the concerned community about development of the scheme and agreement on programme's terms and conditions. A Village Producer's Group, including beneficiary men and women and landless, will be organized by SMP and a village socio-economic development plan will be developed in a participatory manner. Following the establishment of VPG, the survey and design parameters of the scheme will be updated by PWD/WMD and on finalization of design and cost parameters, a formal agreement will be signed by the programme with the VPG.

4. FMR sub-component will follow the RCU/PCU recommendations for selection of roads. These recommendations will be formulated on the basis of selection of existing production areas of various potential products for value chain development to address their access to main roads issues. Second set of recommendations will be with regard to areas selected for new irrigation development and linking them up with the nearest main road network. Once the areas for road linkage are identified, PWD will carry out a preliminary survey of the proposed road link and determine its pre-feasibility, appropriate routing, status of right of way/ownership of land on the route and its availability and tentative cost. If a scheme is found feasible, pre-investment report on prescribed format will be furnished to PCU for approval and after PCU approval the FMR consultants will be asked to prepare the detailed design, cost estimates and tender documents for the selected road. In case the right of way is ownership of State or a community, then appropriate steps will be taken to get the land transferred in favour of PWD and appropriate entries made in the revenue record before start of construction work.

B. Monitoring and evaluation system

5. Monitoring and Evaluation in ETI will collect reliable data and information for measuring performance and progress towards achievement of results; and to provide information about success and failures, so that corrective measures can be taken for successful implementation of Programme activities. M&E would also be used as a learning tool to provide information for critical reflection on Programme strategies and operations to support decision-making. The system is described in the following paragraphs and in Working Paper xx.

6. Programme logframe will guide the design of the ETI M&E System along with the performance indicators included in logframe. The M&E system will be multi-layered consisting of internal and external monitoring. The internal monitoring will be by the implementing partners themselves and it should form the basis for their regular progress reporting to the PCU. The external monitoring will be carried out by PCU M&E staff and supervision missions to independently asses the progress against results, outcomes and outputs. An annual M&E plan, as part of Programme's overall AWP/B, will be prepared by M&E wing of PCU, with inputs from all implementing partners on targets, formats, processes and reporting responsibilities and then each agency, including PCU, will draw their individual plans to respond to the requirements of annual M&E Plan. PCU and RCU monitoring staff, including infrastructure related staff, will pay particular attention to output and activity monitoring as well as outcome and impact monitoring, and shall produce consolidated reports on Programme progress and results, coordinating overall learning and knowledge management.

C. Programme M&E Framework

7. **Output monitoring** will measure the progress of activities and achievement of outputs against annual targets in the AWP for each ETI component. The output indicators in the programme logical framework will form the basis for monitoring. Monthly (brief), quarterly (detailed) and annual (analytical) Physical and financial progress reports will be fundamental outputs of the Programme MIS. Data will be collected by SMPs, implementing partners andPCU/RCU staff from farmer organisations, Producer Organisations, private sector partners, service providers and from contractors building rural infrastructure. Data will be collected disaggregated by gender, particularly those related to beneficiaries' training, transfer of assets and services and allocation of land etc.

8. **Participatory Monitoring and Evaluation** (PME) at the community level would involve the M&E managers and field staff and SMP staff. PME forums will be set up in villages, with simple activity sequencing charts and other tools to help the communities monitor their progress, evaluate performance, and identify implementation issues. The PME process will be established with support from a national Consultant.

9. **Process monitoring** involves monitoring the processes leading to outputs and outcomes. Specific areas where progress monitoring will be useful in ETI include: provision of technical services and the functioning of producer and community organisations. The other areas of particular focus will be land allocation and titling process, selection and training of youth groups, identification of needs of poor and women and selection of appropriate asset building packages and quality and procurement process of assets distributed. Information on these may be gathered via PME, as well as from the records of producer and community organisations. In addition, the Programme will undertake specific studies related to food security, women's empowerment, market access and outreach of producer groups, value chain development, and functionality of infrastructure and benefit assessment of Programme services for the target group. The M&E Manager in the PCU will jointly plan process monitoring with RCUs, SMPs and concerned government and private sector partners.

10. Information on the effectiveness of training will be assessed via KAP (Knowledge, Attitude and Practice) surveys carried out each year. The M&E Manager at the PCU will coordinate with AKRSP and DPAP to complete the surveys.

11. **Outcome monitoring** measures the changes coming about as a result of programme interventions. In ETI this would entail annually measuring and assessing through specific surveys whether the Programme is moving towards achieving the Programme objective of expanding production and productivity, and facilitating greater access of products to the markets and private

sector buyers. The surveys will also collect data for 2nd level RIMS indicators. The surveys would be conducted SMPs individually with two separate random samples of 900 households, and will monitor the changes in the phased cohorts of beneficiaries, with xx new cohorts receiving Programme services (xx group each in area of each SMP) each year up to the third year. The first rounds of the surveys will act as a rolling baseline.

12. **Impact evaluation** is the process which will assess the contribution of ETI in achieving the overall goal of the Programme i.e reduction in poverty and vulnerability and increase in incomes. It will consist of baseline, mid-term and end-of-Programme surveys. This survey will be coordinated by the Planning and M&E Manager of the PMU, and contracted to an external agency. Information to be collected will include the impact level indicators of IFAD's Results and Impact Monitoring System (RIMS). These include mandatory 'anchor indicators' relating to household assets, food security and child malnutrition (anthropometric data of children under five years of age), as well as dietary diversity scores. ToRs will be included in the draft PIM.

D. RIMS indicators

13. The Results and Impact Monitoring System of IFAD reports annually on a number of first and second level results indicators that correspond to the output and outcome indicators. IFAD has produced a standard list of these indicators, but only some of these will apply to an individual Programme. The indicators applicable to ETI are specified in main report. Prior to mid-term review, the Programme will report on only the first level results, but after the mid-term report it reports on second level indicators. These second level indicators are used as evidence to support ratings of the effectiveness and likely sustainability of each component. The third level RIMS results are the anchor indicators used for impact assessment (see impact assessment paragraph above).

E. Special studies

14. Special Studies will be undertaken before mid-term review related to the following: (i) Process and impact of new developed irrigated lands on smallholders, poor and landless; (ii) efficacy and quality of road linkages supported by the programme, their impact on incomes/marketing and maintenance of such roads; (iii), Value chain development and marketing (growth and development of sales in selected commodities, including volume and value of raw and processed products; (iv) production and productivity (fodder development and milk production in livestock, adoption of improved seed potatoes, and cropping system studies in horticulture crops); (v) environment and NRM (impact of soil and water conservation measures, precipitation, soil erosion, stream flow monitoring and flood discharge in micro-watersheds); and (vi) Progress and impact of irrigation cost recovery instrument on local social and economic development including employment of youth. Cost effectiveness studies will be also undertaken to assess delivery systems and implementation methodology/approaches adopted by government and non-government partner agencies.

F. Implementation of M&E

15. Staffing: the M&E unit will form part of the central PCU and RCUs. It will consist of the following staff:

PCU:

- Deputy Programme Coordinator/M&E Manager
- M&E Officer
- Knowledge Management Manager
- Statistical Assistant
- M&E Assistant

RCU:

- RCU Coordinator/M&E Officer (one per DCU=3)
- Assistant M&E & KM Officer (One per DCU=3)
- RCU Engineer (one per DCU – Responsible for monitoring of Infrastructure)

16. The Statistical Assistant will be responsible for data analysis and basic report writing. The M&E Assistant will assist with computer data entry. It is envisaged that ETI will adopt mobile phone based software for much field data collection which will eliminate the need to data entry as data will be entered directly into mobile phones rather than using a paper questionnaire and uploaded directly from the phone into a survey database. Enumerators for surveys will be recruited on needs-basis through short-term or retained contracts. These will be responsible for most field data collection, and will be based in the field offices of SMPs/Social Mobilizers, and equipped with motorcycles and data-enabled mobile phones. It has been calculated that a team of 20 enumerators will be able to carry out the annual outcome surveys and KAP surveys (KAP surveys will also involve Programme staff responsible for training implementation).

17. RCU staff includes an M&E Officer, and an Assistant M&E & Knowledge Management Officer (KM). These staff will be responsible for managing and coordinating monitoring of activities and outputs, and for working with field staff of SMPs for participatory M&E, process monitoring and KM.

18. Capacity building of Programme staff will be undertaken through structured orientation training programme, refresher training, and information sharing. Orientation training will be done during induction of new staff, and the refresher training on an annual basis. In addition, the Programme will also facilitate the establishment of partnerships with universities (Korkoram University), technical experts (e.g. for KAP survey and PME technical assistance), and other development Programmes, to enhance exchange of information and mutual learning. It will facilitate the use of the IFAD M&E tool kit.

19. Technical assistance for: a) KAP surveys, b) participatory M&E, and c) anthropometric and dietary diversity surveys would also form part of the capacity building strategy. The M&E Manager will be responsible for procuring these services in consultation with the Programme Coordinator and IFAD Country Office. The aim of technical assistance is to bring in expert and specialist knowledge into the Programme to improve the adoption of M&E practices and knowledge that would imparted through training, and to improve the process of review by FOs, partner organisations along with Programme Staff, as well as to enhance the quality of surveys.

G. Management Information System (MIS)

20. MIS systems would be established in the first year of Programme implementation by the PCU in collaboration with the SMPs. They will include information on physical and financial progress, impact evaluation analysis and reports, RIMS first and second level indicator tracking, and other pertinent information. These will be automated computer based programmes to generate, monthly, quarterly and annual progress reports on physical and financial progress and outcome progress. Once the automated version of the MIS is tested for 6 months, the other half of the year would be spent in making the MIS operate, as far as possible, via online service. IFAD already has an established MIS that could be adapted for ETI.

H. Reporting and Communication

21. Timely reporting and communication is important to take timely corrective actions and to learn from implementation experience to further improve Programme management effectiveness and efficiency. Monthly, quarterly and annual reports including reports from studies would be produced by the Programme. For IFAD corporate reporting, Half-yearly, Annual and annual RIMS Progress Reports are required.

22. Monthly Progress Reports will be prepared from the Programme MIS developed to generate information at the village/valley and District level, and compiled at the PCU for provincial level. Information in the report will contain component-wise physical and financial progress against annual targets. This report will form the basis for monthly progress review at all levels.

23. Quarterly Progress Reports. Besides reporting physical and financial progress this report will contain information on difficulties encountered in implementation and corrective actions and solutions to address constraints as well as communities response to Programme initiated activities.

24. Half yearly and Annual Progress Reports will be prepared from information compiled by the PCU on component-wise physical and financial progress, and loan category wise progress from the Programme MIS. It will contain summarised information from villages visited by M&E staff, findings from PME and annual outcome surveys. They will show progress towards development objectives, and also problems that are not adequately addressed degree of responsiveness of the staff of different support agencies, and usefulness of training (information from KAP surveys), benefits from rural infrastructure, performance of value chains, successes and failures, gender and knowledge management. These reports will be prepared based on the reporting format to be included in the draft PIM (Programme Implementation Manual). The PCU will prepare the half-yearly progress report by the end of October and the annual progress report by the end of May.

25. RIMS Annual Report. The key RIMS indicators corresponding to the Programme components are included in the progamme's Logical Framework and will be reported annually by the end of December. In the first year the programme information on RIMS first level indicators (list of indicators included in RIMS Handbook) associated with outputs would be reported. After mid-term review the report will include ratings of effectiveness and sustainability of 2nd level indicators, validated from the results of annual outcome surveys. A standard table will be included in the PIM for this report.

I. Learning System

26. The Programme learning system comprises of monthly, quarterly and annual review meetings, capturing information on progress, lessons and finding solutions for implementation constraints.

27. Monthly progress review will be convened by the RCUs at the Regional level on the basis of monthly progress reports. It would include reviewing physical and financial progress with SMPs and implementing partners, and the performance of delivery in terms of adequacy and timely utilisation of Programme resources.

28. Quarterly Review Meetings (QRMs). The quarterly progress report will be used during the QRMs at the Division and Provincial level. Over and above reviewing physical and financial progress for the quarter against annual targets, the programme will also review the performance of SMPs and service providers, implementation constraints, document lessons, emerging best practices and decide on actions to improve implementation.

29. A consolidated Annual Programme Review will be carried out towards the end of the fiscal year around first week of April, in addition to the four quarterly reviews at Division level. It shall assess performance in the achievement of physical and financial progress against annual targets. Furthermore, review of progress towards development objectives as reflected in the Outcome Surveys will be done assessing success and failures and reasons thereof and lessons learned. Annual reviews will be institutionalised by SMPs at the District level.

30. Mid-Term Review (MTR). The Government and IFAD would undertake a mid-term review by the fourth year of the Programme lifecycle to review Programme achievements and implementation constraints. In particular it would review the following: (i) achievement and improvements in the production systems, improvement in food security, and increase in income; (ii) the performance of private sector partnerships; (iii) performance of Producer Groups and other community institutions; (iv) performance and impact of other programme activities in irrigation, roads, irrigation recoveries and reinvestment etc.; (v) financial and procurement management; (vi) and human resources management. A mutually agreed action plan will be prepared based on the MTR findings. IFAD may appoint, in consultation with the Government, an external agency to evaluate the impact of the Programme if necessary.

31. Programme Completion Review. As the programme reaches completion point, the PCU would prepare a draft Programme Completion Report. IFAD and the Government will then carry out a joint

validation of Programme Completion Review based on the information in the Programme Completion Report and other data.

J. Knowledge Management

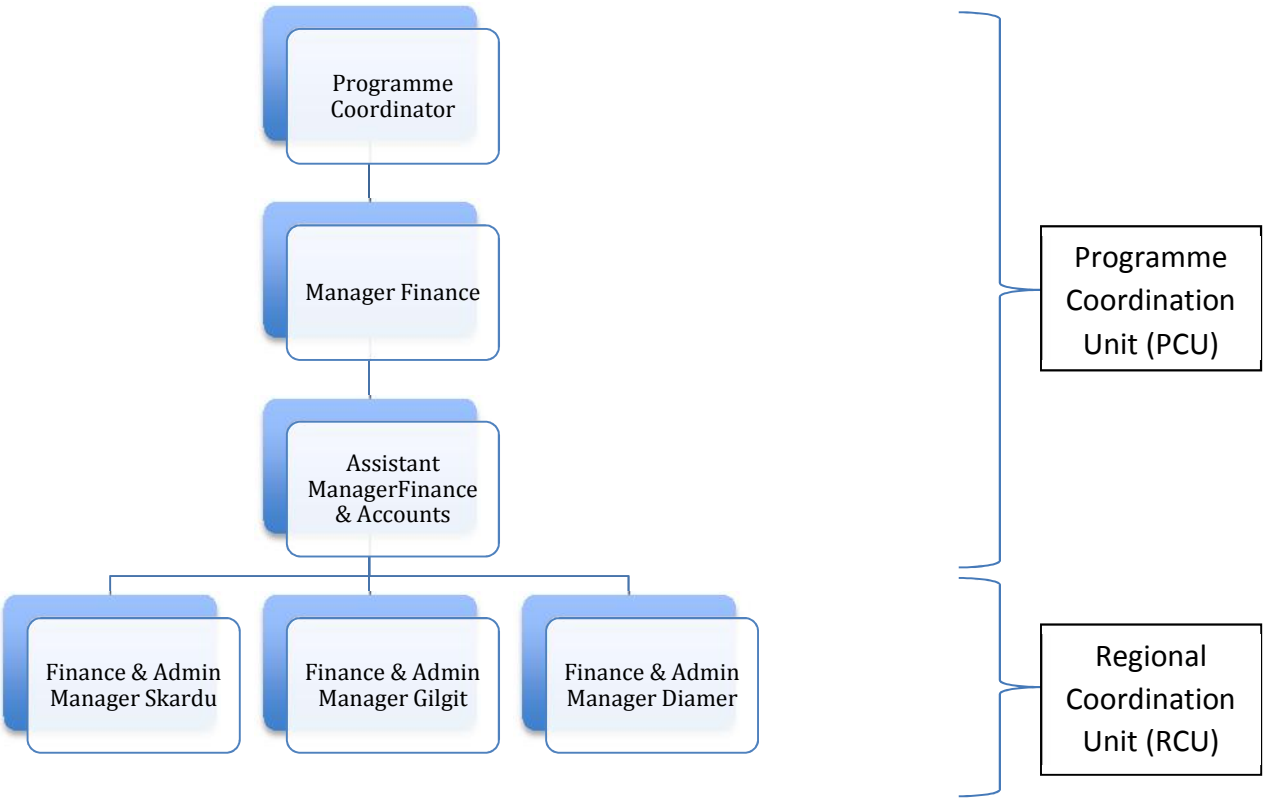
32. In the first year the PCU will prepare a programme level KM strategy in line with IFAD policy on KM. The strategy will focus on the processes that will be involved in building a robust KM system in the Programme. The KM system will enable the Programme to generate, capture, share and disseminate relevant information and knowledge to various stakeholders in a timely manner. The Programme website will be completed within the first year of implementation and used as a knowledge sharing tool, and also linked to IFAD Asia website. The KM team will extensively document and share knowledge generated in the Programme. The QRM forums will be used as potential KS venues for capturing lessons learned and best practices leading to development of related knowledge products. Key information from M&E studies, reviews and exposure visits, lessons and best practices will be disseminated through knowledge products such as newsletters, publications, case studies and reports, etc. The KM team will strive to build a culture of knowledge documentation and sharing within the Programme.

33. More details on the M&E system are in the draft PIM.

Annex 7: Financial management and disbursement arrangements

1. **Proposed Organizational Structure of Finance Function and Staffing:** The financial management functions for ETI will be undertaken by a Director Finance & Accounts (DFA) and an Assistant Director Finance & Accounts at the PCU level. Director Finance & Accounts will report to the Programme Coordinator of ETI. While PD/PC will be Principal Accounting Officer for government purposes, DFA will have the overall responsibility of financial management function of ETI, particularly for IFAD funds. Both these positions will be filled competitively and qualified candidates from government and private sector will be eligible to apply. The incumbents will have qualifications commensurate with the job requirements and these will be got cleared from IFAD prior to commencement of recruitment.

2. At RCU level, there will be one Regional Finance and Admin Manager, reporting administratively to Regional Coordinator, and functionally to Director Finance & Accounts in PCU. The organogram of Finance function of ETI will be as follows:



3. IFAD, government counterpart funds and funds from any other co-financiers will be managed by Finance Unit with completely separate systems of funds flow, budgeting and accounting, as detailed below.

4. **IFAD Funds Flow Mechanism-** IFAD and counterpart funds will have completely segregated fund flows to separate, dedicated accounts at both provincial and district levels, to ensure clear, verifiable audit trail. IFAD funds will be managed at three separate tiers, namely Designated Account, sub-Accounts (at district levels) and Revolving Fund Accounts (at departmental level/Value Chain Fund Manager level).

5. **Designated Account-** IFAD funds will be disbursed to IFAD Designated Account at PCU level, opened in National Bank of Pakistan, after routing through State Bank of Pakistan, in compliance with

GOP OM No. F.2(1)BR-II/2007-1618 dated 27, 2011, relating to "New procedure for the maintenance and operation of Revolving fund accounts opened for IDA, IBRD, and ADB Credits/ Loans". These procedures are applicable on DA's of all IFIs' ongoing public sector Programmes in Pakistan, including IFAD's public sector Programmes. IFAD share of all PCU level expenditures will be paid out of this account. For opening this account, an administrative approval from the Expenditure Section of Finance Department of GoGB will be obtained..

6. The Programme will use the imprest account method for the Designated Account advance by IFAD. The imprest will be the amount advanced to the Designated Account, and then be periodically replenished. The maximum advance, or authorized allocation, will be 6-months' of average planned expenditures to be financed by IFAD, which is USD 5 million for ETI. This authorized allocation of imprest ceiling (USD 5 million) will be defined in LTB. The nature of this Imprest Account will ensure allocation and retention of funds in USD, though all payments will be made in Pak rupees. The transactions will be recorded by NBP as per exchange rate applicable on the date of transaction/ payment. The bank statement will also mention USD receipts and payments. Any differences in the exchange rates applicable on the dates of receipts and payments will result in Pak rupee exchange gains/ losses. However, all such exchange gains/ losses will be borne by Government as per the applicable procedures, and no exchange gain/ loss will be charged to IFAD.

7. **Sub-Accounts-** There will be sub-Accounts/ Programme Accounts, opened in each of the three regions of Programme implementation, which will be Pak-rupee denominated as well as with the line departments managing Programme funded activities. This will be a dedicated IFAD bank account, outside government accounting and fund flow mechanism. The funds from the Designated Account will be administered by the Programme Coordinator, who will transfer the funds in Pak Rupee to the sub-Accounts/ Programme Accounts held in district-level branches of National Bank of Pakistan, on the basis of imprest account methodology. All expenses by RCUs at district level and line departments will be paid out of these sub-Accounts. RCUs and line departments will report expenditures to PCU in Pak Rupee only. The Programme Coordinator will replenish the sub-Accounts/ Programme Account at district and departmental level on the basis of justification of expenditures already advanced to the Programme Account.

8. PCU will record all expenditures at each district and line agency level, at exchange rate applicable on the date of fund transfer from DA to sub-Account, on the basis of quarterly expenditure reports submitted by RCUs and line departments to PCU, In case of more than a single fund transfer, weighted average exchange rate calculated from fund transfer dates, will be used for this reporting. This will ensure there will be no exchange gain/ loss on these fund transfers. .

9. PCU will then consolidate all expenditures at PCU and district levels, and request replenishment of the Designated Account. In order to minimize transaction costs, the PCU will submit requests for replenishments to the Designated Account for a minimum amount of USD500,000 (10% of the initial advance).

10. **Payment to Social Mobilization Partner/ NGO:** SMPs will be paid in terms of their agreement with the programme and eligible activities and phasing. They will open a dedicated account for this purpose at programme specified bank. These will also be treated as Programme sub-accounts and will be subject to same terms and conditions as the line departments and DCUs.

11. **Funds Flow of Counterpart Funds-** Counterpart funds will be managed through standard government mechanism of Annual Development Program allocations, transferred to dedicated Assignment Account 1 at provincial level, opened specifically for ETI's counterpart funding allocations, under sanction of P&D and Finance Departments. However, this Assignment account will be included in the overall cash balance of the Government for the purposes of financial reporting and bank reconciliation.

12. Details of overall funds flow envisaged for ETI are also presented in flowchart in Appendix 1.

13. **Forecasting for Funds Transfer:** ETI will operate on "Imprest Advance mechanism" as detailed in IFAD Loan Disbursement Handbook. Initially, an estimate of six months' expenditure will

be made, based on year-wise budget approved for the Programme, to set the Imprest Advance ceiling. On this basis, initial Imprest Advance ceiling will be USD 5million. The ceiling might be considered for revision subsequently, during implementation, based on Programme needs. These funds will be transferred to DA as initial advance of IFAD share of Programme budget. The ceiling amount might be disbursed in several applications depending on the level of expenditures to be incurred. A partial advance might be disbursed initially, with supplemental advances up to the ceiling amount as implementation accelerates.

14. In case of districts and line departments, similar forecasting will be performed for IFAD share of financing, to determine initial advances to be transferred from DA to sub-Accounts/ Programme Accounts. Expenditures reported against these advances will subsequently be claimed in Withdrawal Applications from IFAD, for replenishment/ recoupment of advance. Minimum amount of any Withdrawal Application will be USD 200,000. SOE ceiling for ETI will be USD50,000, which will mean that for all single expenses exceeding this amount, all supporting documentation will be submitted to IFAD for replenishment. In case of expenses less than this amount, expended from Imprest Advance, all supporting documentation will be retained by ETI, which will be available for IFAD review at all times. More details of this mechanism are available in IFAD Loan Disbursement Handbook, and complete compliance of requirements stipulated therein will be ensured for utilization of IFAD funds.

15. Towards the end of the Programme, IFAD will initiate gradual reduction in outstanding Imprest Advance, with details mentioned in IFAD Loan Disbursement Handbook.

16. Additionally, direct payment, reimbursement, and commitment procedures for disbursement will also be available to ETI, with details covered in IFAD Loan Disbursement Handbook.

17. In case of counterpart funds, annual budgeting of counterpart funds will be approved through Annual Development Programs, and funds will be released against these budget approvals, in compliance with pertinent government rules and regulations.

18. **Withdrawal Applications Signatories, Bank Account Operations and Expenditure Approvals:** The signatories for WA's will be Programme Coordinator ETI, or in his official absence, Deputy Programme Coordinator ETI or Director Finance ETI. GoGB will furnish to IFAD satisfactory evidence of the authority of these personnel authorized to sign WA's and the authenticated specimen signature of each such person. IFAD will be notified of any change in the signatories authorized to withdraw funds from the loan account.

19. IFAD Designated Account will be operated through joint signatures of at least 2 out of 3 joint authorized signatories throughout the Programme period. Sub-Accounts/ Programme Accounts and revolving fund accounts at departmental level will have similar arrangements of joint signatories, for stronger financial control. Details of signatories will be included in PIM.

20. Different officers will have thresholds of expenditures which they could approve, which will be detailed in financial powers for ETI, which will be approved by Finance Department, and will be included in PIM. Programme Coordinator, ETI will exercise the financial and administrative powers of Category-I Officer for the Programme implementation as per Government Delegation Rules. The financial power of line departments and RCUs will be similarly notified and made part of PIM.

21. Programme Coordinator will assume the overall responsibility of IFAD and counterpart funds for ETI, with Director Finance having the principal financial management, accounting, and reporting responsibility, including maintenance of cash book and check issuance registers, and compliance of all IFAD requirements covered in IFAD Disbursement Handbook, IFAD Loan Agreement and other pertinent IFAD policies and procedures applicable on financial management, accounting and auditing and fiduciary aspects. He will also be responsible to supervise record of the sub-ordinate offices/ divisions/districts in similar manner. In case of divisions/districts, the principal responsibility of financial management function will rest with the respective District Finance Managers.

22. **Accounting Software-** Currently, SAP R3 based PIFRA accounting system is being used for public sector accounting. However, SAP has been implemented at Programme level, in some

Programmes in KPK, through a separate Programme module. This arrangement has been provided free of charge by PIFRA (WB Programme), and is currently working effectively after some initial glitches. ETI will explore possibilities of obtaining this extension of SAP R3 software, for its implementation. However, in case such an extension is found not to be practical for any reasons, for IFAD loan accounting, a low-cost, simple accounting software will be installed, which enables accounting as per components, disbursement categories and sources of funds, by providing different fields for each voucher entry. The software will allow at least 3 users' access, will be licensed, and will have sufficient data entry, chronological and double-entry related controls. Common softwares currently in use in Pakistan, with similar features, include Quickbooks and Peachtree Professional Editions. However, selection of software will be competitive, and compliant with IFAD Procurement Guidelines. The installation of accounting software, either SAP R3 extension or alternate accounting software arrangement, is a condition for fulfillment within 6 months or less from date of disbursement of initial advance.

23. **Safeguard of Programme Assets-** There are various mechanisms for fixed asset accounting, including maintenance of fixed asset register. However, the function of asset management in government set-up has not been entirely robust. In order to strengthen overall governance and asset management function, the following will be performed during implementation:

- Maintenance of a register of contracts, which is a requirement of IFAD;
- Maintenance of an asset register, treating all items of procurement with useful life of more than one year, and value in excess of USD 5,000, as assets. This record will be updated regularly, and will identify the source of funding separately. The record will also be reconciled with claims from IFAD against different categories of expenditure which pertain to assets, e.g. vehicles and equipment;
- All requirements of government and IFAD regulations will be stringently applied relating to assets, including assets' physical verification procedures, asset coding procedures, assignment of custodians, and avoidance of use other than for Programme purposes etc.;
- Assets' disposals or scrapping will only be carried out in compliance with all applicable policies, and with all necessary approvals;
- All transfers of assets, procured through IFAD loan, will be utilized for the purposes of furthering the objectives of ETI, and IFAD will be duly informed of all such transfers, and envisaged use of assets after Programme life;
- The audit scope will include review of overall asset management function of ETI applicable on assets financed through the grant. The audit TORs will also include requirement of reporting on all gaps identified in the asset management function, mentioned in Appendix 2 below.

24. **Accounting and Internal Control systems-** Public sector accounting and financial reporting are required to be compliant with detailed framework of policies and procedures, including NAM, various other related regulations.

25. For the purpose of the Programme, a detailed PIM will be developed and adopted to ensure compliance of IFAD disbursement, procurement and other requirements, as well as for capturing international best practices as far as practicable. Among other items, PIM will detail policies for budgeting, expenditure approvals, use of chart of accounts, identification overall accounting and reporting framework including NAM, PFR, etc., minimization of cash expenses and its requirements, internal and external audit mechanisms and consequent management actions,

26. The PIM will principally focus on safeguarding Programme resources against fraud, corruption, and misuse of assets, through detailed, strong financial controls, stringent asset management controls, thorough internal and external audit function, and detailed mechanisms for reporting of fraud and corruption and related management actions as per PFR and IFAD policies.

27. **Financial Reporting-** Regular periodic expenditure and progress reports will be submitted, at least once every quarter, to PCU, by the RCUs, line departments and VCF Management agency providing details of all revenues and expenses.

28. Since line agencies and social mobilization agency will be recipients of funds from other funding sources in the same district and field offices, special care will be exercised to keep separate accounts and a system of traceability of both receipts and expenditures. Such a system will be developed upfront by PCU under guidance from Finance Department.

29. **Financial Management Training Needs:** Various financial management, accounting and audit trainings will be covered out of "Component 3: Programme Management and Policy Supportt", are anticipated to improve Programme financial management practices, and mitigate associated risks. These trainings will include the following for PCU and DCU staff:

(1.) Financial management training to RCU staff, including enhancement of accounting and reporting skills, and trainings on IFAD Disbursement and Auditing policies and procedures; (2.) Trainings on management methods, explaining the organizational skills required to manage both at the Program Finance level and inter-body coordination skills. These trainings will particularly focus on management of service providers involved in the Programme; (3.) Trainings explaining the structure, content and methodology of accounting record to be maintained by PCU, line agencies and districts, and process of review of RCUs (including basic sampling techniques, desk reviews etc.); (4.) Basic training on software, based on envisaged extension of SAP R-3 accounting software to this Programme, or alternatively installation of a simple accounting software for the Programme accounting of IFAD funds; (5.) Training for the key audit officials at the start of Programme on mutually understood audit framework for IFI-funded Programmes. This will include training on minimum requirements of audit reports for ETI as per IFAD, including furnishing an overall assessment of the Programme fund usage; (6.) Procurement and inventory management trainings focusing on sharing common best procurement practices.

30. **Taxes-** Taxes are not envisaged to be levied on various expenditures under this loan. For all taxable items, payment of taxes is anticipated to be covered out of government/ counterpart funds. Accordingly, all categories of Schedule of loan Agreement will be titled as "__% net of taxes" in the financing description.

31. **External Audit-** FAM requires that Auditor General of Pakistan should function as SAI of Pakistan, with constitutional mandate of audit of all government monies. AGP has adopted INTOSAI Auditing Standards. These international standards require compliance with international best practices (with some gaps, which are being slowly improved upon). Accordingly, as in case of all IFIs operating in Pakistan, AGP will perform external audit of ETI, with no formal selection or appointment required.

32. As per FAM requirements, audit reports are required to be issued within 6 months from the end of fiscal year, i.e. by 31st December every year. However, historically delays have been registered in completion of audit reports and their submission to donors. For ETI, as per IFAD audit requirements and General conditions, the audit report will be submitted to IFAD within six month of financial year end. Non-compliance to the deadline will expose the Programme to suspension.

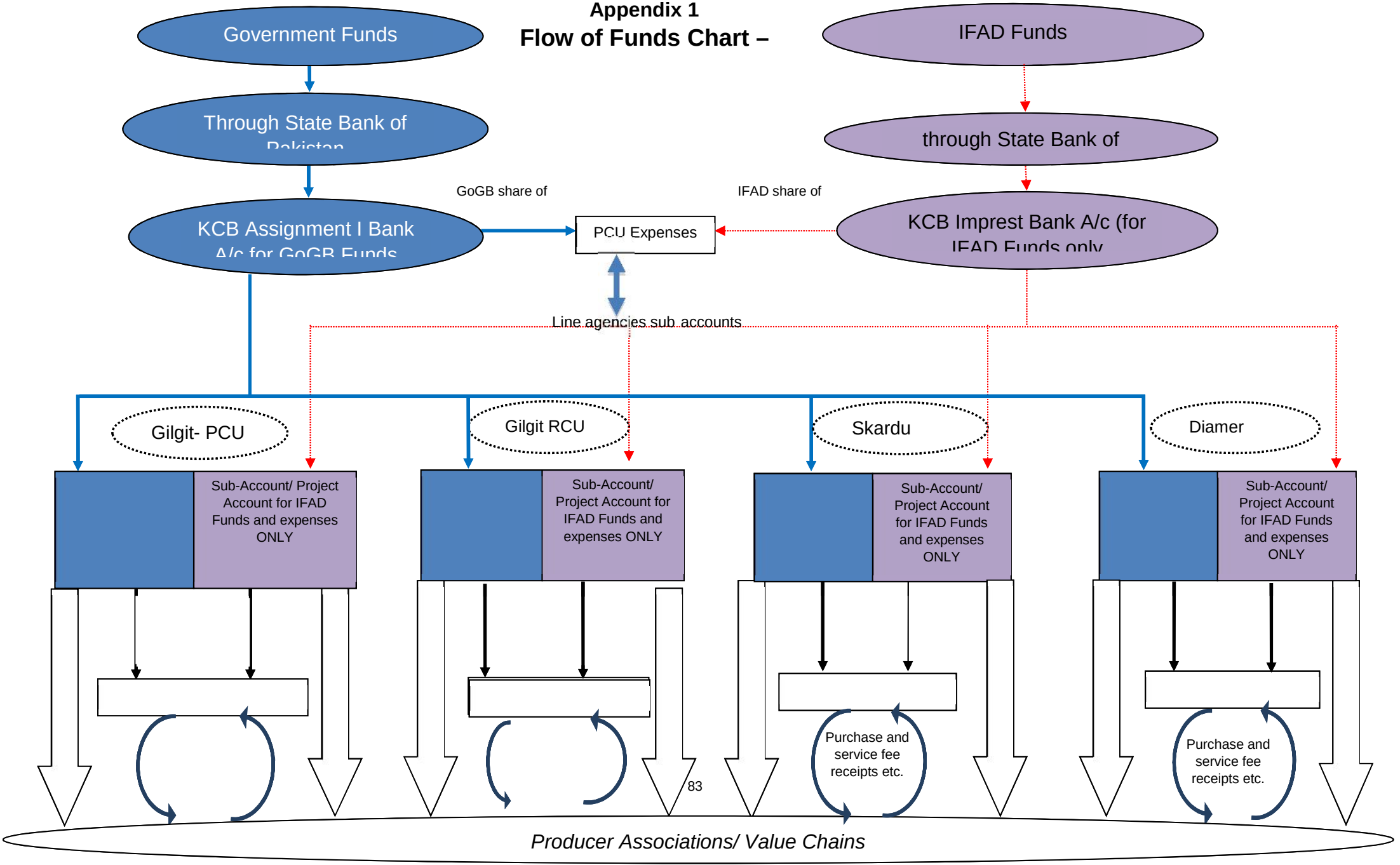
33. IFAD has observed some gaps in overall coverage and quality of ongoing IFAD-funded Programmes in Pakistan. As a lesson learnt, IFAD-designed and compliant draft TORs for audit of ETI Programme financial statements will be adopted for ETI, appended at Appendix 2.

34. Audit of SMPs and any other private sector entities managing ETI funds will be carried out by a Chartered Accountant Firm selected with the concurrence of PCU and non-objection of IFAD for audit TORs, subsequent to which auditors will be appointed within two months of loan effectiveness (for first year) and within two months from close of financial year for subsequent years. Audit report will be furnished to IFAD within six months of closure of annual accounts.

35. The Programme should note IFAD's Anti-corruption policy where zero-tolerance applies where it has determined, through an investigation performed by the Fund, the borrower or another competent entity, that fraudulent, corrupt, collusive or coercive actions have occurred in Programmes financed through its loans and grants, and it shall enforce a range of sanctions in accordance with the

provisions of applicable IFAD rules and regulations and legal instruments. ‘Zero tolerance’ means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. This policy applies to IFAD-funded activities whether supervised directly by the Fund or by a cooperating institution. The Fund will continue to improve its internal controls, including controls inherent in or pertaining to its Programme activities, so as to ensure that it is effective in preventing, detecting and investigating fraudulent, corrupt, collusive and coercive practices. The Fund shall take all possible actions to protect from reprisals individuals who help reveal corrupt practices in its Programme or grant activities and individuals or entities subject to unfair or malicious allegations.

Appendix 1
Flow of Funds Chart –



Appendix 2

Terms of Reference for an Audit of the ETI financed under IFAD Loan xxx

(Draft for guidance only, to be amended as per actual requirements of ETI, in agreement with IFAD)

The following are the terms of reference ('ToRs') on which **Programme Coordination Unit** and **AGP agree** to perform an Audit and to report in connection with the Agreement with the International Fund for Agricultural Development (IFAD) concerning **Economic Transformation Initiative, GB**. IFAD is not a party to this engagement.

1.1 Responsibilities of the Parties to the Engagement

The Programme Coordination Unit refers to the entity that executes the Programme on behalf of the borrower/recipient and that has signed the Agreement with IFAD.

- The **Programme Coordination Unit** is responsible for providing Financial Statements for the activities and services financed by the Loan and for ensuring that these Financial Statements can be properly reconciled to the **Programme Coordination Unit** records and accounts in respect of these services.
- ETI is responsible for providing Financial Statements for the services financed with the credit line derived by the Loan and for ensuring that these Financial Statements can be properly reconciled with those of the **Programme Coordination Unit**.
- The **Programme Coordination Unit** accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the **Programme Coordination Unit** providing full and free access to its staff and records and accounts.
- The **Programme Coordination Unit** will provide the auditors with all the necessary documentation to perform the assignment properly; in particular the following information will be provided to the auditors before the beginning of the assignment:
  - Programme Agreement;
  - Annual Progress Report;
  - Programme Implementation Manual;
  - Financial Management Manual;
  - Organizational charts along with names and titles of senior managers;
  - Names and qualifications of officers responsible for financial management, accounting and internal audit;
  - Description of information technology facilities and computer systems in use; and copies of the minutes of negotiations, Programme appraisal document, and annual work programme and budget, if it is available.

'**The Auditor'** refers to the Auditor who is responsible for performing the agreed-upon procedures as specified in these ToRs, and for submitting a report of factual findings to the **Programme Coordination Unit**.

The Auditor will provide:

- **A separate opinion on Programme Financial Statements (PFS)**

Minimum content of the PFS:

- Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, other donors funds and beneficiaries funds;
- Yearly and cumulative SOEs by withdrawal application and category of expenditures; and reconciliation of the Designated Account;
- A reconciliation between the amounts shown as received by the Programme and those shown as being disbursed by IFAD should be attached as an annex to the PFS. As part of that reconciliation the auditor will indicate the procedure used for disbursement (SA funds, letters

of credit, special commitments, reimbursement or direct payment) and indicate whether the expenditure is fully documented or uses the Summary of Expenditures format;
- Cumulative status of IFAD expenditures by category;
- Designated account statement-reconciliation
- A statement of comparison between actual expenditures and budget estimates
- Notes accompanying the Financial statements

- **A separate opinion on the use of the Designated Account (DA);** The auditor is also required to audit the activities of the SA/DA associated with the Programme including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance of the DA at year end. The audit should examine: (i) the eligibility of withdrawals from the DA during the period under review; (ii) the operation of the DA in accordance with the relevant financing agreement; (iii) the adequacy of internal controls within the Programme appropriate for this disbursement mechanism; and (iv) the use of correct exchange rate(s) to convert local currency expenditures to United States dollars. **A separate opinion on the use of the Programme accounts(sub accounts);** The auditor is also required to audit the activities of the Programme accounts/sub-accounts associated with the Programme including the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance of the Programme accounts/subaccounts at year end. The audit should examine: (i) the eligibility of withdrawals from the Programmes/subaccounts during the period under review; (ii) the operation of the Programme account/subaccounts in accordance with the relevant financing agreement; (iii) the adequacy of internal controls within the Programme appropriate for this disbursement mechanism;
- **A separate opinion on Withdrawal Application Statement / Statement of expenditures / Summary of Expenditures (SOEs);** the audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements, and the disbursement letter, and with reference to the Programme appraisal report for guidance when necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the PFS. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above. The auditor's opinion should deal with the adequacy of the procedures used by the Programme for preparing SOEs and should include a statement that amounts withdrawn from the Programme account on the basis of such SOEs were used for the purposes intended under the agreement.

- **A separate opinion on Financial Statements related to the use of the LAMP credit line**

Minimum content of the PFS:
- A balance sheet, recognizing financial and non-financial assets and liabilities
- An income statement;
- A cash-flow statement, annual and cumulative since Programme's inception
- Notes accompanying the Financial statements;

- **A separate management letter addressing the adequacy of the accounting and internal control systems of the Programme, including compliance with IFAD's Procurement Guidelines (check the new just approved by EB), strength of Programme's asset management function, and such other matters as IFAD may notify the Programme Coordination Unit to include in the audit.**

The auditor is requested to:
- Comment on economy, efficiency and effectiveness in the use of Programme resources;
- Comment on achievement of planned Programme results;
- Comment on legal and financial obligations and commitments of the Programme and the extent of compliance or non-compliance thereof;

- Comment on systems and procedures such as improvements in accounting, information technology or computer systems, and operations that may be under development, on which the auditor's comments are necessary to ensure effective controls;
- A specific set of comments in relation to the ETI credit line in relation to the accounting records, systems and controls that were examined during the course of the audit, achievement of the planned results of the Programme;
- Comment on other activities on which an auditor may consider it appropriate to report;
- the management letter should also include responses from the implementing agency and from ETI to the issues highlighted by the auditors;
- the auditor should report on all gaps identified in the asset management function, with recommendations thereon, including accuracy and updating of asset list/ register, review of physical verification procedures, asset coding procedures, assignment of custodians, etc.
- the auditors should review the district revolving fund activities at Programme level. This should include review of all procurements from this account and payments thereof, review all collections and their deposit in district revolving fund account from communities, and most importantly, reconciling number of reported services targets achieved (e.g. vaccinations etc.) with total collections deposited in the district revolving fund.

- **Auditors will certify** :

- Whether the PFS are drawn up in conformity with accepted accounting standards (IFRS, IPSAS, or national financial standards)
- Whether the PFS are accurate and are drawn up from the books of accounts maintained by the Programme.
- Whether the provisions of the Programme Agreement are adhered to.
- Whether Procurement has been undertaken by the Programme in accordance with applicable procurement procedures and IFAD's Procurement Guidelines
- carry out a physical verification of any significant assets purchased and confirm their existence and use for Programme purposes, and that overall asset management function of the organization is materially satisfactory
- Whether the Programme has an effective system of financial supervision or internal audit at all levels.
- Whether the expenditure claimed through SOEs are properly approved, classified and supported by adequate documentation.

- The Auditor is Auditor General of Pakistan, being SAI of Pakistan. As per Constitution of Pakistan, AGP is required to audit all public monies, including loan/ IFI funds. Therefore, no formal selection or appointment process is required for the auditors.

1.2 Subject of the Engagement

The subject of this engagement is the financial statements dated D/M/Y in connection with the Agreement for the period covering ***D/M/Y to D/M/Y***. The information, both financial and non-financial, which is subject to verification by the Auditor, is all information which makes it possible to verify that the expenditures claimed by the **Programme Coordination Unit** in Financial statements have occurred, and are accurate and eligible. Annex 1 to these ToRs contains an overview of key information about the Agreement and the services concerned.

1.3 Reason for the Engagement

The **Programme Coordination Unit** is required to submit to IFAD an Audit report produced by an external auditor **under Article IX of the General Conditions for Agricultural Development Financing**.

1.4 Engagement Type and Objective

This constitutes an engagement to perform specific agreed-upon procedures following the IFAD Guidelines on Programme Audits provided to the Auditors by the **Programme Coordination Unit** in

Annex 2 of these TOR. The objective of this audit is for the Auditor to verify that the expenditures claimed by the **Programme Coordination Unit** in the financial statements for the services covered by the Agreement have occurred ('reality'), are accurate ('exact') and eligible and to submit to the **Programme Coordination Unit** a report of factual findings with regard to the agreed-upon procedures performed. Eligibility means that expenditure have been incurred in accordance with the terms and conditions of the Agreement.

1.5 Scope of Work

1.5.1 The Auditor will undertake this engagement in accordance with these Terms of Reference and:

- in accordance with the International Standard on Audit (ISA) to perform Agreed-upon Procedures regarding Financial Information as promulgated by the IFAC;
- in compliance with the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, IFAD requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.
- in accordance with International Standards on Auditing and in line with IFAD's Guidelines for Programme Audits.

1.5.2 The Terms and Conditions of the Agreement

The Auditor verifies that the funds provided by the Agreement were spent in accordance with the terms and conditions of the Agreement.

1.5.3 Planning, procedures, documentation and evidence

The Auditor should plan the work so that effective audit can be performed. For this purpose he performs the procedures specified the IFAD Guidelines on Programme Audits and he uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor should document matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISA and these TORs.

1.6 Reporting

The report on this audit should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable the **Programme Coordination Unit** and IFAD to understand the nature and extent of the procedures performed by the Auditor. Use of the financial and audit reporting as included in Disbursement Letter is compulsory. The final audit report, identifying all ineligible expenditures, will be reported through audit report, to IFAD, within 6 months from the end of the financial year.

Attachment 1: Information about the Subject of the Audit

[The table below should be completed by the Programme Coordination Unit and be attached as Annex 1 to the Terms of Reference for use by the Auditor.]

Information about the Subject of the Audit	
Reference number and date of the Agreement	
Service agreement title	
Country	

Consultant	
Legal basis for the Agreement	
Start date of the Agreement	
End date of the Agreement	
Maximum agreement value	
Total amount of the invoice and invoice date	
Total amount invoiced to IFAD to date	
Total amount received to date by the Service Provider from Contracting Authority	
Contracting Authority	
IFAD	
Auditor	

Appendix 3 Summary of Programme Fiduciary Risk Assessment at Design

Programme Name: Economic Transformation Initiative, Gilgit-Baltistan
Implementing Entity: Planning & Development Department, GB

	Initial Assessment	Proposed Mitigation	Final Risk Assessment
Inherent Risk			
1. TI Index[88]	**27**	**-**	
2. RSP Score[89]	**-**	**-**	H/M/L
Control Risks			
1. Organization and Staffing	**H**	• Timely staff hiring and FM training • Low Staff turnover • Competent staff hired on market-competitive salaries	
2. Budgeting	**M**	• Timely preparation and submission of AWPB and Procurement Plans to IFAD,	
3. Funds flow and Disbursement Arrangements	**M**	• Timely opening of all accounts • Development of detailed accounting systems for IFAD funds • Compliance with accounting mechanisms	
4. Internal Controls	**M**	• Development of effective controls, including for cash collections from beneficiaries, fiduciary issues, timely auditing and settlement of audit issues etc. Compliance with policies and procedures/ PIM.	
5. Accounting Systems, Policies & Procedures	**M**	• Timely procurement and installation of suitable Accounting software and FM Training	
6. Reporting and Monitoring	**M**	• Development of detailed reporting systems for IFAD funds, and beneficiary contributions • Compliance with reporting mechanisms	
7. External Audit[90]	**M**	• Tailored IFAD TORs including revolving fund activities, and timely settlement of audit observations	
Programme Fiduciary Risk @ Design	**H/M/L**	**M**	**H/M/L**

Annex 8: Procurement

I. Government Procurement Procedures

1. Pakistan underwent a comprehensive assessment of its procurement system in order to upgrade it to international standards and to help it assess the level and type of changes required for achieving this objective. As a result, there have been significant improvements and assistance provided to the country by its development partners. The Pakistan Public Procurement Regulatory Authority (PPRA) was created in 2002, with the task of developing the procurement framework for the federal public sector, covering goods, works, and services. Specifically, PPRA was given the powers to recommend to the Federal Government revisions in or formulation of new laws, rules and policies with respect to public procurement, and the making of regulations, codes of ethics and procedures for public procurement. In 2004, the PPRA drafted, and the government promulgated, new procurement rules, conforming to international best practice, that apply to all procurement of goods carried out by the federal government line departments, as well as those of state-owned enterprises and semi-autonomous organizations.

2. The government's has also instituted a reform program in public financial management with the assistance of the World Bank. The technical reforms have centered on the Programme for Improved Financial Reporting and Auditing (PIFRA I and II), under which a new chart of accounts and a computerized accounting system has been developed and implemented. The timeliness and quality of financial statements and audit reports has improved, although scope for further improvement, particularly in audit methodology, remains. Public Accounts Committees (PACs) at the Federal and Provincial levels hold regular reviews of audit reports; however the capacity of PACs remains a significant issue and is being enhanced.

3. **Public sector procurement and contracting:** Public sector procurements are carried out in accordance with PPRA Rules. There are different modes of procurement depending on the cost and nature of procurement. Evaluation and approvals are also accorded by different levels depending on the size and cost of procurement. Despite number of measures of the last few years, public sector procurements most often remain a subject of controversy in all larger transactions. Systemic weaknesses include the lack of a standardised procurement regime (sets of clear, transparent rules and legislation) as well as the absence of procurement expertise in the government. Most large government entities that carry out billions of rupees worth of procurement of goods and services have no specialized personnel or wings for procurements and mostly the executive officers also act as procurement and approval officers.

II. Procurement in ETI:

4. The Procurements under ETI would be made in accordance with IFAD Procurement Guidelines (2004) and any national/local directive, regulation or process that is contrary to IFAD Guidelines shall be of no consequence as far as the Programme financed procurement is concerned. The Programme would use different procurement processes like single source selection, direct contracting or national competitive bidding or international competitive bidding depending on the type, urgency and size of the procurement. The implementing partners\co-financiers would also procure goods and services, delegated to them, for the Programme following IFAD Procurement Guidelines. A consolidated annual procurement plan will be prepared at PCU level based on the annual work plan and budget (AWPB). However the 1st procurement plan will be prepared for 18 months of the Programme. The procurement methods to be used are the following:

a) For vehicles, goods, office equipment and publication of materials: (i) for contracts estimated to cost more than USD 100,000 (or equivalent),– national competitive bidding; (ii) for contracts estimated to cost more than USD 5,000 but less than USD 100,000 (or equivalent) – national

shopping, requiring quotations from at least three reputable suppliers; and (iii) for contracts valued below USD 5,000 (or equivalent) - direct contracting.

b) For technical assistance, workshops, training and studies – quality based selection or single-source selection The contracts valued at USD 100,000 or more would be subject to national competitive bidding, and for such contracts all documents on bidding, evaluation and contract award would be submitted to IFAD for prior review and provision of 'no objection'. Contracts valued at less than USD 100,000 would be subject to post review during supervision missions; however, PCU would submit two copies of the signed contract to IFAD, together with the analysis of the respective bids and the recommendations for award, immediately after contract signature.

5. In accordance with the IFAD Procurement Handbook, International Competitive Bidding will be the mandatory method of procurement for contracts above the following value:

- Goods: Above USD 200,000
- Works: Above USD 1,000,000
- Services: Above USD 100,000

6. **Review of Procurement by IFAD:** Award of any contract costing USD 100,000 or equivalent or more shall be subject to prior review by the Fund. However, this threshold may be modified by the Fund during the course of Programme implementation.

1. **Contracts Register:** PCU, and all implementing agencies dealing with procurement of goods and services under ETI, shall maintain a Contracts Register. All contracts, whether requiring IFAD prior approval or not, shall be listed in the Register of Contracts with the dates of approval. Two conformed copies of each and all awarded contracts to be financed – in part or in full – from the proceeds of the financing must be submitted to IFAD. A record of the contracts awarded within a calendar month must be submitted to IFAD using a duly completed Form C-10. All records of amendments will also be maintained according to the prescribed procedure as well as all required forms to be submitted with each WA for which payments against the contract are being made.

III. Governance Management Framework

7. The governance management framework for the ETI-GB is guided by Programme's financial arrangement, implementation approach, structure of components and implementing partners. There is a strong commitment and ownership by the Government of GB to Programme outcomes and impact, as reflected in their higher than usual scale of counterpart financing. There is a strong personal interest of the government that all goods and services in ETI are competitively procured and efficiently used. A high level Programme Steering Committee will meet on a regular basis to provide overall guidance and facilitate Programme implementation. A Programme Coordination Unit will be put in place with an experienced and qualified Programme Coordinator to manage Programme activities. A Technical Assistance Team will be engaged to provide ongoing support to the PCU in Value Chain development and related management and governance aspects. Three Regional Coordination Units will be established in Diamer, Gilgit and Skardu to effectively manage, coordinate and monitor all Programme interventions in their respective divisions.

8. The ETI-GB will be supported by implementation partners with whom performance based contracts will be negotiated. In addition, farmer organizations valley level organizations will be the key partners in delivery of most of infrastructure and economic services and will ensure Programme resources are used on the basis of priorities which are identified by them through transparent and accountable procedures. The active participation of farmer organizations in procurement, participatory monitoring and oversight in key areas of procurement and implementation will add a further layer of risk mitigation and good governance.

9. Tendering/contracting of roads and other civil works is considered as one of the subjects significantly marred with corrupt practices**.** A number of steps like prequalification of capable contractors, consulting services for design, cost estimates, bidding documents and construction will be included in Programme Implementation Manual to ensure independent oversight of the entire process. All tender evaluations, engagement of services providers and recruitment of staff would be carried out through high level committees consisting of different stakeholders to ensure transparency and accountability.

IV. Component Specific Procurements

10. **Irrigation Development:** Selection of barren lands will be done by the Programme Selection Committee on the basis of defined criteria reflecting beneficiaries, number of HHs, size of land piece per HH, accessibility to the KKH\Valley roads and the markets. The results of the feasibility study will be shared with the communities and technical departments. Scheme parameters, costs and mutual responsibilities will be upfront agreed with the communities and will form basis for formal agreements. Basic principles would be: execution of the scheme by the beneficiary community under supervision of OFWM; 100% payment of cost for all scheme related works to Scheme Management Committee; recovery of 50% of the cost from beneficiaries over three cropping seasons and deposit of recovered amount in a joint account of Village Producers Association and PCU nominated entity; use of these funds for community identified social infrastructure or in support of value chain infrastructure or inputs. Fund transfer to community will be in tranches and as per scheme quality and progress. The SMT will run the management of the scheme\land development and the cost recovery in coordination with the Social Mobilization Partner, OFWM and PCU. There will be no rehabilitation of existing irrigation channels however extension of existing channels to expand irrigation to new area, subject to feasibility, would be permissible.

11. Land levelling of new irrigated land will be done by community itself and Programme will pay US$ 100 per acre for that. Any machinery or blasting materials will be procured by community with assistance from SMP staff.

12. **Farm to Market Roads:** Selection of roads will be directly linked to development of new irrigated land and promotion of value chains and will be done by PCU based selection committee and PWD on the basis of Programme specified criteria. All roads will be upgrading of existing pony tracks to jeep able roads (40% of target) and upgrading of jeep able roads to truck able roads (60% of target). All roads will be shingle compacted roads. Services of a competent consulting firm will be engaged by PCU, in association with PWD, for provision of services including design, cost-estimates, bidding documents, tendering and contract supervision. The firm will be selected on the basis of competitive bidding following IFAD procurement guidelines. A selection committee will be notified for the purpose in terms of principles enunciated in this Appendix.

13. Equipment for the capacity building of PWD will be procured by PCU on the basis of specifications and quantities specified in PDR and agreed between PCU and PWD. The bidding process for such procurement will be overseen by the procurement committee constituted for the purpose.

14. **Community Physical Infrastructure** Programme will not finance any community level physical infrastructure. All such infrastructure needs will be identified during the initial organization process of Village Producer Groups and the VPG may subsequently finance such infrastructure with the amounts recovered from members against irrigation infrastructure development. Based on agreed priorities and terms and conditions, feasibility studies will be conducted by SMP or PCU Field Engineers and Social Organizers. Social mobilization partners and the COs\VOs will jointly manage implementation of the CPI. CO\VO Programme committee will be wholly responsible for the construction and financial management under the guidance and technical supervision of the SMP.

15. **Support Services/PPPP for Value Chain Development**: component is aimed at providing a comprehensive solution for the current value chain development constraints from farmer field to end

client. The component will address pre- and post-harvest issues of farmers/producers, aggregation, grading, packaging and storage, public sector extension and research services support, local value addition and processing industry development, transport and market linkages. The key procurements under the component could be:

- A baseline survey to establish socio-economic wellbeing benchmarks and identification of main production areas of target crops and products to select the most promising areas; Baseline survey will be carried out by a consulting firm selected through competitive process by IFAD Country Office (as the Programme would not be in existence at that point in time)
- Engagement of a Value Chain Technical Assistance Team will be through invitation of applications against long term posts' Selection will be done as per Government guidelines for senior level positions.
- Establishment of local auction platforms and valley-based aerated storage and sorting facilities will be Valley Producer Association led activities and financed through matching grant mechanism. Programme VCTAT will provide the technical support to VPAs in this regard including cost estimation and basic designs.
- Promotion of contracts based supplier-buyer relationships between FOs, local entrepreneurs and down-country clients (corporate and others) as primary criteria to develop product value chains and eligibility for access to Value Chain Support Fund. Programme will facilitate such linkages and contracts and will have no direct role in execution of any of the activities involved in such contracts.
- Results based MOUs with public sector extension and research service providers to provide required support to FOs; sustainable provision of services financed through rules based revolving funds operating on full cost recovery principle. PCU will prepare and sign these MOUs duly endorsed by the Steering Committee.

16. Farmer Entrepreneurial\Technical\Vocational Training: all such training will have to be directly relevant to the value chain in that particular valley/village. PCU and VCTAT will identify suitable training providers for such training and obtain rates on competitive basis for both in-situ and institution based trainings.

17. **Capacity Building and Policy Support:** This will involve procurement of advisory services for policy formulation and regulation development. Selection will be done by PCU, in collaboration with concerned Government Agency, through competitive process and clearly spelled TOR and deliverables. Other main procurement will be for the equipment and furniture etc. of PCU, DCUs and line departments. Such procurements will be packaged for greater efficiencies and attracting capable suppliers and procurement will be led by PCU through a Committee involving PCU and all concerned agencies. The procurement will be on competitive basis through NCB/ICB procedures depending on cost of procurement.

V. Additional Instruments to Ensure Transparency and Procurement Efficiency

18. **Annual Work Plan and Budget and Procurement Plans:** The Annual Work Plan and Budget (AWPB) is a powerful tool in the management of expenditure. Any expenditure incurred, found by auditors or supervision missions, without provision in the AWPB will be declared ineligible for IFAD financing unless prior approval has been obtained. Budget discipline will have to be enforced and in this regard, the accounting package to be installed at PCU will have an electronic control system which essentially means that the package will have budget control features and this will block any expenditure without provision in the AWPB and payment vouchers will have to be electronically generated from this package, ensuring to cover all fields on standard Government Voucher forms. There are many 'off the shelf' packages that have these features and easily available in the market and user-friendly for operation.

Summary on how the AWPB will be used to guard against financial abuse and corrupt practices:

(i) Participatory and transparent planning processes, ensuring that financial provisions, and choice of landing sites are known to all stakeholders especially the Community Organizations;
(ii) Scrutiny by IFAD via Approval and No Objection to ensure provisions in the AWPB are reasonable;
(iii) Budget Discipline will be enforced through a simple-off the shelf-accounting package installed at the PCU. This will prevent any expenditure being incurred unless it has specific individual budget-line in the AWPB.
(iv) Detailed Budget Actual reviews going up to individual budget-line items will be an integral aspect of Management accounts and M/E reports.

19. A Procurement Cell in PCU, headed by Procurement Manager, will be responsible for preparing annual procurement plans on the basis of AWP/B. The first Procurement Plan of the Programme will be for 18 months. Procurement Manager will be the convener and secretary of all Procurement Committees constituted in the Programme for various procurements and will ensure that all procurements are carried out in accordance with the approved Programme budgets and IFAD Procurement Guidelines.

20. Procurement Committee (s): To ensure strict compliance with IFAD Programme Procurement Guidelines and other procurement best practices, a procurement committee will be formed for all procurements of PCU and DCUs, including competitive selection of service providers. The committees will ensure compliance of all pertinent requirements of IFAD Programme Procurement Guidelines, and PPR 2009 (where applicable). For procurements carried out by PCU, this committee will comprise of the following:

- Programme Coordinator (for procurements exceeding USD100,000);
- Manager Procurement, PCU
- Director Finance PCU
- A Director from the relevant implementing agency for whom procurements are meant

21. Detailed Procurement Committee TORs will be included in PIM, which will include review, approval, compliance and other responsibilities. The initial procurement of vehicles and equipment and furniture/furnishing for PCU and RCUs, and all other procurements in general, will be packaged in a single lot wherever possible and practical. Breaking of procurements will not be permissible unless with cogent reasons. Programme procurements will follow loan agreement stipulations and Programme phasing and shall require only PSC approvals and IFAD prior reviews and shall not be subject to any other restrictions and reviews.

22. **Audit of Programme Accounts:** All accounts including the Designated Account and statements of expenditures for each Fiscal Year will be audited by the Auditor General or if deemed necessary, by independent auditors selected by the Auditor General and acceptable to IFAD in accordance with International Standards on Auditing (ISAs). The Financial Statements will comply with International Public Sector Accounting Standards (IPSAS) Cash Basis. The Government will deliver a copy of the audit report together with the management letter and responses to IFAD within 6 months of the end of the fiscal year. The Programme will be audited based on consolidated financial statements bringing together the costs incurred in all the Programme districts.

23. **IFAD Anti-corruption Policy:** PCU and Supervision Missions will disseminate IFAD Anti-corruption Policy among all partners and agencies. This 2005 Policy of IFAD Executive Board establishes a *zero-tolerance* towards fraud and corruption in IFAD-funded operations in the field. The Policy requires that all significant allegations involving corruption and mal-governance will be investigated and appropriate sanctions will be applied where allegations are substantiated.

Annex 9: Programme cost and financing

A. Main Assumptions and Costs Estimations

1. This Appendix describes the assumptions underlying the derivation of the Programme costs and financing plan and presents the basis and details of the estimated Programme costs. The main assumption made in the estimation of costs are highlighted below;

- **Inflation and physical contingency:** The inflation rate in Pakistan during 2014 ranged between 6% to 9% in various months[91]. The same is taken as 7% within project years. The costs are indicated in constant USD terms with an inflation of 1% per annum. The costs taken include physical contingencies if any.

- **Exchange Rate:** The prevailing exchange rate was Rs 102.5 = US$1 in November 2014 which is expected to remain at this level by the Programme negotiation time.

- **Taxes and Duties:** The tax rate collected by the Government varies from item to item. A General sales tax of 17% is applicable on most items. The average tax on vehicles is about 45%. The taxes where ever applicable are included in the cost. All taxes are considered as Government contribution.

B. Programme Costs

2. The Programme will have three components: i) Economic Infrastructure comprising of: Irrigation and Land Development, and Farm to Market roads, ii) Support Services/PPPP for Value Chain Development, and iii) Programme management. The Programme cost has been calculated using CosTab for all the components/ sub-components and are given as Appendix Tables. A summary of the Programme costs in Table 1 below shows that the baseline cost will be USD 101.02 million (Rs 10,355 million). The cost including taxes will amount to USD 120.15 million. The component wise share in the baseline cost is 61% for Economic Infrastructure, 31% for Support services/PPPP, and 8% for Programme management.

[91] Statistics & DWH Department, State Bank of Pakistan, October 2014.

Economic Transformation Initiative Gllgit-Baltistan (ETI)

Components Project Cost Summary

	(Pak Rs '000)					(US$ Million)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Economic Infrastructure										
1. Irrigation & Land Development	4,112,473	434,811	4,547,284	10	44	40.12	4.24	44.36	10	44
2. Farm to Market roads	1,576,450	174,506	1,750,956	10	17	15.38	1.70	17.08	10	17
Subtotal Economic Infrastructure	5,688,923	609,317	6,298,241	10	61	55.50	5.94	61.45	10	61
B. Support Services/PPPP for Value chain Development										
1. Vaue Chain Fund	1,986,966	92,570	2,079,535	4	20	19.39	0.90	20.29	4	20
2. Social Mobilization	398,893	12,337	411,230	3	4	3.89	0.12	4.01	3	4
3. Agri Extension	210,673	7,580	218,253	3	2	2.06	0.07	2.13	3	2
4. Agri Research	262,382	13,415	275,797	5	3	2.56	0.13	2.69	5	3
5. Land Titling & Record system	214,861	3,208	218,069	1	2	2.10	0.03	2.13	1	2
Subtotal Support Services/PPPP for	3,073,774	129,110	3,202,884	4	31	29.99	1.26	31.25	4	31
C. Programme Coordination Unit	830,692	22,733	853,425	3	8	8.10	0.22	8.33	3	8
Total BASELINE COSTS	9,593,389	761,161	10,354,550	7	100	93.59	7.43	101.02	7	100
Physical Contingencies	297,229	30,028	327,256	9	3	2.90	0.29	3.19	9	3
Price Contingencies	2,118,263	56,082	2,174,346	3	21	15.74	0.20	15.94	1	16
Total PROJECT COSTS	12,008,881	847,271	12,856,152	7	124	112.23	7.92	120.15	7	119

C. Expenditure Categories

For ease of operation while working out ratios of Govt. and IFAD contribution to different components of the program, IFAD loan categories have been kept in view. The ratio of Govt: IFAD contribution in each type of Expenditure category has been fixed in a manner so as to facilitate preparation/ processing of Withdrawal applications during implementation. Following ratios have been used for various loan categories to differentiate Govt and IFAD contribution:

Table 2: Govt : IFAD share by category

Category	IFAD	Govt	Beneficiaries	Financial gap
Civil works*	34%	21%	10%	36%
Equipment & materials	83%	17%		
Trainings	70%	30%		
Vehicles	45%	55%		
Grants & Subsidies	100%	0%		
Consultancy services	75%	25%		
Technical Assistance	70%	30%		
Salaries & allowances	70%	30%		
Operating costs	70%	30%		
Overall	54.3%	19.7%	5.4%	20.6%
100 = million $	*65.24*	*23.63*	*6.54*	*24.74*

*- Land cost included in Civil works

D. Programme Disbursement by Financier

3. The Programme financing sources will include IFAD, Government of Gilgit-Baltistan, and the beneficiaries. IFAD will provide USD 65.24 million as a loan. This will meet 75.0% of the total cost of the Programme. The terms of the IFAD loan to the Islamic Republic of Pakistan will be using IFAD's highly concessional loan terms: *0.75% service charge over 40 years with 10 years grace period.*

The Government of Gilgit-Baltistan will contribute part of the cost of staff for Economic Infrastructure, and other components. All taxes and duties on various items will be borne by the Government. It is expected that the overall contribution of the Government will be USD 23.63 million or 19.7% of the Programme cost. The share of Beneficiaries will be 5.4% to the total cost.

Economic Transformation Initia													
Disbursement Accounts by												**Local**	
(US$ Million)	**IFAD**		**The Government**		**Beneficiaries**		**Financial gap**		**Total**		**For.**	**(Excl.**	**Duties &**
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Exch.**	**Taxes)**	**Taxes**
1. Civil works	23.58	34.1	14.26	20.6	6.54	9.5	24.74	35.8	69.12	57.5	6.25	52.14	10.73
2. Equipment & Materials	0.52	83.0	0.11	17.0	-	-	-	-	0.63	0.5	0.06	0.46	0.11
3. Trainings	5.05	70.0	2.17	30.0	-	-	-	-	7.22	6.0	0.20	7.02	-
4. Vehicles	0.34	45.0	0.42	55.0	-	-	-	-	0.76	0.6	0.38	0.04	0.34
5. Grants & Subsidies	20.10	100.0	-0.00	-0.0	-	-	-	-	20.10	16.7	0.89	19.21	-
6. Consultancy	0.27	75.0	0.09	25.0	-	-	-	-	0.36	0.3	0.01	0.31	0.04
7. Technical Assistance	1.31	70.0	0.56	30.0	-	-	-	-	1.87	1.6	0.02	1.85	-
8. Salaries & Allowances	8.94	70.0	3.83	30.0	-	-	-	-	12.77	10.6	0.11	12.67	-
9. Operating costs	5.12	70.0	2.19	30.0	-	-	-	-	7.32	6.1	-	6.07	1.24
Total PROJECT COSTS	65.24	54.3	23.63	19.7	6.54	5.4	24.74	20.6	120.15	100.0	7.92	99.77	12.46

Programme Components by Year

4. Year-wise phasing given below shows that 9% of Programme cost will be incurred in the first year (in 2015) followed by 20% in year 2, 24% in year 3, and 25.5% in year 4. The cost in 5th year of implementation will be 12% followed by 6% in year 6 and 3% in last year of implementation.

	Pakistan							
	Economic Transformation Initiative Gilgit-Baltistan (ETI)							
	Project Components by Year -- Totals Including Contingencies							
	(US$ Million)							
	Totals Including Contingencies							
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
A. Economic Infrastructure								
1. Irrigation & Land Development	3.35	11.99	16.11	16.91	1.71	1.82	0.49	52.38
2. Farm to Market roads	0.87	4.77	4.63	5.02	5.12	0.12	0.13	20.66
Subtotal Economic Infrastructure	4.22	16.76	20.73	21.93	6.83	1.94	0.62	73.04
B. Support Services/PPPP for Value chain Development								
1. Vaue Chain Fund	2.49	4.20	4.85	5.33	3.98	2.39	0.54	23.78
2. Social Mobilization	0.54	0.94	0.98	1.03	1.01	0.18	0.01	4.70
3. Agri Extension	0.49	0.37	0.35	0.35	0.37	0.32	0.35	2.59
4. Agri Research	0.78	0.44	0.49	0.38	0.41	0.35	0.37	3.22
5. Land Titling & Record system	0.48	0.32	0.31	0.33	0.36	0.38	0.41	2.59
Subtotal Support Services/PPPP for Valu	4.78	6.27	6.98	7.43	6.12	3.63	1.67	36.88
C. Programme Coordination Unit	1.65	1.26	1.35	1.31	1.47	1.50	1.69	10.23
Total PROJECT COSTS	10.64	24.29	29.06	30.67	14.43	7.07	3.98	120.15
Percent of total	8.9%	20.2%	24.2%	25.5%	12.0%	5.9%	3.3%	100.0%

Appendix 1 Table for Components/ Sub-components

Economic Transformation Initiative Gilgit-Baltista																			Parameters (in %)		
Table 1.1. Irrigation & Land Development																			Phy.		
Detailed Costs		**Quantities**								**Unit Cost**	**Base Cost (US$ Million)**								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																					
A. Works																					
1. Design & Supervision Consultancy																					
Mapping of Cultivable lands through GIS	LS	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	5.0	0.0	0.0
Design & Supervision Cosultancy /a	schemes	5	-	-	-	-	-	-	5	10,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Lift Irrigation pilots	No	2	2	3	-	-	-	-	7	50,000	0.10	0.10	0.15	-	-	-	-	0.35	5.0	10.0	17.0
Provincial Water Policy & O&M Regulatic	LS	0.5	0.5	-	-	-	-	-	1	100,000	0.05	0.05	-	-	-	-	-	0.10	5.0	10.0	17.0
Subtotal Design & Supervision Consu											0.20	0.15	0.15	-	-	-	-	0.50			
2. Construction																					
Construction/ Rehab. of channels	acres	2,500	12,500	17,500	17,500	-	-	-	50,000	570	1.43	7.13	9.98	9.98	-	-	-	28.50	5.0	10.0	17.0
Land levelling/ De-stoning etc	acres	-	10,000	10,000	10,000	10,000	10,000	-	50,000	100	-	1.00	1.00	1.00	1.00	1.00	-	5.00	0.0	10.0	0.0
Cost of land /b	acres	19	56	56	56	-	-	-	187	40,000	0.76	2.24	2.24	2.24	-	-	-	7.48	5.0	10.0	17.0
Subtotal Construction											2.19	10.37	13.22	13.22	1.00	1.00	-	40.98			
Subtotal Works											2.39	10.52	13.37	13.22	1.00	1.00	-	41.48			
B. Equipment & Materials /c																					
Desktop Computer w ith Printer	No	5	-	-	-	-	-	-	5	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laptops/ Note Books	No	5	-	-	-	-	-	-	5	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Multimedia projector	No	5	-	-	-	-	-	-	5	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital Cameras	No	5	-	-	-	-	-	-	5	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Subtotal Equipment & Materials											0.01	-	-	-	-	-	-	0.01			
C. Vehicles for WMD																					
Pick up 2500 CC	No	4	-	-	-	-	-	-	4	22,000	0.09	-	-	-	-	-	-	0.09	5.0	50.0	45.0
Car 1300 CC	No	1	-	-	-	-	-	-	1	23,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Motorcycles 125 CC	No	10	-	-	-	-	-	-	10	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles for WMD											0.12	-	-	-	-	-	-	0.12			
D. Trainings																					
Youth Construction teams /d	groups	40	-	-	-	-	-	-	40	8,500	0.34	-	-	-	-	-	-	0.34	5.0	3.0	0.0
Farmer training in Scheme construction /e	groups	12	22	22	22	22	-	-	100	200	0.00	0.00	0.00	0.00	0.00	-	-	0.02	5.0	3.0	0.0
Staff training	N0	30	30	30	-	-	-	-	90	1,000	0.03	0.03	0.03	-	-	-	-	0.09	5.0	3.0	0.0
Subtotal Trainings											0.37	0.03	0.03	0.00	0.00	-	-	0.45			
Total Investment Costs											2.90	10.55	13.40	13.22	1.00	1.00	-	42.07			
II. Recurrent Costs																					
A. Salaries & Allowances																					
Deputy Director Irrigation -BS-18	years	1	1	1	1	1	1	1	7	10,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.08	0.0	1.0	0.0
Assistant Director Finance/Admin (BS-17)	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Design Engineer (BS-17)	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Assistant Engineer -BS-17	years	5	5	5	5	5	5	5	35	8,400	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Assistant Accounts Officer -BS-17	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Computer Operator (BS-16)	years	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Assistant (BS-14)	years	5	5	5	5	5	5	5	35	5,400	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.19	0.0	1.0	0.0
Sub-Engineer -BS-11	years	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.0	1.0	0.0
Assistant Quantity Surveyor -BS-11	years	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.0	1.0	0.0
Drivers	years	5	5	5	5	5	5	5	35	1,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Rodman -BS-2	years	5	5	5	5	5	5	5	35	2,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.09	0.0	1.0	0.0
Naib Qasid/ Chow kidar -BS-1	years	5	5	5	5	5	5	5	35	1,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
TA/DA /f	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Subtotal Salaries & Allowances											0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.72			
B. Operating costs																					
POL & Vehicle O&M /g	No	5	5	5	5	5	5	5	35	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	5.0	0.0	17.0
Equipment & O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office Supplies	offices	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office running cost	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Subtotal Operating costs											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.58			
Total Recurrent Costs											0.33	0.33	0.33	0.33	0.33	0.33	0.33	2.30			
Total											3.22	10.88	13.73	13.55	1.33	1.33	0.33	44.36			

\a Consultancy for initial 5 schemes to establish design, quality, process & material parameters for WMD
\b 5.47 km per channel, 10 ft w ide, @ Rs 4 million per acre
\c for Head office & 4 Field offices
\d Training & equipment for land levelling & scheme construction, each group of 10 youth
\e 10 member Scheme management group for each scheme
\f includes vehicle POL, O&M, Utilities & Office consumables
\g inclues POL for Motor cycles

Economic Transformation Initiative Gilgit-Baltistan (ETI)																				Parameters (in %)		
Table 1.2. Farm to Market roads																				Phy.		
Detailed Costs					**Quantities**					**Unit Cost**				**Base Cost (US$ Million)**						**Cont.**	**For.**	**Gross**
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																						
A. Works																						
1. Design & Supervision Consultancy																						
GIS Mapping & Baseline Survey /a	Nil	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	5.0	0.0	0.0
Consultancy for Survey Design & Supervision	Km	100	100	100	100	-	-	-	400	1,650	0.17	0.17	0.17	0.17	-	-	-	0.66	5.0	10.0	17.0
Provincial Road Master Plan & O&M Policy	.000 LS	0.5	0.5	-	-	-	-	-	1	800/LS	0.40	0.40	-	-	-	-	-	0.80	5.0	10.0	17.0
Subtotal Design & Supervision Consultancy											0.57	0.57	0.17	0.17	-	-	-	1.46			
2. Construction																						
Construction of existing Jeepable roads to Truc	km	-	60	60	60	60	-	-	240	32,000	-	1.92	1.92	1.92	1.92	-	-	7.68	5.0	10.0	17.0
Construction of existing tracks to Jeepable roa	km	-	40	40	40	40	-	-	160	31,000	-	1.24	1.24	1.24	1.24	-	-	4.96	5.0	10.0	17.0
Construction of Bridges /b	meters	-	50	50	60	60	-	-	220	10,000	-	0.50	0.50	0.60	0.60	-	-	2.20	5.0	10.0	17.0
Subtotal Construction											-	3.66	3.66	3.76	3.76	-	-	14.84			
Subtotal Works											0.57	4.23	3.83	3.93	3.76	-	-	16.30			
B. Equipment & Materials																						
1. Office Equipment & Materials /c	LS	1	-	-	-	-	-	-	1	75,000	0.08	-	-	-	-	-	-	0.08	5.0	10.0	17.0
C. Vehicles																						
Single Cabin 2500 CC	No	5	-	-	-	-	-	-	5	22,000	0.11	-	-	-	-	-	-	0.11	5.0	50.0	45.0
Road Maintenance Machinery Pool	LS	-	-	1	-	-	-	-	1	20,000	-	-	0.02	-	-	-	-	0.02	5.0	50.0	45.0
Subtotal Vehicles											0.11	-	0.02	-	-	-	-	0.13			
Total Investment Costs											0.75	4.23	3.85	3.93	3.76	-	-	16.51			
II. Recurrent Costs																						
A. Operating costs																						
Vehicle O&M	No	5	5	5	5	5	5	5	35	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	5.0	0.0	17.0
Equipment & O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office Supplies	offices	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office running cost	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Total Recurrent Costs											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.58			
Total											0.83	4.31	3.93	4.01	3.84	0.08	0.08	17.08			

\a to be conducted prior to Project start through a separate Grant
\b 22 sq. meter wide each Bridge
\c Survey & Office equipment including field offices

Economic Transformation Initiative Gllgit-Baltistan (ETI)																		
Table 2.1. Value Chains																		
Detailed Costs					**Quantities**				**Unit Cost**				**Base Cost (US$ Million)**					
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
I. Investment Costs																		
A. Grants & Subsidies - Value Chain Fund																		
1. On-Farm Grants /a	No	250	600	600	600	600	300	-	2,950	2,500	0.63	1.50	1.50	1.50	1.50	0.75	-	7.38
2. Off-farm Grants /b	No	50	100	100	100	75	75	-	500	5,000	0.25	0.50	0.50	0.50	0.38	0.38	-	2.50
3. Trade Promotion Grants /c	No	25	50	50	50	50	50	-	275	5,000	0.13	0.25	0.25	0.25	0.25	0.25	-	1.38
4. Service improvement Grants /d	No	10	15	15	15	15	15	15	100	5,000	0.05	0.08	0.08	0.08	0.08	0.08	0.08	0.50
5. Non-Farm Grants																		
for packaging, transport, input supply, seeds, etc	No	2	5	10	15	8	-	-	40	30,000	0.06	0.15	0.30	0.45	0.24	-	-	1.20
for Dairy, Fruits (Cherry, Nuts), Apiculture etc. /e	No	5	10	15	10	5	-	-	45	25,000	0.13	0.25	0.38	0.25	0.13	-	-	1.13
Innovative initiatives by farmers & Enterpreneurer	No	5	10	10	10	10	-	-	45	15,000	0.08	0.15	0.15	0.15	0.15	-	-	0.68
Collecting/ Branding/ Sorting Centres /g	No	3	3	3	3	-	-	-	12	75,000	0.53	0.53	0.53	0.53	-	-	-	2.10
Miscellaneous /h	LS	1	-	-	-	-	-	-	1	50,000	0.05	-	-	-	-	-	-	0.05
Subtotal Non-Farm Grants											0.84	1.08	1.35	1.38	0.52	-	-	5.15
Subtotal Grants & Subsidies - Value Chain Fund											1.89	3.40	3.68	3.70	2.72	1.45	0.08	16.90
B. Equipment & Materials																		
Furniture & Fixture	Sets	1	-	-	-	-	-	-	1	15,000	0.02	-	-	-	-	-	-	0.02
Desktop Computers w ith printers	No	2	-	-	-	-	-	-	2	800	0.00	-	-	-	-	-	-	0.00
Notebooks	No	4	-	-	-	-	-	-	4	700	0.00	-	-	-	-	-	-	0.00
Digital camera	No	1	-	-	-	-	-	-	1	500	0.00	-	-	-	-	-	-	0.00
Air Conditioner	No	3	-	-	-	-	-	-	3	750	0.00	-	-	-	-	-	-	0.00
Misc.	LS	1	-	-	-	-	-	-	1	3,000	0.00	-	-	-	-	-	-	0.00
Subtotal Equipment & Materials											0.03	-	-	-	-	-	-	0.03
C. Vehicles																		
vehicles - double cabin	No	2	-	-	-	-	-	-	2	39,000	0.08	-	-	-	-	-	-	0.08
Cars- 1000 CC	No	2	-	-	-	-	-	-	2	13,000	0.03	-	-	-	-	-	-	0.03
Subtotal Vehicles											0.10	-	-	-	-	-	-	0.10
D. Trainings																		
1. Trainings																		
Trainer for VC staff and VC stake holder represer	month	1	1	-	1	-	-	-	3	10,000	0.01	0.01	-	0.01	-	-	-	0.03
Trainer for VC staff and VC stake holder represer	month	1	1	1	1	1	1	1	7	1,500	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Training of Trainers /i	persons	50	125	125	125	-	-	-	425	1,000	0.05	0.13	0.13	0.13	-	-	-	0.43
Training of Farmers in Value Chain /j	farmers	1,000	4,500	10,500	19,000	-	-	-	35,000	10	0.01	0.05	0.11	0.19	-	-	-	0.35
Exposure visits for farmers /k	persons	-	10	10	10	10	-	-	40	5,000	-	0.05	0.05	0.05	0.05	-	-	0.20
Value Chain Appraisal Panel Meetings	No	5	5	5	5	5	-	-	25	6,000	0.03	0.03	0.03	0.03	0.03	-	-	0.15
Subtotal Trainings					104						0.10	0.26	0.31	0.41	0.08	0.00	0.00	1.17
Total Investment Costs											2.12	3.66	3.99	4.11	2.80	1.45	0.08	18.19

Table 2.1. Value Chains - continued

	Unit	Quantities 2015	2016	2017	2018	2019	2020	2021	Total	Unit Cost (US$)	Base Cost (US$ Million) 2015	2016	2017	2018	2019	2020	2021	Total
II. Recurrent Costs																		
A. Salaries & Allowances																		
1. Value Chain staff																		
Technical Lead	No	1	1	1	1	1	1	1	7	42,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29
Value Chain Specialist	No	4	4	4	4	4	4	4	28	27,000	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.76
Capacity Building/ Gender Specialist	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02
Market Information Specialist	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02
Consultant for VC analysis	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02
Implementation Trainer for Value Chains	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02
Technical Experts for VC - short terms /l	months	10	10	10	10	10	10	10	70	2,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14
Financial Analyst	No	2	2	2	2	2	2	2	14	18,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25
Assistant Contract Manager	No	1	-	-	-	-	-	-	1	12,000	0.01	-	-	-	-	-	-	0.01
Grant Support Fund Specialist	months	6	-	-	-	-	-	-	6	1,000	0.01	-	-	-	-	-	-	0.01
Grant Product designer	No	1	-	-	-	-	-	-	1	12,000	0.01	-	-	-	-	-	-	0.01
Subtotal Value Chain staff											0.31	0.21	0.21	0.21	0.21	0.21	0.21	1.54
B. Operating costs																		
Vehicle O&M /m	No	4	4	4	4	4	4	4	28	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11
Equipment & O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11
Consumables/ Office Supplies	offices	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12
Office running cost	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21
Subtotal Operating costs											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.55
Total Recurrent Costs											0.39	0.28	0.28	0.28	0.28	0.28	0.28	2.09
Total											2.50	3.95	4.27	4.39	3.08	1.74	0.36	20.29

\a average unit cost with maximum value of US$ 5,000. Guarantee contribution no less than 30%.
\b average unit cost with maximum value of US$ 10,000. Guarantee contribution no less than 50%.
\c average unit cost with maximum value of US$ 10,000. Guarantee contribution no less than 50%.
\d average unit cost with maximum value of US$ 10,000. Guarantee contribution no less than 50%.
\e in all districts
\f impvoved technology/ competitiveness of VC, Branding, new packaging, value added products etc
\g 1000 Sq. meter covereed place, with amenities
\h for packaging, transport, input supply, seeds, etc
\i TOTs from all the 7 districts of GB, to be trained over 4 year period
\j 20 farmers to be trained by every TOT (accumulated No)
\k 7 day visit to importing countries
\l various

Economic Transformation Initiative Gilgit-Baltistan (ETI)																			Parameters (in %)		
Table 2.2. Social Mobilization																			Phy.		
Detailed Costs		Quantities								Unit Cost	Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rat**
I. Investment Costs																					
A. Trainings																					
1. Farmer Organizations																					
Village Producer Organizations - Male	No	20	45	45	45	45	-	-	200	12,500	0.25	0.56	0.56	0.56	0.56	-	-	2.50	0.0	3.0	0.0
Village Producer Organizations - Female	No	3	5	5	5	2	-	-	20	12,500	0.04	0.06	0.06	0.06	0.03	-	-	0.25	0.0	3.0	0.0
Subtotal Farmer Organizations											0.29	0.63	0.63	0.63	0.59	-	-	2.75			
2. Valley Marketing Associations																					
Potato Marketing Associations	No	2	4	4	-	-	-	-	10	5,000	0.01	0.02	0.02	-	-	-	-	0.05	5.0	3.0	0.0
Apricot Marketing Organizations	No	2	2	1	1	1	-	-	7	5,000	0.01	0.01	0.01	0.01	0.01	-	-	0.04	5.0	3.0	0.0
Dry Fruit Associations	No	1	1	1	1	-	-	-	4	5,000	0.01	0.01	0.01	0.01	-	-	-	0.02	5.0	3.0	0.0
Other Fruits Associations - Cherry, Apple, Nuts etc	No	1	1	1	1	1	-	-	5	5,000	0.01	0.01	0.01	0.01	0.01	-	-	0.03	5.0	3.0	0.0
Vegetables Associations- Tomato, Capsicum, Green peas etc	No	1	1	1	1	-	-	-	4	5,000	0.01	0.01	0.01	0.01	-	-	-	0.02	5.0	3.0	0.0
Subtotal Valley Marketing Associations											0.04	0.05	0.04	0.02	0.01	-	-	0.15			
3. Regional Producer Assciations	No	-	-	-	1	1	1	1	4	5,000	-	-	-	0.01	0.01	0.01	0.01	0.02	5.0	3.0	0.0
4. Other trainings																					
Village/Valley Producer Groups	No	55	55	70	70	50	-	-	300	1,000	0.06	0.06	0.07	0.07	0.05	-	-	0.30	5.0	3.0	0.0
Regional Associations	No	-	1	1	1	1	-	-	4	3,000	-	0.00	0.00	0.00	0.00	-	-	0.01	5.0	3.0	0.0
Annual Conferences	No	6	6	6	6	6	6	-	36	20,000	0.12	0.12	0.12	0.12	0.12	0.12	-	0.72	5.0	3.0	0.0
Training for Social Mobilization staff	No	150	150	-	-	-	-	-	300	200	0.03	0.03	-	-	-	-	-	0.06	5.0	3.0	0.0
Subtotal Other trainings											0.21	0.21	0.19	0.19	0.17	0.12	-	1.09			
Total											0.53	0.88	0.86	0.84	0.78	0.13	0.01	4.01			

Economic Transformation Initiative Gilgit-Baltistar																			Parameters (in %)		
Table 2.3. Agri. Extension																			Phy.		Sur
Detailed Costs					Quantities				Unit Cost		Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rat**
I. Investment Costs																					
A. Construction																					
1. installation of plastic tunnels for Seedl	No	12	13	-	-	-	-	-	25	1,000	0.01	0.01	-	-	-	-	-	0.03	5.0	10.0	17.0
2. Establishment of Private Nurseries - Ti	No	12	13	-	-	-	-	-	25	1,000	0.01	0.01	-	-	-	-	-	0.03	5.0	10.0	17.0
Subtotal Construction											0.02	0.03	-	-	-	-	-	0.05			
B. Equipment & Materials																					
Desktop Computer with Printer	No	5	-	-	-	-	-	-	5	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laptops/ Note Books	No	5	-	-	-	-	-	-	5	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Multimedia projector	No	2	-	-	-	-	-	-	2	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital Cameras	No	5	-	-	-	-	-	-	5	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Spray machines - Wheel Borrow	No	15	-	-	-	-	-	-	15	1,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Fogging machines	No	6	-	-	-	-	-	-	6	3,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Equipment for Human Resource Center	LS	30	-	-	-	-	-	-	30	1,000	0.03	-	-	-	-	-	-	0.03	5.0	10.0	17.0
Introduction of improved germ plasm /c	No	20	20	10	-	-	-	-	50	1,000	0.02	0.02	0.01	-	-	-	-	0.05	5.0	10.0	17.0
Subtotal Equipment & Materials											0.09	0.02	0.01	-	-	-	-	0.12			
C. Vehicles																					
Single cabin - 2500 CC	No	2	-	-	-	-	-	-	2	22,000	0.04	-	-	-	-	-	-	0.04	5.0	50.0	45.0
Car - 1300 CC	No	1	-	-	-	-	-	-	1	23,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Motor cycles 125 CC /d	No	7	-	-	-	-	-	-	7	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles											0.08	-	-	-	-	-	-	0.08			
D. Trainings																					
Soil survey, sampling & analysis training	p/days	100	100	100	100	-	-	-	400	40	0.00	0.00	0.00	0.00	-	-	-	0.02	5.0	3.0	0.0
Technical training for Agri. staff	p/days	15	15	15	15	-	-	-	60	70	0.00	0.00	0.00	0.00	-	-	-	0.00	5.0	3.0	0.0
Exposure visits Agri. staff - local	persons	10	10	10	10	-	-	-	40	300	0.00	0.00	0.00	0.00	-	-	-	0.01	5.0	3.0	0.0
Training of Trainers	persons	6	6	6	-	-	-	-	18	1,000	0.01	0.01	0.01	-	-	-	-	0.02	5.0	3.0	0.0
Production & post-harvesting training for	persons	100	200	200	200	200	-	-	900	40	0.00	0.01	0.01	0.01	0.01	-	-	0.04	5.0	3.0	0.0
Production & post-harvesting training for	persons	50	150	150	150	150	-	-	650	40	0.00	0.01	0.01	0.01	0.01	-	-	0.03	5.0	3.0	0.0
Farmer Field days - male	LS	8	8	8	8	8	-	-	40	2,000	0.02	0.02	0.02	0.02	0.02	-	-	0.08	5.0	3.0	0.0
Farmer Field days - females /g	LS	8	8	8	8	8	-	-	40	2,000	0.02	0.02	0.02	0.02	0.02	-	-	0.08	5.0	3.0	0.0
Subtotal Trainings											0.05	0.06	0.06	0.05	0.05	-	-	0.27			
Total Investment Costs											0.25	0.11	0.07	0.05	0.05	-	-	0.52			

Table 2.3. Agri. Extension - continued		Quantities							Unit Cost		Base Cost (US$ Million)								Phy. Cont.	For.	Gross
	Unit	2015	2016	2017	2018	2019	2020	2021	Total	(US$)	2015	2016	2017	2018	2019	2020	2021	Total	Rate	Exch.	Tax Rat
II. Recurrent Costs																					
A. Salary & Allowances																					
Agri. Officers - BS 17	years	5	5	5	5	5	5	5	35	8,400	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Computer operator -BS 16	years	1	1	1	1	1	1	1	7	6,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Agri. Technical Associates - BS 14	years	5	5	5	5	5	5	5	35	5,400	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.19	0.0	1.0	0.0
Account Assistants - BS 14	years	1	1	1	1	1	1	1	7	5,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Field Assistants - BS 6	years	5	5	5	5	5	5	5	35	4,200	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.15	0.0	1.0	0.0
Drivers -BS 4	years	1	1	1	1	1	1	1	7	3,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.0	1.0	0.0
Mali -BS 1	years	5	5	5	5	5	5	5	35	1,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Chow kidar - BS 1	years	2	2	2	2	2	2	2	14	1,800	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.0	1.0	0.0
TA/DA /h	offices	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Subtotal Salary & Allowances											0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.03			
B. Operating cost																					
POL & Vehicle O&M /i	No	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	5.0	0.0	17.0
Equipment O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office supplies	office	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office maintenance	LS	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	5.0	0.0	17.0
Subtotal Operating cost											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.58			
Total Recurrent Costs											0.23	0.23	0.23	0.23	0.23	0.23	0.23	1.61			
Total											0.48	0.34	0.30	0.28	0.28	0.23	0.23	2.13			

\a entire Project period
\b entire Project period
\c entire Project period
\d on Lease/ Purchase basis
\e 2 day training by TOTs
\f 2 day training by TOTs
\h 7 District + 1 Head Office, for notified staff seconded to ETI
\i includes POL for Motorcycles

Economic Transformation Initiative Gllgit-Baltistan (ETI																			Parameters (in %)		
Table 2.4. Agri. Research, Tissue Culture/ Labs																			Phy.		
Detailed Costs		Quantities								Unit Cost	Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	2015	2016	2017	2018	2019	2020	2021	Total	(US$)	2015	2016	2017	2018	2019	2020	2021	Total	Rate	Exch.	Tax Rat
I. Investment Costs																					
A. Construction																					
1. Installation of Greenhouse	No	4	-	-	-	-	-	-	4	30,000	0.12	-	-	-	-	-	-	0.12	5.0	10.0	17.0
2. Aphid proof Screen houses	Units	7	-	-	-	-	-	-	7	8,000	0.06	-	-	-	-	-	-	0.06	5.0	10.0	17.0
3. Plastic & Mesh for existing Green/ Screen ho	LS	1	-	-	-	-	-	-	1	40,000	0.04	-	-	-	-	-	-	0.04	5.0	10.0	17.0
4. Construction of 50 mt capacity Seed stores	No	2	2	3	-	-	-	-	7	30,000	0.06	0.06	0.09	-	-	-	-	0.21	5.0	10.0	17.0
Subtotal Construction											0.28	0.06	0.09	-	-	-	-	0.43			
B. Equipment & Materials																					
Desktop Computer with Printer	No	2	-	-	-	-	-	-	2	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laptops/ Note Books	No	2	-	-	-	-	-	-	2	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Multimedia projector	No	2	-	-	-	-	-	-	2	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital Cameras	No	1	-	-	-	-	-	-	1	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Equipment, Machinery & Chemicals for TCL	TC Labs	3	-	-	-	-	-	-	3	15,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Adaptive trials	No	20	20	20	20	20	-	-	100	180	0.00	0.00	0.00	0.00	0.00	-	-	0.02	5.0	10.0	17.0
Subtotal Equipment & Materials											0.05	0.00	0.00	0.00	0.00	-	-	0.07			
C. Vehicles																					
Single cabin - 2500 CC	No	1	-	-	-	-	-	-	1	22,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Car - 1300 CC	No	1	-	-	-	-	-	-	1	23,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Car - 1000 CC	No	1	-	-	-	-	-	-	1	13,000	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Petrol Jeep (4x4) - 1300 CC	No	2	-	-	-	-	-	-	2	22,000	0.04	-	-	-	-	-	-	0.04	5.0	50.0	45.0
Motor cycles 125 CC /a	No	6	-	-	-	-	-	-	6	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles											0.11	-	-	-	-	-	-	0.11			
D. Training																					
Scientists & Support staff training	p/days	75	75	75	-	-	-	-	225	300	0.02	0.02	0.02	-	-	-	-	0.07	5.0	3.0	0.0
Contract Grow er training	p/days	500	500	1,000	1,000	1,000	-	-	4,000	10	0.01	0.01	0.01	0.01	0.01	-	-	0.04	5.0	3.0	0.0
Subtotal Training											0.03	0.03	0.03	0.01	0.01	-	-	0.11			
E. Grants																					
Revolving fund for Seed multiplication /b	LS	5	6	4	4	4	-	-	23	12,500	0.06	0.08	0.05	0.05	0.05	-	-	0.29	0.0	5.0	0.0
Total Investment Costs											0.53	0.17	0.18	0.06	0.06	-	-	1.00			
II. Recurrent Costs																					
A. Salary & Allowances																					
Scientific Officer/Agri. Officers - BS 17	years	5	5	5	5	5	5	5	35	8,400	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Seed Certification Officer - BS 17	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Office Assistant - BS 14	years	1	1	1	1	1	1	1	7	5,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Lab Assistant - BS 6	years	1	2	2	2	2	2	2	13	4,200	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.05	0.0	1.0	0.0
Field Assistants BS 6	years	2	4	4	4	4	4	4	26	4,200	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
Driver -BS 1	years	2	2	2	2	2	2	2	14	3,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Mali Green House	years	10	10	10	10	10	10	10	70	1,800	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
TA/DA	office	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.0	1.0	0.0
Subtotal Salary & Allowances											0.12	0.13	0.13	0.13	0.13	0.13	0.13	0.90			
B. Operating costs																					
POL & Vehicle O&M /c	No	5	5	5	5	5	5	5	35	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	5.0	0.0	17.0
Transportation charges for inputs/ Outputs	Stations	5	5	5	5	5	5	5	35	4,200	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.15	5.0	0.0	17.0
Daily paid Labour	p/days	2,000	2,000	2,000	2,000	2,000	2,000	2,000	14,000	5	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07	5.0	0.0	17.0
Equipment O&M	office	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Office running costs	Office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Consumables/ Office supplies	office	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Subtotal Operating costs											0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.79			
Total Recurrent Costs											0.23	0.24	0.24	0.24	0.24	0.24	0.24	1.69			
Total											0.76	0.41	0.42	0.31	0.31	0.24	0.24	2.69			

\a on Lease/ Purchase basis
\b to be released in instalments as per annual requirements, considering TCL production
\c including Federal Seed Certification office. Also ncludes POL for Motor cycles

Economic Transformation Initiative Gllgit-Baltistan (ETI)																			Parameters (in %)		
Table 2.5. Land Titling & Record system																			Phy.		
Detailed Costs					Quantities				Unit Cost		Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rat**
I. Investment Costs																					
A. Design & Supervision Consultancy																					
1. Consultancy/T.A for New Legislation & Rules	LS	1	-	-	-	-	-	-	1	20,000	0.02	-	-	-	-	-	-	0.02	5.0	3.0	10.0
B. Equipment & Materials																					
Servers. Computing equipment & Softw are	No	1	-	-	-	-	-	-	1	00,000	0.10	-	-	-	-	-	-	0.10	5.0	10.0	17.0
Furniture & fixture for Provincial & District offices	No	1	-	-	-	-	-	-	1	50,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Subtotal Equipment & Materials											0.15	-	-	-	-	-	-	0.15			
C. Trainings																					
1. Staff training	LS	-	1	-	-	-	-	-	1	25,000	-	0.03	-	-	-	-	-	0.03	5.0	3.0	0.0
Total Investment Costs											0.17	0.03	-	-	-	-	-	0.20			
II. Recurrent Costs																					
A. Salary & Allowances																					
Provincial Cell Incharge	No	1	1	1	1	1	1	1	7	35,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.0	1.0	0.0
District Cell Incharge - BS 17	years	5	5	5	5	5	5	5	35	22,500	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.79	0.0	1.0	0.0
Data Entry Operator - BS 14	years	5	5	5	5	5	5	5	35	12,500	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.44	0.0	1.0	0.0
TA/DA	office	5	-	-	-	-	-	-	5	5,000	0.03	-	-	-	-	-	-	0.03	0.0	1.0	0.0
Subtotal Salary & Allowances											0.24	0.21	0.21	0.21	0.21	0.21	0.21	1.50			
B. Operating costs																					
Equipment O&M	office	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	5.0	0.0	17.0
Office running costs	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Misc	office	5	5	5	5	5	5	5	35	1,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.05	5.0	0.0	17.0
Subtotal Operating costs											0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.44			
Total Recurrent Costs											0.30	0.27	0.27	0.27	0.27	0.27	0.27	1.93			
Total											0.47	0.30	0.27	0.27	0.27	0.27	0.27	2.13			

Economic Transformation Initiative GIlgit-B																			Parameters (in %)		
Table 3. Programme Coordination Unit																			Phy.		
Detailed Costs					Quantities				Unit Cost		Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**ax Rat**
I. Investment Costs																					
A. Consultancies																					
Baseline Survey	No	1	-	-	-	-	-	-	1	75,000	0.08	-	-	-	-	-	-	0.08	5.0	3.0	10.0
Adhoc Sudies	No	-	1	1	-	1	-	1	4	50,000	-	0.05	0.05	-	0.05	-	0.05	0.20	5.0	3.0	10.0
Subtotal Consultancies											0.08	0.05	0.05	-	0.05	-	0.05	0.28			
B. Equipment & Materials																					
Furniture & Fixture for PCU	Sets	1	-	-	-	-	-	-	1	25,000	0.03	-	-	-	-	-	-	0.03	5.0	10.0	17.0
Furniture & Fixture for RCUs	Sets	3	-	-	-	-	-	-	3	15,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Scanner /a	No	4	-	-	-	-	-	-	4	250	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Desktop Computers /b	No	4	-	-	-	-	-	-	4	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Notebooks /c	No	6	-	-	-	-	-	-	6	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laser Printer /d	No	4	-	-	-	-	-	-	4	300	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Netw ork printer /e	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Mutimedia projector /f	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Telephone Exchange /g	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital camera /h	No	4	-	-	-	-	-	-	4	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Air Conditioner /i	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Generators - 20 KVA /j	No	4	-	-	-	-	-	-	4	2,000	0.01	-	-	-	-	-	-	0.01	5.0	10.0	17.0
Refrigerators /k	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Accounting softw are /l	No	1	-	-	-	-	-	-	1	15,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Misc. /m	LS	1	-	-	-	-	-	-	1	20,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Subtotal Equipment & Materials											0.14	-	-	-	-	-	-	0.14			
C. Vehicles & Equipment																					
vehicles - double cabin	No	2	-	-	-	-	-	-	2	39,000	0.08	-	-	-	-	-	-	0.08	5.0	50.0	45.0
Cars- 1000 CC	No	6	-	-	-	-	-	-	6	13,000	0.08	-	-	-	-	-	-	0.08	5.0	50.0	45.0
Petrol Jeep 4x4 - 1300 CC	No	5	-	-	-	-	-	-	5	23,000	0.12	-	-	-	-	-	-	0.12	5.0	50.0	45.0
Motor cycles 125 CC	No	10	-	-	-	-	-	-	10	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles & Equipment											0.28	-	-	-	-	-	-	0.28			
D. Trainings																					
PCU/RCUs staff training	p/days	100	100	100	-	-	-	-	300	500	0.05	0.05	0.05	-	-	-	-	0.15	5.0	3.0	0.0
Total Investment Costs											0.55	0.10	0.10	-	0.05	-	0.05	0.85			
II. Recurrent Costs																					
A. Salary & allowances - PC Unit																					
1. PCU																					
Programme Coordinator	years	1	1	1	1	1	1	1	7	42,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Deputy Programme Coordinator /n	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Admn Officer	years	1	1	1	1	1	1	1	7	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
Admn Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Finance Manager	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Accounts officer	years	2	2	2	2	2	2	2	14	18,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.0	1.0	0.0
Account Assistants	years	2	2	2	2	2	2	2	14	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07	0.0	1.0	0.0
Procurement Officer	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Procurement Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Value Chain Fund Officer	years	1	1	1	1	1	1	1	7	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
Value Chain Fund Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Gender & Poverty Manager	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
GPM Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0

Table 3. Programme Coordination Unit - Continued

	Unit	Quantities 2015	2016	2017	2018	2019	2020	2021	Total	Unit Cost (US$)	Base Cost (US$ Million) 2015	2016	2017	2018	2019	2020	2021	Total	Phy. Cont. Rate	For. Exch.	Gross Tax Rat
Communication & Media Officer	years	1	1	1	1	1	1	1	7	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
Statistical Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
M&E Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Infrastructure Specialist	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Resident Engineers	years	2	2	2	2	2	2	2	14	18,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.0	1.0	0.0
Assistant to Proj. Coordinator	years	1	1	1	1	1	1	1	7	15,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
Assistants/ Computer Operators	years	3	3	3	3	3	3	3	21	5,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
Drivers	years	6	6	6	6	6	6	6	42	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.15	0.0	1.0	0.0
Naib Qasids/ Chaukidars	years	4	4	4	4	4	4	4	28	3,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.10	0.0	1.0	0.0
Security	years	3	3	3	3	3	3	3	21	2,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.05	0.0	1.0	0.0
Subtotal PCU											0.43	0.43	0.43	0.43	0.43	0.43	0.43	3.01			
2. RCUs																					
Regional Coordinators /o	years	3	3	3	3	3	3	3	21	30,000	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.63	0.0	1.0	0.0
Admn & Finance Officers	years	3	3	3	3	3	3	3	21	18,000	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.38	0.0	1.0	0.0
Assistants to Regional Coordinato	years	3	3	3	3	3	3	3	21	15,000	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.32	0.0	1.0	0.0
Admn. & Finance Assistant	years	3	3	3	3	3	3	3	21	5,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
M&E Assistant	years	3	3	3	3	3	3	3	21	5,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
Drivers	years	3	3	3	3	3	3	3	21	3,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07	0.0	1.0	0.0
Naib Qasids	years	3	3	3	3	3	3	3	21	3,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07	0.0	1.0	0.0
Security Guards	years	6	6	6	6	6	6	6	42	2,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.10	0.0	1.0	0.0
TA/DA for PCU staff	office	1	1	1	1	1	1	1	7	15,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
TA/DA for DCU staff	years	3	3	3	3	3	3	3	21	7,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.16	0.0	1.0	0.0
Subtotal RCUs											0.29	0.29	0.29	0.29	0.29	0.29	0.29	2.04			
3. RCU ETI Cell																					
Programme Oficer	years	1	1	1	1	1	1	1	7	22,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.16	0.0	1.0	0.0
Programme Assistant - BS 14	years	1	1	1	1	1	1	1	7	12,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.09	0.0	1.0	0.0
Subtotal RCU ETI Cell											0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25			
Subtotal Salary & allowances - PC											0.76	0.76	0.76	0.76	0.76	0.76	0.76	5.30			
B. Operating costs																					
POL & Vehicle O&M - PCU /p	No	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Vehicle O&M -RCUs /q	No	8	8	8	8	8	8	8	56	4,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.22	5.0	0.0	17.0
Communication awareness & Sensit	LS	1	1	1	1	1	1	1	7	50,000	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.35	3.0	0.0	17.0
Stationery & Equipment /r	LS	1	1	1	1	1	1	1	7	7,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.05	5.0	0.0	17.0
Equipment O&M	LS	4	4	4	4	4	4	4	28	7,500	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Office rent for PCU	LS	1	1	1	1	1	1	1	7	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	5.0	0.0	17.0
Office rent for RCUs	years	3	3	3	3	3	3	3	21	48,000	0.14	0.14	0.14	0.14	0.14	0.14	0.14	1.01	5.0	0.0	17.0
Subtotal Operating costs											0.31	0.31	0.31	0.31	0.31	0.31	0.31	2.18			
Total Recurrent Costs											1.07	1.07	1.07	1.07	1.07	1.07	1.07	7.48			
Total											1.62	1.17	1.17	1.07	1.12	1.07	1.12	8.33			

\a 3 for RCUs
\b 3 for RCUs
\c 3 for RCUs
\d 3 for RCUs
\e 3 for RCUs
\f 3 for RCUs
\g 3 for RCUs
\h 3 for RCUs
\i 3 for RCUs
\j 3 for RCUs
\k 3 for RCUs
\l Copy of this will also be used at RCUs
\m 50% for RCUs
\n responsible to look after M&E aspects
\o will be responsible to look after M&E aspects at RCU level
\p includes POL for Motor cycles
\q includes POL for Motor cycles
\r includes $ 4500 for RCUs

Annex 10: Economic and Financial Analysis

35. This Annex was prepared as part of the design completion report for the Economic Transformation Initiative (ETI), Gilgit Baltistan, Pakistan and is based on assessment undertaken in the field. The financial and economic analysis looks at the programme's impacts on the rural households and thus provides information on informed decision making with regard to feasibility of investment. Field work undertaken during the design mission focused on determining the cost and benefits of various economic activity related to the scope of the programme, prices and the anticipated transformation in the production system including expansion expected as a result of land development (linked to new irrigation schemes) as well as economic benefits foreseen as a result of up-gradation of roads (***crop-wise models and farm models with and without programme can be seen in Economic & Financial Analysis Working Paper)***

36. There are two broad set of objectives of the financial and economic analysis. The financial analysis was undertaken with the objective of; (i) assessing financial viability of the value chain up-gradation (improved production technology, techniques and practices); (ii) assessing impact on cash flow and households incomes; and (iii) to establish the framework for the economic analysis, sensitivity analysis of the proposed Project. The objectives of the economic analysis was to; (i) to assess the viability of the project, investments in value chain economic infrastructure (up-gradation of rural roads, irrigation infrastructure and, new land development), and value chain development (value chain technical assistance, institutional development and value chain development fund).

37. The project scope is based on two different tracks. The activities related to value chain development (track-1) will cover in terms of its scope, the whole of the Gilgit-Baltistan province while economic infrastructure for value chains (track-2) will be covering four priority[92] districts of Astore, Diamer, Ghanche and Ghizer. The value chain development activities in the initial two years will be focused on apricot and potato value chains with selected piloting in dairy sector. During the subsequent years, project activities may encompass other value chains as well. The benefits for the economic infrastructure will however ensue to all the different value chain that exists in the target districts. The cost and benefits are worked out on the basis of the prevailing situation at the time of the project formulation.

38. Crop budget/models have been prepared in the context of the Gilgit-Baltistan which represent the base year (being 2014) and projected for the project years. This shows the result of changes in practices under each crop while the same cropping pattern prevails. Changes of the project interventions are expected in both the existing area cropped as well as in the new land developed. In the existing cultivated areas, incremental benefits are envisaged through value chain development activities while in the newly developed land, the total benefits are the attributed to project interventions.

THE PROJECT, ITS BENEFITS AND BENEFICIARIES

39. ETI is aimed at making investment in the value chain development of Gilgit-Baltistan (GB). GB having a total geographical area of about 72,500 square kilometers (km2) is inhabited by a population of 1.3 million. Its population is living in more than 600 villages with a population density of 24 persons per km^2. Only about one percent of the total area is currently cultivated in this largely arid climate where rainfall is minimal. The average per household cultivated landholding is only 0.84 acre. Within the province, 66 percent of the cultivated land lies in single cropping zones mostly at higher altitude and marginalized locations. Major crops in the province are apricot and potato with a number of other crops including cereals (wheat and maize), fruit and vegetables are cultivated increasingly for commercial purposes. The project aims at increasing the cultivated land through the development of irrigation infrastructure thereby developing additional 50,000 acres of land in four districts of the province, up-gradation of 400 km of rural roads in the target districts and interventions in the value chain including technical assistance and targeted value chain grant support.

40. **Project Beneficiaries.** The project beneficiaries are the rural households in the entire province of GB with respect to the value chain development activities while beneficiaries of the irrigation infrastructure

[92] *Prioritized based on a composite criteria elaborated in the Working Paper 1: Economic Infrastructure for Value Chains*

and rural roads are the 60% and 70% population of the four target districts respectively. Since value chain development interventions would also be undertaken in other districts than the four target district, 50% of the households in these districts will be the direct beneficiaries. Through the value chain activities various other operators such as contractors (beoparis), wholesalers and input suppliers would also get benefits from the increased marketable volumes, improved quality and reduced losses. Community-based organizations and associations will be strengthened by the Programme with a view to sustainably maintain the irrigation infrastructure. The project will also benefit wage labour to be engaged in the construction of irrigation schemes, road up-gradation and land development activities. Summary of the project beneficiaries is given below:

Table 1: Number of Rural Farm Household Beneficiaries of the ETI

District	Tehsils	Population	Area Sq. Km	Population density	Union councils	Rural UCs	Villages
Gilgit	1	217998	4046	54	11	10	58
Hunza/ Nagar	4	145470	14246	10	15	15	85
Ghizer	4	178638	11772	15	16	16	82
Diamer	3	199007	6820	29	11	10	96
Skardu	4	322886	22124	15	32	31	171
Ghanche	2	131749	4103	32	15	15	71
Astore	2	106053	7221	15	8	8	46
Total	**20**	**1301802**	**72496**	**24**	**108**	**105**	**609**

Average household size is 7.2 in GB

41. In addition to the rural farm household to be benefited, ETI will also benefit other categories of beneficiaries such as contractors, labour, transporters and contractors. Details of these beneficiaries are given in the following table.

District	Labor Days of Work			
	Land Development	Rural Roads	Value Chain Actors	Total
Gilgit			300	300
Hunza/Nagar			250	250
Skardu			300	300
Ghizer	3,115	467,308	150	470,573
Diamer	4,500	675,000	200	679,700
Ghanche	1,846	276,923	150	278,919
Astore	2,077	311,538	100	313,715
Total	11,538	247,253	1,450	260,241

42. **The Benefits:** ETI will generate economic benefits for different stakeholders according to the activity they are engaged in and the nature of the project intervention. The benefits that would accrue to various project beneficiaries would be either incremental or additional. In the case of value chain development activities, benefits will accrue to existing farmers through increased productivity, better quality produce, reduced losses and better prices. These would be the result of technical assistance and grants to value chain actors. ETI would assist farmers and through skills enhancement in technical and managerial aspects, technological improvements, linkages development with supply chains including forward contracting, improving consolidation infrastructure and better pre-harvest and post-harvest management. The project will also encourage economies of scale through group procurement and joint marketing. In addition, the Project would support the up-grading of rural roads network to reduce the transportation costs and hence enhance competitiveness of farmers and establish market linkages. In the case of improved

access to market (through better rural roads) benefits would be in the form of lower marketing cost, reduced losses and increased volumes marketed. The irrigation infrastructure would enable farmers to produce additional volumes of agricultural produce strengthening commercialization of value chains.

43. **Additional Benefits:** The project will work with relevant institutions in the public sector (Water Management Department-WMD, Public Works Department-PWD, Agriculture Research, Agriculture Extension, Diamer Poverty Alleviation Programme-DPAP), private sector institutions (Mountain Fruits, Munafa, Cooperatives etc.) and civil society organisation. The project will create capacity within the provincial government and its institutions with regard value chain development, project management and will upgrade infrastructure of selected institutions. The project will encourage mainstreaming of participatory development approaches in government decision making, participatory monitoring and capacity for social mobilization. ETI will also create capacity at the community level through the Marketing Support Organisations (MSO) and Community Associations (CAs) with regard to management, resource mobilization and initiating collective investments and enhancing capacity to undertake management of local development activities.

44. **Increased Employment Opportunities:** The proposed activities will generate additional employment (mainly daily-wage labor) opportunities primarily for the rural unskilled labor in the value chains, irrigation infrastructure, rural roads' up-gradation and land development. The direct transfer of cash and increased incomes would contribute in poverty reduction and enable them to invest in farming and other rural enterprises.

FINANCIAL ANALYSIS

Method and Approach

45. The ETI-GB will create impact in the form of increased income through value chains development. At the beneficiaries level the project interventions will generate positive benefits in the current farming and new area brought under cultivation. Financial analysis of the project has been conducted taking into account the likely impact of the project on the value chain operators notably farmers and aggregators. The financial analysis has been based on the existing cropping pattern for the value chain development activities as well as the new land developed under the project. For the road component, analysis takes into account the implicit benefit that would accrue to the population of the target district in the form of reduced transportation cost, reduced losses to produce that is marketed and time saving. The financial impact has been estimated and compared as "With Project-WP" and "Without Project – WOP" scenarios. The WOP scenario is income stream during the base year while the WP scenario is the income streams during the project year-1 and afterwards. The changes in income streams are assessed in relation to the project interventions taking into consideration project phasing.

46. **The Cropping Pattern and Phasing:** A number of cereal crops, fruit and vegetables are produced in the province. The cropping pattern of fruit in GB is given in the following table:

Fruits	Fruit Bearing Trees	Non Fruit Bearing trees	Total	Area	Production (T)	Plant density	Yield/ plant - kg
Apricot	1,876,116	1,095,819	2,971,935	12,921	114,286	19.81	60.9
Apple	566,088	330,413	896,500	3,898	19,539	5.98	34.5
Grapes	193,237	77,511	270,748	1,177	5,710	1.80	29.5
Cherry	174,685	124,767	299,452	1,302	2,386	2.00	13.7
Mulberry	194,640	113,484	308,124	1,355	9,617	2.05	49.4
Almond	147,928	125,209	273,137	1,188	1,629	1.82	11.0
Pomegranate	121,363	67,370	188,733	821	3,991	1.26	32.9
Peaches	95,541	23,921	119,462	519	3,204	0.80	33.5
Pears	58,207	34,359	92,566	402	2,434	0.62	41.8
Walnut	225,292	103,307	328,599	1,429	6,577	2.19	29.2
Total	3,653,098	2,096,158	5,749,257	25,012	169,373	38.33	

Source: Agriculture Department, GB

47. Cropping pattern of cereal crops and vegetables produced in GB is given in the following Table 2:

Table 2: Cereals and Vegetable Production in GB

Fruits	Area	Annual Production - 000, Tons	Yield - Kg/Acre	% of Area
Potato	21,313	134,031	6,289	17%
Tomato	760	6,455	8,493	1%
Peas	1,678	2,121	1,264	1%
Onion	548	5,381	9,828	0%
Capsicum	278	977	3,521	0%
Other Vegetables	668	2,493	3,735	1%
Wheat	42,725	36,835	862	33%
Barley	13,203	10,123	767	10%
Maize	44,215	47,010	1,063	35%
Buck wheat	2,420	1,770	731	2%
Fodders	22,195	42,478	1,914	
	150,000	289,674		

Source: Agriculture Department, GB

48. A total of 50,000 acres of new land will be brought under cultivation under the ETI programme through the development of irrigation infrastructure and land development in four districts of GB. The irrigation infrastructure and subsequent land development will be undertaken in phases. Following table shows phasing of the land development.

Table 2: Physical Phasing of New Land Brought Under Cultivation in Target Districts

		(a) District Wise Land Development - Acres				(b)
		Ghizer	Ganche	Astore	Diamer	
Year-1						
Year-2						
Year-3	10%	1,350	800	900	1,950	5,000
Year-4	30%	4,050	2,400	2,700	5,850	15,000
Year-5	30%	4,050	2,400	2,700	5,850	15,000
Year-6	20%	2,700	1,600	1,800	3,900	10,000
Year-7	10%	1,350	800	900	1,950	5,000
Total	100%					50,000

49. The programme will upgrade rural roads in four target districts. Two kinds of up-gradation will carried out i.e. (i) up-gradation of tracks into jeep-able status; and, (ii) up-gradation of jeep-able roads to truck-able status. Phasing of the up-gradation of roads/tracks is given in the following table.

Table 3: Physical Phasing of Road-Up-gradation in Target Districts of GB

Road Up-gradation	Unit	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Jeepable to Truckable	Km		60	60	60	60	240
Existing Tracks to Jeepable	Km		40	40	40	40	160
Construction of Bridges	meters		50	50	60	60	220

50. **Key Parameters:** In order to undertake financial analysis of the ETI, the following parameters have been used:

- **Incremental benefits:** The financial analysis is carried out by working out the incremental benefits by comparing without project to with project scenario. Two sets of incremental benefits are considered in the analysis i.e. those accrued in the existing area as a result of the value chain development activities, those emerging from the new area brought under cultivation and those resulting from the improved road access.
- **Cropping Zones:** The agro-ecological conditions characterize GB into three distinct cropping zones i.e. double cropping, marginally double cropping and single cropping zones. An estimated 66% of the cultivated land falls in the single cropping zone. It is assumed that the same cropping pattern will be followed for the newly developed land.
- **Crop Intensity:** Given the cropping zones constraints, crop intensity is assumed to be 150% with regard to cereal and vegetables production. Fruit trees are in the form of scattered plantation having a very low plant density and it is likely that the same practice will continue.
- **Phasing of Benefits:** The financial analysis assume incremental benefits over the life of the project (7 years) and for eight subsequent years after the project completion. Phasing of new fruit plantation assumes full benefit at ninth year of the plantation while benefits from vegetables will be at the current level after three years while grown on the newly developed land. Benefits from the existing fruit plantation are assumed to increase as a result of increase in yields (resulting from increase in productivity and reduction in losses) and increase in prices (as a result of improvement in quality). Such increase is more pronounced in the apricot and potato value chains as these would be focused under the project. The total improvement in yield modeled is 25% in the case of potato and 30% in the case of apricot over the project life. Other crops are assumed to witness yield increase of up to 10-15% over the project life.

The financial Cost

51. The total project cost is USD 120.15 million of which USD 2.74 million are estimated as physical contingencies and USD15.34 estimated as price contingencies. The analysis take into account the recurrent cost and therefore include the total cost of the project as USD123.59 million which include base cost of USD94.03, physical contingencies of USD2.74 million and recurrent cost of USD 26.28 million (from year 8 to year 15). The cost of project in PKR. and USD is given in the following figure.

Pakistan
Economic Transformation Initiative Gilgit-Baltistan (ETI)
Components Project Cost Summary

	(Pak Rs '000)					(US$ Million)				
	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
A. Economic Infrastructure										
1. Irrigation & Land Development	4,112,473	434,811	4,547,284	10	44	40.12	4.24	44.36	10	44
2. Farm to Market roads	1,576,450	174,506	1,750,956	10	17	15.38	1.70	17.08	10	17
Subtotal Economic Infrastructure	5,688,923	609,317	6,298,241	10	61	55.50	5.94	61.45	10	61
B. Support Services/PPPP for Value chain Development										
1. Vaue Chain Fund	1,986,966	92,570	2,079,535	4	20	19.39	0.90	20.29	4	20
2. Social Mobilization	398,893	12,337	411,230	3	4	3.89	0.12	4.01	3	4
3. Agri Extension	210,673	7,580	218,253	3	2	2.06	0.07	2.13	3	2
4. Agri Research	262,382	13,415	275,797	5	3	2.56	0.13	2.69	5	3
5. Land Titling & Record system	214,861	3,208	218,069	1	2	2.10	0.03	2.13	1	2
Subtotal Support Services/PPPP for '	3,073,774	129,110	3,202,884	4	31	29.99	1.26	31.25	4	31
C. Programme Coordination Unit	830,692	22,733	853,425	3	8	8.10	0.22	8.33	3	8
Total BASELINE COSTS	9,593,389	761,161	10,354,550	7	100	93.59	7.43	101.02	7	100
Physical Contingencies	297,229	30,028	327,256	9	3	2.90	0.29	3.19	9	3
Price Contingencies	2,118,263	56,082	2,174,346	3	21	15.74	0.20	15.94	1	16
Total PROJECT COSTS	12,008,881	847,271	12,856,152	7	124	112.23	7.92	120.15	7	119

C. Key Assumptions

52. Following are the key assumptions used in the financial analysis of ETI;

- **Financial Prices:** The financial prices of inputs and products used in the analysis were gathered from local markets in GB, at farm and consultation with stakeholders including government departments. Date on wage rates were obtained from farmers, enterprises and government line departments. In addition inputs required in farming such as seed, fruit plants, fertilizers, pesticides, machinery use, transportation and farm gate prices of outputs were obtained from farmers in different valleys. Average prices 2014 have been used in the financial analysis.
- **Wage Rates:** Much of the increased labor requirement will be met from the family labor however the prevailing wage rates in the area are used in the financial analysis. Instead of wage earning as part of farming, the household benefits are worked out in the form of net benefits from the farming activities rather than wages. However in the case of labor opportunities created in the infrastructure development, road construction and land development the ongoing wage rate (PKR. 450/day) is considered in the analysis.
- **Opportunity Cost of Capital:** The opportunity cost of capital of 13%[93] is used in the financial analysis.
- **Benefits of rural roads:** There rural roads are expected to generate benefits for the rural population in terms of reduced transportation cost, time saving and reduction in losses. Since no traffic studies have been conducted, the analysis takes into account benefits to the end users father than transporters in this analysis. Both inward and outward good transportation are taken in to consideration and at the same level. In addition, it is assumed that 50% of the losses will be reduced and the resultant produce will be marketed.

D. Analysis

53. Different sets of analysis were undertaken for which crop budgets were used as a basis and aggregated at the project level and according to the type of interventions. For both WP and WOP scenarios same assumptions were used while calculating net benefits. The incremental benefits under the existing cropping patters were worked on per acre basis and then developed into a farm household model which represents the same cropping patter. Similarly for the newly developed lands, incremental benefits were determined assuming that farmer will adopt the same cropping pattern and improved practices.

54. **Household level benefits and aggregation:** The cropping pattern for each household was worked out under WP and WOP scenario and then aggregated at the project level accounting for the number of household to be benefited from the project interventions.

55. **Financial returns:** Based on the crop-budgets, financial returns were worked on a per acre basis for all the crops that are part of the existing cropping pattern. The incremental benefits were assumed to be higher in the case of targeted value chains of apricot and potatoes compared to other value chain.

56. The financial analysis using benefit to the farm households and other value chain actors exhibits feasibility of the proposed project, its scope and targets. Through the project, incremental increase in the income of rural households is expected to a significant extent. In addition to increased income, there will be increased labor opportunities through the project supported activities. The increased labor work can easily be accommodated given the current level of engagement of family labor. The financial return per household at as a result of the project is estimated at USD. 321/household in the case of value chain development component, ranging from USD305 – 719/household in the case of irrigation and new land development intervention and ranging between USD 13 to USD201 in the case of rural roads up-gradation component. From the point of view of the financial benefits to beneficiary households, the project intervention is attractive.

[93] Interest Rate in Pakistan averaged 12.48 percent from 1992 until 2015 (Source: www.tradingeconomies.com/ State Bank of Pakistan

E. Financial Rate of Return

57. The analysis of ETI shows the Financial Internal Rate of Return (FIRR) at 38.44%. At the component level, the FIRR for value chain development component is 45.8%, that of irrigation and land development 36.1% and of road up-gradation at 33%.

58. The Net Present Value (NPV) of ETI was noted to be USD 133.11 million. This shows the investment feasible at the project level.

F. Sensitivity Analysis - Financial

59. The sensitivity analysis was carried out under different project scenarios. The FIRR reduced from 38.44% to 20.3% in case the project benefits are delayed by three years. Moreover when project benefits are decreased by 20%, the FIRR reduces to 32.2%, reduced to 33.3% if project costs are enhanced by 20%, reduces to 27.5% in case project cost increase by 20% and benefits are reduced by 20%. In case of project benefit being delayed by five years, FIRR reduces to 14.1%. The sensitivity analysis shows that the project investment will remain feasible even if conditions changes as assumed.

ECONOMIC ANALYSIS

Method and Approach

60. Owing to the diversity of the project components, different methods are used to do the economic analysis. The major economic benefits that will ensue to the project beneficiaries are those entailed in the three major interventions i.e. new land development as a result of developing irrigation infrastructure, up-gradation of rural roads and value chain development. In addition to economic benefit at the beneficiary's level, the project envisages capacity building and institutional strengthening impacts.

61. The economic analysis uses the export and import parity prices worked out for all the major inputs and outputs. The analysis also uses shadow wage rate factor of 0.6 for unskilled which gives a shadow wage rate of PKR. 270 per day. The net present value (NPV) and economic internal rates of return (EIRR) have been worked out using a discount rate of 13% and benefit span of 15 years including 7 years of project implementation period. Following are the conversion factors that have been used in the economic analysis:

Table 4: Conversion Factor for Conversion of Financial to Economic Prices

Input	Conversion Factor	Products	Conversation Factor
Urea	1.26	Wheat	2.16
DAP/Nitrophos	1.13	Maize	2.44
TSP	1.14	Apricot	0.96
MOP	0.81	Potato	0.98
Vehicle	0.55	Cherry	0.68
Labor	0.6	Others	0.95

A. Economic Cost

62. **T**he economic analyses take into account the investment and incremental recurrent cost of the project. The analysis is carried out taking the economic prices of 2014 in constant terms. Price contingencies are excluded from the analysis while physical contingencies are included in the analysis. For the capital items, no residual values have been considered.

B. Key Assumptions

63. The benefit of the ETI is expected under the three project components. These include (i) value chain development; (ii) irrigation infrastructure and land development; and, (iii) improving market access through up-gradation of rural roads. The project will also strengthen the institutional capacity of the departments concerned which will enable the provide services to value chain and implement development project more effectively as an indirect benefit of the project. While these are to some degree considered in the farm budgeting, these indirect benefits of institutional capacity building are not comprehensively included in the

economic analysis. Moreover, there would be additional social benefits of the program which are not included in the analysis as well. The major component and relevant economic benefits are briefly discussed in the following paragraphs.

64. Value Chain Development: ETI will provide assistance in value chain development with a focus on two value chains (apricot and potatoes) and other value chains subsequently targeted from MTR onwards. The target areas under value chain development component are all seven districts in GB. The economic benefits are expected to be generated as a result of the project efforts to promote a more optimal use of input, better practices, value addition and alternative (joint) ways of marketing and acquisition of inputs. Benefits that will be generated from this component include increased productivity, reduced losses and increased prices.

65. **Irrigation infrastructure and land development:** The project will undertake development of 50,000 acres of additional land by providing irrigation infrastructure and assistance for land development. A total of 1 acre of new land area will be available to beneficiary household for cultivation. The new land area will enable farmer to produce additional crops and fruit and will enhance family income. This component include recurrent cost of O&M which will be met and arranged through the 50% cost recovery planned to be undertaken by the communities benefiting from the schemes. For each acre of land developed a total of PKR. 27,070 will be generated in three years (PKR. 9,690 per crop or year).

66. Irrigation will provide additional land thus results in increased farm incomes. All the inputs and prices are valued at the farm gate import and export parity prices in 2014. The analysis determines the incremental costs and benefits per farm household as a result of the project intervention. Since the production will come from new areas, the without project scenario is zero and all the costs and benefits are treated as incremental only. The recurrent cost of the irrigation infrastructure (50% of the total recurrent cost) is assumed to be 4% - 5% of the total cost.

67. **Improved Market Access through Road Up-gradation:** The economic analysis for road up-gradation will adopt the indirect benefit analysis approach as there is no credible data available on the traffic volumes, and vehicle operating costs. The benefits included in the analysis include; (i) reduced transportation cost of produce from and to the project areas; (ii) reduced losses; and, (iii) time saving. Other social benefits such as access to education, health and other services are not included in the analysis.

68. Following are the key assumption used in the economic analysis:

(a) **Road Situation:** The project intervention wills up-grade two types of roads i.e. tracks and jeep-able roads. Tracks will be widened and its surface will be improved to make these fit for using jeeps whereas jeep-able road would be widened and its surface will be improved to make these truck-able. A total of 400 km of new roads will be constructed as well as 220 meters of bridges. The conditions of these roads need up-gradation that will result into reduced transportation costs, reduced losses and save time.

(b) **Transportation Cost:** Current cost of transportation in the area where roads up-gradation will take place is PKR. 6 per km which will be reduced by half thus saving PKR. 3 per kg of goods transported.

(c) **Reduction in Losses:** In most cases losses are due to poor road access to markets and thus perishable products do not reach the market. In view of this, farmers usually do not market a significant quantity leaving it to be wasted at the farms. Due to improved access, 50% of the current level of wastages will be channelled to the market generating additional revenues for the farm households.

(d) **Time Saving:** The up-gradation of rural roads will result in time saving of more than 50%. The analysis assumes that 30% of the population would be travelling 15 times per year, and would realize saving of 5 hours per trip (worked out on the basis of PKR. 450/day which is the ongoing daily wage rate).

C. Economic Benefits

69. The economic benefits to the households of the ETI project are attractive. The economic benefits of value chain development on are estimated at USD236 per household on average and for the irrigation and land development component in the range of USD280 and USD860 being lower in the first year and increasing subsequently. In the case of rural road up-gradation component, the average estimated economic benefit per beneficiary household is ranging between USD13 and USD216/beneficiary household. Given the level of economic benefit to each household, the proposed programme seems feasible and an economically viable investment.

D. Economic Rate of Return

70. The overall economic internal rate of return (EIRR) of the project is estimated at 30.5% for the base case. The component-wise EIRR are (i) 16.8% for the value chain development component; (ii) 38.1% for the irrigation and new land development; and, (iii) 34.6% for the road up-gradation component. The net present value (NPV) of the programme net benefit stream, discounted at 13%, was noted to be PKR. USD89.85 million.

E. Sensitivity Analysis

71. The sensitivity analysis was undertaken assuming different scenarios and its likely impact on the overall effect on economic viability of the project. The result of the analysis indicates that a delay in the programme implementation by three years reduced the EIRR by nearly half (from 30.5% to 16.2%). The reduction of incremental benefits by 20% reduces the EIRR to 25.3% while the increase in cost by 20% will reduce the EIRR to 26.2%. An increase in total programme costs by 20% and a simultaneous decrease of 20% in economic benefits would reduce to EIRR to 21.2%. A delay in programme benefits by five years would reduce EIRR to 10.7%. The sensitivity analysis shows that the programme investment will remain viable in the assumed scenarios accept the delay of benefits by 5 years which is not very likely.

72. The analysis of economic benefits and cost undertaken at various discount rates shows that the project is feasible at a discount rate of up to 30%. The NPV becomes negative at a discount rate of 31%. However it is very unlikely that the discount rate will go as high as 31%.

Table 5: Sensitivity Analysis of NPV, BCR and NPW at Various Discount Rates

Discount Rates	Cost	Benefits	NPV	B/C R	NPW
10	80.01	211.4	131.4	2.64	1.64
14	69.62	149.58	80.0	2.15	1.15
18	61.42	108.32	46.9	1.76	0.76
20	57.94	92.92	35.0	1.60	0.60
22	54.79	80.10	25.3	1.46	0.46
31	43.71	43.46	(0.25)	0.99	-0.01

73. The programme is economically viable proposition and feasible under different sensitivities and therefore should be considered worth implementation.

Annex 11: Programme implementation manual

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Draft Programme Implementation Manual ETI

1. **Introduction:** ETI is an IFAD and Government of Pakistan/Government of GB funded US$ 110 million programme that would implemented over a period of seven years. The programme is aimed improving incomes of smallholder farmers in the Gilgit-Baltistan region through a value chain development approach focused on initially apricot and potato with subsequent expansion to other promising agriculture products. The economic infrastructure components will be implemented in four poorest districts in view of their relatively greater need for additional irrigation development and road connectivity. of the districts are Astore, Diamer, Ghizer and Ghanche. Value chain development component will be implemented across the region in view of cross cutting nature of activities and greater volumes of apricot and potato available in non-core districts like Skardu and Hunza_Nagar. Programme will have a participatory approach in which all stakeholders along the value chain would be engaged in improving, production, productivity and value addition. Preparation of an implementation Manual and its approval from IFAD is a mandatory advance action for the programme effectiveness. This PIM describes the management actions, processes, systems and outputs involved in effective implementation of the programme and achieve its outcomes in an efficient and timely manner.

1.1 Purpose of the PIM: Purpose of the PIM is to provide a comprehensive guideline for the programme implementers at all levels for an effective and efficient management and implementation of the programme.

1.2 Instructions for Users: The users of this PIM must recognize that participatory development programme have a bottom up flexible approach whereby they have to constantly adjust the approach and interventions to the evolving implementation environment and knowledge gained. This PIM is provides an initial guideline that would need constant updating and revision as the programme progresses. However, such updating and revisions must stay within the parameters set by the financing agreement with IFAD and overall programme objectives and target groups.

2. **Programme Description:**

2.1 **Programme Goal and Development Objective:** The **overall goal** of the programme is to reduce poverty and improve incomes and nutritional levels for rural households in Gilgit-Baltistan region. The development objective is increased agriculture income and employment for at least 100,000 smallholder rural households in Gilgit-Baltistan.

2.2 **Key Results Indicators:** Key results indicators for project goal/objectives and interventions are:

Goal: Number of households with improved incomes and nutritional levels (Incomes improved to match national per capita average or better; No of poor households reduced by 15% compared to 2014 baseline; Child malnutrition reduced by 10% from 2014 Baseline)

Development Objective: 100,000 smallholder households have incomes equal to national average per capita or better

Outcomes Indicators:

Development Goal and Objectives	Outcome Indicators
Goal: Improve incomes and reduce poverty and malnutrition in rural areas of Gilgit Baltistan region	- Incomes improved to match national per capita average or better - No of poor households reduced by 15% compared to 2014 baseline - Child malnutrition reduced by 10% from 2014 Baseline

Development Objective: Increased Agriculture incomes and employment for at least 100,000 rural households in the region	- 50% of the target households and value chain operators have increased their incomes by at least 25%. - At least 100,000 rural households covered - 25% increase in sales value and volume of apricot and potato - 25% increase in agriculture production and productivity of targeted value chains - 25% improvement in households food security - 35% increase in surplus marketed.
Outcome 1: 100,000 households increase their production, productivity and sales in key agriculture commodities	- 50,000 hhs have expanded their agriculture landholding by at least one acre through new irrigated land - 60,000 hhs increase their sales to private sector partners through collective contracts through FOs or to urban and peri-urban areas - Existing and new crop area is linked with main road network through 400 km of new roads - 70% of the farmers in each target valley are members of farmers association - Over 50% farmers in target valleys engaged with FO marketing/ economic activities - 220 village producers groups trained in pre and post-harvest practices for selected value chains
Outcome 2: Sustained and community driven development approach established that is pro-poor and youth/gender and nutrition sensitive	- 200 village social and economic development plans prepared with participation of poor and women and implemented - 50,000 land titles provided for newly development land to smallholders, women headed households and poor/landless - 40% of land development repayments invested in village development activities favouring women, poor and youth - 40 youth groups established, trained and provided tool kits - 40 youth groups engaged with land development - Labour saving devices introduced in producer groups to reduce the labour burden of women
Outcome 3: Agri-business actors invest in local production, processing and value addition to improve marketing of local food products	- 220 village producer groups trained in value chain development processes - 20 producer-buyer contracts established by FOs and working satisfactorily - US$ 30 million invested by private sector as matching investments in agriculture value chain development - A Value Chain Support Fund established and expended on matching grant basis benefitting at least 100 enterprises and farmer associations - 220 male and female village producer groups formed (10% exclusively women groups) and 25-30 valley level associations established and engaged in contractual relationship with private sector buyers
Outcome 4: Government and private agriculture services are sustainably improved and outreach expanded	- 220 village producer groups trained in production and productivity - 40 private sector nurseries for improved planting material established and operational - 40 tons of improved potato seed produced by Tissue Culture Labs and distributed - A functional potato seed multiplication programme established - 150 adaptive trial and training conducted with number of farmers covered - A functional seed certification (inbound and outbound) established

Outcome 5: Government formulates and enforces pro-poor agriculture policies	- Interim Land Regulation for ETI funded land development promulgated by end of Programme Year 1. - Provincial and District Land Record cells established by end of Programme Year 1. - Provincial Land Law promulgated by end of Programme Year 2. - 50,000 Land titles provided for newly developed land including women and landless by Revenue Department - Certified seed system functional and amount of seed certified - Provincial water Policy formulated and applied - Provincial Roads Master Plan prepared and O&M system with source of funding notified

2.3 **Programme Components:** ETI programme consists of three components as following:

2.3.1 Component 1: Economic Infrastructure for Value Chain Development: The component comprises of two sub-components, Irrigation and Farm to Market Roads; Irrigation sub-component envisages development of 50,000 acres of new irrigated land whereas roads component will upgrade 400 kms of roads 40% of which will be pony tracks upgraded to jeep able roads and 60% will be jeep able roads to truck able roads

2.3.2 Component 2: Support Services/PPPP for Value Chain Development: The component is aimed at organizing the smallholder farmers engaged in apricot and potato production and engaging them with private sector buyers, processors, exporters and value adders to realize better returns for the farmers and region. Programme approach will be to engage public sector, private sector and producers in win-win partnerships.

2.3.3 Component 3: Programme Management and Policy Support: The component will put in place an effective decision making and programme management structure that would systematically build partnerships for effective realization of programme objectives.

2.4 **Programme Area:** Programme will have an incremental approach whereby it would start with fewer number of districts and agriculture products and later expand to other areas and products if the results so suggest. The economic infrastructure component will be implemented in four poorest districts of Astore, Diamer, Ghizer and Ghance whereas Value Chain component will be implemented across the region. The districts for infrastructure component have been selected in view of: (i) higher incidence of poverty (ii) potential of values chain development in two initially selected crops (iii) presence of large number of smallholder women and men farmers. The main features of infrastructure target districts are:

Table 1: Population

	District	Tehsil	Population	Area Sq. Km	Pop. density	Union council	Rural UCs	Villages
3	Ghizer	4	178638	11772	15	16	16	82
4	Diamer	3	199007	6820	29	11	10	96
6	Ghanche	2	131749	4103	32	15	15	71
7	Astore	2	106053	7221	15	8	8	46
		11	615447	29916	23	50	49	295

Table 2: Cultivated and Potential New Area for Irrigation Development

S.No.	District	Cultivated Area (Acre)	New Area for Development* (Acre)
1	Diamer	32,656	77,120
2	Astore	13,532	13,966
3	Ghanche	2,740	34,114
4	Ghizer	27,872	5,856
		76800	**131056**

2.5 **Inter-district allocation of resources** under component would be determined on the basis of average percentage score of each district in terms of combined factors of area, population, current cultivates area, and new area available for irrigation development in the four districts. All percentages will be added and overall average score of each district will determine its share in programme investment budget. On this basis, following are the shares of each district in the main investment budgets and village, household coverage as well as development of new irrigation and road upgrading

(b) **Table 3: District Allocation on Basis of Percentage Share in Key Attributes**

Factor	All selected Districts	Share in total			
		Ghizer	Diamer	Ghanche	Astore
Population – No	615,447	29%	32%	21%	17%
Geographical area - Km^2	29,916	39%	23%	14%	24%
Cultivated area - acres	76,800	36%	43%	4%	18%
Potential area for New irrigation - acres	131,056	4%	59%	26%	11%
Potato production (m.tons)	45,491	24%	5%	33%	37%
Apricot Production (m.tons)	43,311	33%	3%	57%	7%
Cereals (m.tons)	60,300	25%	59%	12%	05%
Other fruits	24,900	26%	46%	16%	12%
Average	**100%**	**27%**	**34%**	**23%**	**16%**
Share in Village Producers Groups -No	220	59	75	51	35
Share in Roads - km	400	108	136	92	64
Share in New land - acres	50,000	13,500	17,000	11,500	8,000

2.6 Resources under value chain component will be deployed flexibly in core and other districts on the basis of relative prospects for value chain development in apricot and potato on those districts including number of existing FEGs, production, private sector linkages and interest etc. The PCU based Selection Committee will determine the allocation.

2.7 **Target Groups:** With the available resources, the programme can effectively reach around 100,000 smallholder households which are roughly 60% of the total households in the region. To reach these households, the programme will follow targeting criteria to select priority valleys and Villages within the districts. The criteria for selection of the priority valleys would be: (i) total number of households; (ii) Number of poor households as per BISP Database. (iii) Potential for production increases and marketing linkages for priority two crops. The selection of priority would be made by a programme selection/allocation committee headed by Programme Coordinator with representatives from the Value Chain

Technical Assistance Team, PWD, WMD, Agriculture Department, civil society and private sector members (two each) and the organization selected for social mobilization according to the specified criteria. Constitution of Committee will be finalized and notified as part of programme start-up activities. The criteria for selection of villages within the valley would be (i) Incidence of poverty and percentage of smallholder farmers (ii) willingness of women and men in the community to participate in the project (iii) potential for increase in production and strengthening of market linkages (iv) physical contiguity with participating villages. The programme would attempt to work with all villages in a target valley to realize economies of scale and reduce transaction costs, provided all other targeting criteria is met.

Targeting of Poorest Households: Around 5% of the households in target districts are landless and/or women headed. These poorest households including women headed households and landless will be identified as part of initial village profiling and development of village plans and it would be ensured that they get priority access to all programme generated remunerative opportunities, training, land allocation, labour saving devices etc.

2.8 **Implementation Strategy:** The programme strategy will be based on following principles:

- Farmer participation and empowerment will be a cross cutting theme reinforced through participatory producer groups, community based trainings, participation in field days, fairs, competition shows and other knowledge enhancement events.
- Gender and youth will be mainstreamed in entire range of activities
- Private sector engagement in all aspects of value chain along with capacity development of local enterprises would be actively pursued
- Equity and equality in distribution of programme related benefits would be ensured across the region and within the valleys and villages.

In programme implementation, the management will follow a three-pronged approach. This will include: Engagement with existing valleys with promising production and potential for value chain development; second, engaging with villages with new irrigation development, and; third, engaging with existing area based producer groups, processors, exporters and entrepreneurs assist them to bring their activities to a scale. The Strategy will follow the following logical sequence:

- **GIS Mapping:** GIS mapping of target districts, valley-wise, will be completed before the programme start-up to identify clearly potential areas for new irrigation development and road linkages. This mapping will be entwined with the data on production of priority value chain products in the valley, population, villages and road connectivity situation. The GIS mapping will be one of the key inputs in subsequent selection of priority valleys and villages.
- **Baseline Survey:** A baseline survey will be conducted at the very start of the programme to establish baseline for current incomes, production, market values and returns, produce wastage and pricing, nutrition status, women and youth status etc. for subsequent use for programme impact assessment.
- **Selection of Social Mobilization Partner(s):** ETI will engage social mobilization partner(s) for organization of the farmer groups at village and valley levels. The selection will be also completed prior to actual start of the programme to enable the programme to start engagement with the target beneficiaries immediately after the programme start-up.
- **Recruitment of the VCTAT:** A multi-disciplinary Value Chain Technical Assistance Team, to be housed in PCU, shall be recruited from the market on competitive basis. It will consist of a Team Leader and specified long-term and short-term positions.

- **Valley Prioritization:** Based on the information gathered from GIS and use of secondary data on valley selection attributed, the PCU based committee will select the priority valleys for programme interventions and programme activities in these valleys will be implemented as per programme phasing.
- **Organizing Village Producer Organizations:** In both existing promising production areas of the two prioritized value chains and areas selected for new irrigation development.
- **Engaging with the Private Sector:** VCTAT will be the main programme interface with the private sector on behalf of the programme. Potential private sector partners will be identified/invited through advertisements and selected on the basis of a pre-defined criteria. VCTAT will be responsible for their contracts based match-making with the village and valley producers groups.
- **Village/Valley Value Chain Plans and Producer-Buyer Matchmaking and Contracts:** VCTAT will assist each village/valley to develop a production and value chain development plan that responds to market needs and demands. As part of plan, the VPGs will be assisted in linking up with prospective down-country buyers and importer/exporters on mutually agreed terms and conditions covering quality, quantity and value aspects.
- **Extension and Research Support for the Producer-Buyer Contracts:** Extension and Research Directorates of GB will actively participate in the process of business/value chain development plans and would be responsible for delivery of all extension and research related training and capacity building needs.
- **Identification of critical road links for market access:** Based on GIS, selection of new areas for irrigation development and existing areas for value chain development.

2.9 **Gender Mainstreaming:** Gender will be mainstreamed into entire programme approach and implementation right from recruitment of staff for the PCU to the selection of beneficiaries for the project interventions and subsequent delivery of benefits. In PCU recruitments, 10% quota will be fixed for women staff in addition to any other women that qualify for recruitment on open merit. A Gender Manager in the PCU would be responsible for ensuring that all programme interventions are gender sensitive. All village producer groups will be open to both male and female farmers and women farmers will be actively encouraged by SMP and PCU staff to join the groups. Women will be encouraged to become office bearers of all committees that are formed at village, valley or irrigation scheme level. Female trainers will be engaged for women farmer training where social dictates demand so. Women candidates will be encouraged to join PCU and DCU positions. In certain aspects, like 20 Women Producer Groups, the activities will be solely targeted at women. Where social conditions do not permit, separate women producers groups will be established.

3. **Component 1: Economic Infrastructure for Value Chain Development:** The component is aimed at adding additional irrigated area to the current limited irrigated production base and provides upgraded road linkage for the farm production to reach markets.

3.1 Sub-component 1.1- Irrigation Development: The sub-component is aimed at developing 50,000 additional acres of irrigated land in GB region. Priority will be assigned to irrigation facilities for bigger chunks of land, say around 1,000 acres or more in the initial phase and then moving to smaller schemes on a sliding scale. In doing so, inter district balance and equity in terms of phasing would be kept in view. Programme will initially screen the existing survey and designed channels available with WMD and match them with the programme valley selection criteria to select the suitable ones. Channels with simple designs and costing up to Rs. 15 million will be implemented by WMD and those

above that cost and with complex designs by PWD. The limits can be reviewed in year 2 and 3, after on-field experience of the relative competencies of the two departments. All irrigation schemes will be implemented through full participation of the beneficiary communities by SMP under the overall technical support and oversight of WMD. Unlike the prevailing practise in community executed schemes, where over 20% community contribution is expected, the schemes under ETI will not require any community contribution in the shape of labour or materials. ETI will pay the full cost, as approved by PCU, for labour and materials but communities will agree to payback 50% cost of the scheme into a community based account for future investment on their own priority social and economic development priorities. While community is expected to carry out most of the civil work itself, it would be free to engage a contractor for any portions of scheme that are considered too complex for community. An established right of water will be a fundamental requirement, along with adequacy of source and non-disputed nature of land, for financing of any scheme under the project. Right of way for new irrigation channels will be arranged by beneficiary community/WMD as per prevailing customs and norms and IFAD funding will not finance any costs on land acquisition/right of way for the identified irrigation schemes.

3.2 *Repayment Oversight and Management Mechanism**:*** Repayment funds will be treated as a Community Asset and would be available only for activities and purposes that benefit the entire community through development investment identified collectively. Fund management will be carried out in a transparent and accountable manner jointly by the community nominated persons and programme appointed staff. Repayment liability of each irrigation scheme beneficiary will be clearly computed at the completion of scheme and conveyed to SMT in writing along with schedule and timing of repayment and responsibility for repayment collection and its deposit in the bank account. Repayment collection will be done during the scheduled meetings of the village producer organization and duly accounted for in a repayment account book and promptly deposited in the designated bank account. Account balances details will be shared/reviewed in each monthly meeting of VPG/WUA. Use of collected funds will require community resolution identifying the priority scheme for use of collected funds, technical feasibility of the scheme by ETI/SMP and approval of proposed scheme if found feasible by the programme. Scheme execution process will be again through a community nominated Scheme Management Team with oversight and monitoring by SMP and ETI. Expenses on scheme will be presented in the monthly meetings of VPG/WUA. DCU Accounting Staff will carry out annual supervision of all Repayment Funds to ensure their proper management and usage.

3.3 Irrigation Schemes O&M: ETI will adopt, and further refine, the formal beneficiary centered scheme O&M system introduced by AKRSP and WMD. A water user association representing the beneficiaries will be established before the start of construction. The WUA will have formal rules of business duly agreed between the community and executing agency. The rules of business will specify the user fees, mode of their management and usage, scheme O&M responsibilities and operating procedures etc. The user fees will be managed through a bank account with multiple signatories nominated by WUA. As part of the provincial water policy formulation through ETI funded TA, the role and responsibilities and structures of WUAs will be given a proper regulatory cover and system will be established for their monitoring and accountability.

3.4 Mitigation of Climate Affects: While there is no scientific hydrological data available on water flow patterns in glacial melt streams, anecdotal information from farmers suggests variable flows in manly streams during different years due to lesser than normal snow in certain years or longer than norm low temperatures in upper reaches of the mountains resulting in less glacial melt and water flows. While farmers have little control over natural phenomenon like snow-melt and stream flows, there are possible measures that can be adopted at user levels to make most of the available flows. These include adoption of efficient irrigation technologies, use of water efficient crops and proper levelling of lands for flood irrigation. These will form part of ETI's training and capacity building activities at farmer level during irrigation and land development activities.

3.5 Main inputs/activities and outputs will be as following:

3.5.1 *GIS Mapping and Baseline Survey:* To overcome the current information gaps in terms of total feasible area available for irrigation development, location and size of each parcel of land, ownership status, water availability etc. a GIS mapping exercise would be carried out upfront (preferably prior to project appraisal through a small grant from IFAD) to guide the implementation strategy and programme priorities.

3.5.2 *Notifying ETI Staff:* Department of Agriculture will notify WMD staff at provincial and district levels who would be responsible for the ETI assigned irrigation works.

3.5.3 *Consultancy Support:* Programme will finance an initial consultancy support to WMD for the design and cost estimation of initial five representative schemes to establish proper design and cost parameters and community partnership terms and conditions templates. After this, the rest of schemes will be implemented by WMD.

3.5.4 *Scheme Identification and Phasing:* PCU PWD and WMD, in consultation with concerned SMP, will be responsible for scheme identification and their priority for development as part of the annual workplan and budgeting exercise. The priorities and phasing will be adjusted from time to time depending on progress and experience.

3.5.5 *Community Mobilization and Organization:* Identification and organizing of beneficiaries will be by Social mobilization partner who will explain the terms and conditions, along with concerned WMD staff and facilitate agreement on terms and conditions;

3.5.6 *Design and Cost Estimation:* Initial five schemes with the help of a consultancy firm and for the rest of schemes by WMD staff itself as per approved design parameters

3.5.7 *Term of Partnership between Community and ETI:* Selection of scheme for construction and its financing by ETI will follow an agreement between the community, SMP and WMD. Once a scheme is identified as feasible, the beneficiary community will be organized into a Village Producers Group and the VPG will select a Scheme Management Team. The agreement will be signed by the Scheme Management Team (SMT) selected by the community through consensus and SMT will be responsible to the project for all aspects of construction agreement. The right of way and securing a reliable water source/share from an existing stream/river will be the responsibility of concerned community.

3.5.8 *Approval and Agreement with Community:* Final approval will be accorded by PCU, on recommendation of WMD and SMP and WMD and SMP will sign the agreement with the beneficiary community.

3.5.9 *Scheme execution/construction by community* under direct supervision of AKRSP and overall oversight of WMD and full cost payment of all items of work to community; AKRSP/SMP will be paid a percentage of scheme construction cost for their supervision and support overheads

3.5.10 Provision of US$ 100 per acre to beneficiary households for land development and the development will be supervised and monitored by WMD and SMP;

3.5.11 50% recovery of scheme cost over three harvest periods by social mobilization partner and deposit into joint account of Village Producers Association and use of funds for approved business promotion activities of association and prioritized social development needs of the communities in the valley; amount recovered from beneficiaries and amount re-invested in local development will be two distinct M&E indicators for programme monitoring;

3.5.12 Training of youth groups in construction, stone blasting, other land development tool and machinery operation etc. Each Group will be provided a set of appropriate tools for their work(40 groups – 400 youth)

3.5.13 Seven Pilots, one in each district of the region, for identification of cost-effective solutions for lift-water schemes on main rivers to irrigate the lands (*Daas)* along the main rivers like Indus, Shyoke, Gilgit, Hunza etc. by WMD and/or a suitable private sector partner. Though irrigation component is being implemented in four districts, but the pilots are planned for all seven districts with a view to demonstrate options in entire region with its geographic variations.

3.5.14 Development of provincial water policy including formal community based O&M system and their formal adoption

3.5.15 Capacity building of WMD and PWD Department including vehicles and equipment, incremental staff and training and travelling costs

3.6 Sub-component 1.2 - Farm to Market Roads: FMR component is aimed at providing critical road linkage for the supported value chains in selected valleys to valleys and main roads. While tentatively every district will be eligible for equal share in roads however, the final district fund allocation for roads will be based on two considerations. First, overall share of the districts in the programme financing and second the value chain development potential and value chains selected for support. The sub-component will finance upgrading of 400 km of pony tracks (40%) to jeep able roads and from jeepable to truck able roads (60%). These will be shingle compacted roads for linkage to main valley and trunk roads. Most of these roads are existing tracks of varying standards and quality that would be upgraded to a jeep able and truck-able standard and hence would not involve any right of way or land acquisition issues. Wherever any land acquisition is involved, that would be the government and community responsibility. The sub-component will be implemented by PWD and road identification will be carried out in close coordination PCU/VCTAT and other extension and research as well as SMPs. Completion of roads will be aligned with development of value chains in various areas and land development under irrigation component. *PCU will exercise overall Procurement Control* through its infrastructure Expert. PWD will work in close coordination with WMD and SMPs for phasing and selection of roads and execution of road works. Main inputs and activities under this sub-component will include:

3.6.1 *GIS Mapping and Baseline Survey***:** GIS mapping and baseline survey will be carried out prior to project start-up and will help initial identification and prioritization and linking of roads with the promising existing production areas and future irrigated land development.

3.6.2 *Notification of ETI Related Staff:* PWD will notify staff at provincial and district level responsible for the implementation of ETI assigned roads and irrigation activities.

3.6.3 *Hiring of Consultancy Firms:* An independent consultant will be hired to assist in and oversee the road selection process, undertake detailed design and cost estimation, supervise the tendering and work award process, verify the progress and bills and ensure timely completion as per agreed quality standards. PCU and DCUs will maintain overall monitoring and quality checking through their

own engineering staff based in PCU and DCUs. All payments to contractors for the completed works will be made only after certification by the consultant and random spot-checking by the PCU and DCU engineering staff.

3.6.4 *Prequalification of Contractors:* Only prequalified contractors will be eligible for participation in the ETI financed roads. Pre-qualification will be carried out by PWD under the supervision of roads consultant and with participation of PCU engineering staff. Efforts will be made to invite better capacity contractors from within and outside the region to participate. Not more than 12 companies will be pre-qualified for the roads works.

3.6.5 *Packaging of Roads:* Roads in same valleys, regions or districts will be packaged in a manner to make reasonably large packages that are attractive for bigger and better capacity contractors with credible track record.

3.6.6 *Land Acquisition/Right of Way:* Beneficiary communities and/or government will be responsible for provision of land for the new roads. IFAD funding will not finance any costs on land acquisition/right of way for the identified roads.

3.6.7 *Construction of 400 km shingle-compacted* truckable and jeep-able roads including drainage and support retaining and breast structures

3.6.8 Formulation of Provincial roads master plan and O&M policy including establishment of a dedicated O&M fund by Government of GB for assured regular maintenance of the roads on annual basis

3.6.9 PWD capacity building including provision of vehicles, equipment, road maintenance machinery pool, incremental staff salaries and allowances, and consumables

4. **Component 2: Support Services/PPPP for Value Chain Development:** The component will revolve around a commercial and market oriented approach whereby farmers will produce on the basis of demand from buyers and the relationship will be underpinned by contracts. These contracts will drive business planning of producers groups and will also determine the support that they would need from the extension and research services. The component is aimed at providing comprehensive and mutually-supportive solutions to current challenges in developing value chains for the main cash crops (fruit and vegetable products)of the region, starting with the two priority crops selected (apricot and potato). The component will be implemented with the support of multiple partners including public sector extension and research institutions, private/corporate sector and farmers organizations. In doing so, the component will address pre-and post-harvest issues of farmers/producers, aggregation, grading, packaging and storage, public sector extension and research services support, local value addition and processing industry development, transport and market linkages. The overarching principle will be to follow 4-P model involving effective partnerships between producers (farmers), public sector (extension, research) and private sector (local entrepreneurs, down country seed companies and corporate clients). This component consists of a number of interconnected and complementary sub-components.

4.1 ***Sub-Component 2.1. Value Chain Development:*** The Value Chain Development sub-component will consist of two inter-connected parts. A Value Chain Fund and a Value Chain Development Technical Assistance Team. The fund will be established within the PCU and will be used to provide matching grants to different actors along the value chain. The specific objective of this sub-component would be to develop producer-public-private alliances in the target valleys aimed at improving market linkages and value addition to local products. The fund will be available for valley producers associations, village producers groups, local and external private sector service providers for various segments of value chain, youth and women groups involved in processing and marketing aspects,

existing processors, transporters, packagers etc. The main criteria for access will be formal registration, documentary proof of engagement in that particular activity and track record, a feasible proposal/business plan that demonstrates that the activity will directly contribute to adding value to any of the local product or its access to better markets with better returns for farmers and region, and a proof of applicants own contribution/matching investment in the venture. The support needed from extension and research services will also be determined in the plan and any costs on provision of such services and inputs (e.g. basic seed for potato seed production) will be part of this financing proposal. The fund will be used only as a matching grant for viable business proposals/plans submitted by private and public sector entities clearly demonstrating that such a venture would directly contribute to the promotion, marketing, higher returns, employability, and profitability of a product emanating from GB. Project funding would be channeled through partnerships with legal entities in the private sectors who have already been successfully engaged with smallholders to increase output, productivity, quality and marketing and who are interested in scaling up those activities. It is anticipated that the majority of partnerships would involve identified farmer groups and any of the following:

- An agribusiness or private sector firm or association of firms engaged in the sector;
- A knowledge or service provider (private, public or civil society entity, such as University or NGO);
- Smallholder farmer cooperatives or associations;
- A multiple partnership involving more than two of the above, with one partner designated as the lead.
- Eligible activities and Financing Ceiling. Those eligible activities will be demand-driven, and based on agreed results which would be consistent with the specific objectives of the project. The maximum project financing per Partnership would be detailed in VCF Operational Manual and PIM. This would be revisited as the programme progress to ensure optimal use of the funds.
- There are some existing promising farmers groups and producers association, marketing associations and aggregation services providers that will be engaged on priority to serve as models and experience generators. These include Momo Dairy Cooperative with 400 women members in Danyore, Gilgit. The Association has a well developed business plan and a ready market to serve. There is also Mountain Fruits Cooperative in Gilgit with an existing certification for Organic Produce and around 5,000 members/producers and a well developed plan for expansion of exports particularly apricot and nuts. It has firm orders for apricot export but is constrained due to lack of financing and technical support. Lays/Pepsico is keen on developing a potato seed production and multiplication relationship with Tissue Culture Labs and farmers organization to plug the lean supply periods of July to October and willing to become a co-investor and co-manager in Tissue Culture Lab seed production and multiplication plans. Such plans and partnerships will be addressed for development on priority. In addition, the PCU would advertise and call for proposals for additional partnerships. The PCU, through its Fund Management Committee, would examine the solicited proposals and identify eligible proposals. If need be, the VCTAT will assist the proponents in improving their proposals to meet the required standards. Financing of eligible proposals would be appraised by the VCTAT and placed before Fund Management Committee for approval. The PCU will also entertain any unsolicited proposals submitted by firms, groups and individuals or farmers associations/groups.

- **The detailed guidelines** on cost sharing arrangements, ceiling level for partnerships, standard contractual formats and the rules for the implementation of this component (e.g. eligibility criteria, selection process, evaluation process, etc) are described in Annex 1.

- **By the end of the programme,** it is expected that up to 100 partnerships would be assisted and up to 100,000 smallholder households would directly and indirectly benefit from such matching grant partnerships. About 20 processing facilities would be established through project support for value addition and reduction in wastage.

VC Fund Management Committee, headed by the Programme Coordinator with Value Chain Development Manager, Finance Manager, Business Development Manager, Head of Social Mobilization Partner (s), two private sector representatives, two representatives from producer groups/associations and head of Value Chain Technical Assistance Team as members will manage the operation of the Fund and consideration and approval of matching grant proposals.

Value Chain Development Manager will be the focal person for the fund in PCU. *Value Chain Technical Assistance Team* will assist the Value Chain Development Manager and PCU in developing systems, procedures, criteria and monitoring mechanisms for effective and transparent operation of the Fund. VCTAT will also assist the target groups and beneficiaries eligible for ETI support in developing their business proposals and operation of the businesses once the matching grants are approved. The financial record and accounting of the fund will be the responsibility of the Finance Manager.

***Technical Support to Women, Youth and Small Entrepreneurs*.** The SMPs, VCTAT and line agencies staff would assist those potential partners with lower capacity (such as women or youth, and farmers in more remote areas) in the preparation of their proposals and subsequent implementation once their proposals are approved. Assistance could extend to continued support in monitoring the implementation of the partnerships.

Indicative Allocation of VCS Fund: The Value Chain Support Fund will essentially be a flexible window for matching grants and primarily driven by demand and comparative importance of various aspects of different value chains. Details on allocations and criteria are provided in the Working Paper on Value Chain Development.

Value Chain Technical Assistance Team: A long-term Value Chain Technical Assistance Team will be recruited, representing various areas of expertise, to be housed in PCU to assist in all aspects of value chain development. The input is aimed at addressing the current challenges of absence of quality advice in the region to engage private sector in developing win-win partnerships for various products/value chains in the region. The team will be a mix of long term core positions and short-term assignment specific deployment. This multi-disciplinary team will have a designated Team Leader responsible for the team work and performance. The main disciplines covered by the team would include Fruit Value Chains Development, Vegetable Value Chain Development, Agri Products Processing, Agri products Economic and Financial Analysis, Smallholder Agriculture Marketing and Value Addition etc. The team will report to Programme Coordinator through Value Chain Development Manager. Main activities and responsibilities of the VCTAT will be as following:

- The team will develop a comprehensive value chain development strategy, covering priority products, priority geographical areas for selection, value chain gap analysis, approach and strategy for engaging and organizing smallholders in value chain development, potential private sector partners to engage with, coordination at village/valley level between SMPs, line agencies and VCTAT, guidelines for effective use of Value Chain Fund including eligibility criteria and processing of proposals etc. The strategy will be developed in a consultative manner involving all implementing partners and will be presented to Project Steering Committee for its endorsement.
- *Annual Plans and Budgets:* VCTAT will develop annual plans of activities for its areas of responsibility and attendant budgets and such plans will form part of project AWP/B. The plans will be prepared on the basis of programme phasing for various activities and in close coordination with other implementing partners including SMPs.

- *Performance Assessment and Retention:* The VCTAT will be subject to comprehensive performance assessment on annual basis to determine usefulness of its retention or need for adjustments in its composition including leadership. Apart from PCU's internal assessment of VCTAT, IFAD supervision missions will specifically evaluate the performance and effectiveness of VCTAT and suggest improvements where needed.
- *Team Composition TOR and indicative duration for various positions is reflected Appendix 2.*

4.2 ***Sub-Component 2.2: Social Mobilization (Farmers Organization & Institution Building)***: Social mobilization and organizing the farmers in village level production groups and valley level producer associations is meant to address the current challenges of scattered production, lack of aggregation and quality control forums, challenges of extension and research links to smallholders, disincentive for the private sector in approaching individual small producers who spread over in different areas and lack of credible institutions at producer level to engage with. Social mobilization is also required for implementation of irrigation development sub-component which involves community driven implementation approach linked to recovery/repayment of 50% of construction cost. ETI social mobilization component will be implemented through engagement of experienced and competent social mobilization entities available within and outside the region through a competitive process. It could be one SMP for all four districts or more than one SMP managing one or more districts. The SMP would be required to deploy required a number of male and female social mobilization staff in each district commensurate with the work load, their mobility and office equipment needs and their salary and allowances. SMP(s) will only deal with organizing and social mobilizing aspects (and related training) of ETI and will have no implementation responsibility in terms of activities under two investment components. SMP staff will closely coordinate their activities with the implementing agencies through the offices of District Coordination Units. Suggested selection procedure and TOR for the SMP are attached as PIM.

Social Mobilization Approach: A social mobilization strategy jointly developed by PCU, implementing agencies and SMP will guide the social mobilization approach of the programme. Once the priority valleys are identified in all districts, SMP will engage with the farmers at village and valley level to initially form the Village Producer Groups. A three-track approach will be adopted to organizing farmer organizations around identified value chains. **Track 1** will be organizing the farmers of selected promising crops (potato and apricot) in a village and valley level producers associations in existing crop areas. This may include some existing groups already engaged in joint production and marketing activities but are facing challenges of production, productivity, quality and scales. ETI is expected to establish/sponsor/support around 10 groups in the year 1 which would also help kick-start the programme activities in the value chain realm. **Track 2**, will entail organizing farmer groups that will benefit from the land selected for irrigation development. Along with irrigation development and needed road linkages, these beneficiary groups will be assisted in developing production and business plans for the newly developed land and become a part of an existing valley producers association. Around 10 such village producers group will be organized in Year 1. **Track 3,** will be those cooperatives and groups of men and women entrepreneurs who are engaged in small-scale processing, marketing and packaging of different fruit, vegetable and milk products and are in need of assistance to scale up their businesses. Women, youth, poor and landless will be a priority focus in all three tracks. Nutrition related knowledge building and training will be mainstreamed into activities at the village level targeting men, women and youth. Training needs assessment and TOT for SMP and extension staff will conducted to enable them to provide effective training on nutrition to community members.

Main inputs in sub-component 2.2 will include:

i. Engagement of social mobilization partners for four districts.

ii. Development of a social mobilization and community interaction strategy on the basis of programme objectives in collaboration with PCU, line departments and private sector
iii. Training of SMPs staff in programme objectives and approach, coordination processes to engage with other implementing partners, reporting and accountability and deployment of trained staff
iv. Selection of priority valleys and crops on the basis of Baseline Survey and in close collaboration with Department of Agriculture (Extension & Research), WMD, PWD, VCTAT and PCU/DCU.
v. Engagement with existing active production and marketing groups. Immediate priority crops include seed and table potato production and apricot and a pilot in milk production and marketing.
vi. Dialogue with the villages in selected valleys to establish 220 village producer groups, including women, around specific crops and preparation of village development needs/plan in economic and social sectors
vii. Identification and engagement of special target groups including women, women-headed households, special needs individuals, landless and unemployed youth for targeted assistance as well as assurance that they get equitable priority benefit from project funded activities.
viii. Nutrition related activities will be mainstreamed into activities at the community level, particularly with the women and youth.
ix. Phased formation of village producers associations in a manner to organize all target villages and most of the valley producers associations by end of year 4.
x. Establishment of 25-30 Valley Level Producers Associations, at least one in each valley, representing village producers groups and assisting them, in collaboration with TA team, in establishing formal structure, registration, business plan and opening of accounts etc.
xi. 3-4 Regional Producer Associations formed once the Valley Associations are fully operational and working profitably.

4.3 ***Sub-Component 2.3: Agriculture Extension (Department of Agriculture):*** Directors (Extension) Gilgit and Baltistan will be overall responsible for the delivery of inputs assigned to the extension wing of Department of Agriculture and will be members of the Programme Coordination Committee headed by the Programme Coordinator. The District level Deputy Directors will be members of the District Coordination Committee. The Directorate will work in close coordination with its sister Directorate of Research/Tissue Culture Labs, SMPs and Village and Valley Farmers Groups.

Main Activities, inputs and responsibilities will be as following:

- Notification of assigned staff for ETI and procurement of equipment and vehicles for the assigned staff

- farmer trainings, as identified during the business development plan formulation at the village and valley level, adopting a Farmer-to-farmer training approach whereby key farmers will be trained for each group and association who will train the fellow farmers for a particular crop;

- assist farmer groups in establishment of commercially run nurseries for the production of quality fruit planting materials including access to improved progeny sources and access to Value Chain Development Funds for their capital needs.

- Making soil testing labs fully functional and assisting all farmers groups in getting their soils tested and helping them overcome identified deficiencies.

- Supporting VCTAT and Agriculture Research in realization of targets set under the village business plans including different training, adaptive trials, seed multiplication etc.

4.4 ***Sub-Component 2.4: Agriculture Research, Department of Agriculture:*** Research Directorate will assist ETI mainly for the potato seed multiplication (target 40,000 tons) and improvement of production and productivity of table potato and seed certification and product certification activities. The Research Directorate, in collaboration with Extension Directorate, will work with the Village Production Groups and Valley Producers Associations to improve the production, productivity and marketing prospects of potato and any other prioritised crops and value chains. The Research Directorate will also assist the Producers Associations and local processors and intended exporters to obtain required product certifications like organic food, EURGAP etc. While the Directorate will be represented in the PSC by Secretary Agriculture, the Director of Research will be a member of the Programme Coordination Committee of PCU and the Assistant Directors of its Field Farms will represent the Directorate in the DCU Coordination Committees. *Main inputs and activities covered under this sub-component include:*

a. Notification of staff responsible for the ETI funded activities
b. Full rehabilitation (green houses, screen houses) of the three tissue culture labs along with capacity enhancement to be able to support production of 40,000 tons of seed potato in GB
c. Procurement of equipment machinery and chemicals and baseline inputs (seed, fertilizer, pesticides)
d. Facilitation of agreements between potato seed and table potato producer groups and private sector purchasers in Punjab and elsewhere and supply of basic and certified potato seed as per business plans of the producers
e. Construction of eight 50 mt capacity seed stores in key production areas
f. 150 adaptive research trials to select optimal areas for production of seed and table potato
g. Incremental staff salaries and allowances for the seed certification office in Gilgit and daily wage workers wages for TCL

4.5 ***Sub-Component 2.5: Land Titling System, Provincial Land Commissioner:*** Provincial Land Commissioner/Chief Secretary GB is the head of land revenue administration in the province. Provincial Land Commissioner will nominate a senior officer of his establishment to be the Manager for this intervention. To initiate establishment of a proper land records and titling system in GB, the programme will adopt a two pronged strategy whereby it will assist the provincial government to carry out the required legislative work but, at the same time, get an interim regulation promulgated that safeguards the interests of project's beneficiaries for the newly developed irrigated areas. Such a regulation will establish the basis for classification of lands identified for development and the shares of people living in the beneficiary/claimant community. At the same time, ETI will assist the provincial government to start establishing the basics of a computerised land records system at provincial and district levels on the pattern and software design of systems being established in Punjab and Sindh provinces. This computerised recording of land titles will start with the new irrigated lands developed through ETI assistance and result in issuance of written land titles to all the beneficiaries of such lands. *Main Inputs and Activities and Responsibilities under this sub-component will be as following:*

- *Focal Person:* The Provincial Land Commissioner will notify a focal person from the provincial government to be responsible for this activity who would also be a member of the PCU Coordination Committee. Implementation of all project financed activities and reporting thereon will be the responsibility of notified Focal Person.
- *Legal Consultancy for Provincial Law and Interim Regulation*- a legal expert will be engaged to assist the provincial government in drafting a new land law that is commensurate with the local customs and usages and provides a fair system across the area for recording and protection of land rights and their enforcement. The new law will be promulgated by end of Programme Year 2. In the meantime, the legal expert would

assist in framing an interim regulation for the recording of rights and issuing of titles for the new lands developed under ETI. The interim regulation will be promulgated and notified by end of Programme year 1.

- *Establishment of Provincial and District Land Record Computerisation Cells* – Cells will be established at the office of Provincial Land Commissioner and District Revenue Offices for computerization of land records starting initially with the land developed under ETI. The cells will be subsequently developed in full-fledged Land Record Offices by the provincial government when the new law is in place for the computerization of entire land records. The cells be established by end of Programme year 1.
- *Procurement of servers and computers along with allied equipment for the provincial and district cells along with software* – basic equipment for putting in use the software for land-records data of ETI sponsored land development and issuance of titles to the beneficiary households will be procured through project funding and installed at provincial and district offices
- *Training of the provincial and district staff and study tour to Punjab:* Punjab happens to be the most advanced in terms of computerization of land records and issuance of land titles through computerised system. The selected staff would be sent for training and study tour of Punjab Board of Revenue and Selective districts to study the system and learn tools of trade.
- *Verification of Land Status and Ownership Status after Land Development:* For each land selected for irrigation development, WMD and PWD will request the District Revenue Agency to measure the land and verify the land status (including it being free of any dispute or encumbrance) as well future share of each household in the developed land to ensure that land titles are clean and every household would get an equal share in developed land.
- *Recording of Data and maps of lands selected for irrigation development by district land records cells along with beneficiaries* – To initiate the system, the digitized maps of land selected for development and data of the beneficiaries along with allocated parcels of lands will be recorded in the new computerised system
- *Issuance of land record titles by the cells to each beneficiary under the interim regulation of provincial government* – once the land is developed, each allocated parcel of land will be verified by the revenue staff and district cells will issue an official land ownership title to each individual under the interim regulation.

5. **Component 3: Programme and Knowledge Management:** This component aims at providing an effective programme coordination, procurement, monitoring and technical support capability at Gilgit-Baltistan level for effective management of programme resources and attainment of its objectives. Being a multi-sector project covering four districts, the most appropriate place for placing the Programme Coordination Unit would be P&D Department being the lead development planning and coordination agency in the province. Key elements of programme coordination and policy support component will be:

Federal Level:

5.1 Economic Affairs Division (EAD) is the designated coordinating agency at Federal level for all foreign development assistance. IFAD financing will be negotiated by EAD together with the Ministry of Finance and Government of the GB representative and the loan would be signed by EAD. Joint Secretary WB/IFAD would be the designated focal person for all project related loan signing and approval processes, coordination and periodic progress reviews at the federal level. Ministry of KA&GB will have an important role in ensuring timely releases of counter-part funds from the federal level. The Ministry will also be represented in the Programme Steering Committee.

Provincial Level:

5.2 **Programme Steering Committee**: headed by the Chief Secretary, a Steering Committee will be established in GB to provide the overall policy and administrative support, coordination and direction to the project in accordance with IFAD Financing Agreement. The rest of the membership will be drawn from core development and finance departments (P&D, Finance) and implementing departments (PWD and Department of Agriculture representing Agriculture Extension, Agriculture Research, Livestock & Dairy Development and Water Management Directorate). Give the importance of private sector in ETI, two representatives from the private sectors (one local and one from main buyers of GB products) will be made part of Steering Committee. Ministry of AK & GB will be represented as well by an officer not below the rank of Joint Secretary. Three representatives of Valley Farmer Associations, at least one of whom will be a woman, will also be selected by SMP to represent farmers' interests. Head (s) of SMP will also be members of Steering Committee. PSC will be responsible for the following functions:

- Acting as a main decision making forum for all aspects of ETI implementation including annual planning, budgeting, financial management, procurement, recruitment (including terms and conditions), progress reviews and accountability for performance;
- Meeting at least twice a year, and more often if need be, for approval of Annual Work Plans and Budgets, comprehensive mid-year progress review and an end of the year progress review.
- Ensuring synergy between the programme and other externally/internally financed projects/programmes in the programme area.
- Ensuring efficient use of project funded financial and manpower resources;
- Providing support on the policy framework and guidelines to PCU for efficient programme implementation;
- Approving terms and conditions of the programme staff and ensuring timely recruitment/appointment of specified programme staff in line with specified criteria and phasing;
- Approving terms and conditions for any public-private partnership proposals and agreements thereof;
- Approving terms and conditions for the engagement of social mobilization service providers and any other NGO/private sector service providers that may be needed in the course of project implementation;
- Approving TOR and terms and conditions for the engagement of technical assistance for policy and regulatory reform and supporting concerned government departments/agencies in implementation of identified reform measures;
- Ensuring effective cooperation and coordination between the PCU, the implementing agencies, district governments and other development agencies and instilling a system of accountability for performance and proper use of resources at all levels;
- Approving any rewards or honouraria proposed by the PCU for outstanding performance by any of the staff engaged for project implementation;
- Ensuring timely provision of counterpart funds, in line with programme annual projections and needs, appraisal projections and annual work plans.

5.3 **Programme Coordination Unit**: PCU will be administratively attached to Planning & Development Department of GB but otherwise fully autonomous and empowered to implement the project in terms of the Financing Agreement between IFAD and Government of Pakistan. PCU will be based in Gilgit and headed by a Programme Coordinator who will be responsible for the implementation of project activities as per Programme Financing Agreement and procurement guidelines, PC-I and approved annual work plans and

budgets. PCU will have appropriate complement of the sectoral experts and support staff. All professional and technical staff of PCU and subordinate entities will be recruited on a competitive basis and entitled for market based salaries (for persons recruited from private sector) and/or incentivised project pays as per P&D notified norms. A Programme Coordination Committee, headed by Programme Coordinator, with heads of implementing departments and social mobilization agencies as other members, shall be responsible for regular monthly and quarterly programming, review, coordination and monitoring. Main responsibilities of PCU will be following:

- Operation and management of loan and counterpart fund accounts and finances;
- Preparing the consolidated annual work plans/budgets, based on the PDR indicative phasing, and actual programme progress and annual plans submitted by the districts/implementing agencies.
- Submission of draft AWP/Bs to PSC in a timely manner for approval and inclusion in the annual development plans and budgets and allocation of counterpart funding.
- Ensuring effective coordination of the project activities at all levels through appropriate guidance, training and support to all related agencies at district and sub-district levels.
- Procurement of all loan funded standardized items in bulk orders (vehicles, office, equipment, furniture to achieve economies of scale and transparency), and authorization for procurement of specialized equipment and services by the implementing agencies, in line with the IFAD's revised Procurement Guidelines. Providing guidance and approval for invitation of tenders and awarding of contracts for procurements carried out by implementing agencies/partners.
- Preparing TOR for the studies and consultancy/advisory services including training, studies and research, procurement of such services and supervision of the delivery of such services.
- Ensuring adequate liquidity in the special account and subsidiary accounts at district levels through timely submission of withdrawal applications and timely release of funds to all implementation levels on the basis of approved annual and quarterly plans.
- Establishing an effective result monitoring framework as well as Results and Impact Management System (RIMS) indicators in accordance with IFAD guidelines.
- Ensuring that the project's financial management, administration and M&E activities are carried out in the spirit of the loan agreement and with due regard to the guidelines given in the project documents.
- Maintaining project accounts in accordance with the requirements of Government and IFAD and ensuring timely annual audits and submission of reports to government and IFAD.
- Preparation and submission of quarterly and annual progress reports within indicated deadlines and establishing internal project reporting schedules and formats whereby progress reports from implementing agencies are submitted on uniform formats, with acceptable standard of content and within given timeframes.
- Conducting annual lessons learning/sharing workshops with the involvement of line departments, social mobilization partner, community organizations and other government and non-government agencies active in the target districts.

The PCU will consist of:

Designation	Nos
Programme Coordinator (Eqv. BS-19)	1
Deputy Programme Coordinator/Incharge M&E (Eqv. BS-18)	1
Infrastructure Specialist (Eqv. BS-18)	1
Value Chain Fund Manager (Eqv. BS-18)	1
Finance Manager (Eqv. BS 18)	1
Resident Engineers (Equiv. BS-17)	2
Gender & Poverty Officer (Equiv. BS-17)	1
Procurement Officer (Equiv. BS-17)	1
Contracts Manager (Equiv. BS-17)	1
Admin Officer (Eqiv-BS-17)	1
Accounts Officers (Equiv. BS-17)	2
Communication & Media Officer (Equiv. BS-17)	1
Assistants(Equiv BS11-14)	12
Driver (BS-4)	6
Peon (BS-1)	4
Security (Outsourced)	

5.4 **PCU Recruitments:** Programme Coordinator position will be open to all civil service officers in BS-19 with relevant programme management experience and private sector candidates with relevant experience of the region and development sector. The position will be filled through a competitive process by a Committee headed by Chief Secretary GB with other members including Secretary P&D, Secretary Finance, Secretary PWD, Secretary Agriculture and two persons of eminence from the private/corporate sector. Successful candidates will be engaged on the basis of performance based contracts. Final selection will be subject to IFAD concurrence/No objection. All management positions (equivalent BS-18 and BS-17) will also be filled through a competitive process and will be open to public and private sector candidates with relevant qualifications and experience. Upon selection, the public sector candidates will be entitled to a programme allowance as per Planning Commission guidelines whereas salary of private sector candidates will be as per indicative salary levels given in PDR. The support staff will be recruited by PCU based selection committee, headed by Programme Coordinator, from the market on contract. Resident Engineers of PCU will spend forty per cent of their time in the field with each being responsible for two districts and will monitor the quality and progress and also assist DCUs in resolving civil works related issues. Security will be outsourced to a private sector security agency. Once selected, all key staff will be required to provide an undertaking for serving in the programme for at least three years.

5.5 **Regional Coordination Units**: In view of the physical spread and to provide effective day to day implementation support and coordination, three Regional Coordination Units will be established in Gilgit, Chilas and Skardu. Each RCU will be headed by a Regional Programme Coordinator who will also be responsible for M&E and will have a small complement of technical and monitoring staff. RCUs will be responsible for provision of inputs for AWP/Bs to PCU and coordination of implementation of the approved plans

through partner organizations and producers associations and private sector. RCUs will also be responsible for the monitoring of activities and liaison with all relevant district and other development agencies in their region. A Regional Coordination Committee, headed by Regional Coordinator and including district heads of all implementing partners, will be notified by PCU and will be responsible for regional level planning and coordination and progress reviews. Main staff in each RCU, other than Coordinator, will be Administration & Finance Officer, Administration & Finance Assistant, M&E Assistant and drivers and Naib Qasids.

5.6 **Policy Support:** ETI will provide policy formulation support to the government in a number of areas related to the value chain development as well as priority areas for project investments. These include Land Settlement and Titling, Irrigation Water Policy, Roads O&M Policy, Seed and Products Certification and quality certification etc.

5.7 **Coordination with Other Related Projects and Programmes:** P&D will ensure coordination between ETI and other programmes working on value chain development including USAID funded Stapara Development Project, DFID, JICA funded Apricot Value Chain Development and AKRSP supported activities. Representation will be given to these programmes at PSC and PCU level coordination committees and forums for effective lesson sharing and synergies.

5.8 **Preparation of the Annual Work Plan and Budget (AWPB):** Based on approved PC-I and PDR, the Annual Work Plan and Budget, prepared by PCU and approved by PSC and IFAD, will be the basis for implementation of programme activities. It will also form the basis for both provision of IFAD and Government Counterpart budget to finance programme activities. The AWP/B will be a detailed document outlining results, objectives (outputs), physical and financial inputs required, implementation modalities, responsible agencies/offices and procurement method for each activity. The AWP/B will be disaggregated into indicative quarterly segments for quarterly planning and progress review purposes.

Since the programme will follow a decentralized implementation approach and the exact nature and quantum of activities under each budget line related to village and community level activities will only be known after the village level need identification and planning exercises, AWP/B related to all village based activities like irrigation & land development, value chain development activities, related training etc. will be an umbrella enabling forecast to ensure sufficient liquidity in the programme account to meet the needs and activities expressed through the village and district plans. Actual utilization of these forecasted budget-lines will take place upon the receipt and approval of village plans by PCU/DCU.

Formulation of AWP/B will follow the provincial Public Sector Development Plan (PSDP) formulation schedules to align it with federal and provincial budget making exercise and ensure adequate cover of counterpart funding. PCU will prepare the draft plan at the programme level on the basis of inputs received from DCUs, VCTAT, social mobilization partners and implementing agencies. The draft plan will be finalized in an Annual Planning Workshop and agreed plan will be furnished to PSC through P&D Department. The draft plan will be finalized in the light of decisions made during the PSC meeting and suggestions received from the members. Approved plan will be printed and circulated under the signatures of Programme Coordinator. It will be submitted to the Ministry of KA & GB by mid-April each year for integration into GB and Ministry Budgets. This will ensure that appropriate provision is made for the required counterpart funding in the Government budget for the next fiscal year. PSC will conduct a mid-year review of the project progress and PCU will submit detailed working papers for such reviews. The working papers will present progress against main annual targets, the main implementation issues and recommended solutions for the decision of PSC.

Quarterly and Monthly Work Plans

Based on approved Annual Work Plan, PCU will coordinate development of Quarterly Work Plans with inputs from all DCUs, implementing agencies, VCTAT and social mobilization partner. These plans will provide detailed guidelines for field level coordination and steps to be followed by each agency keeping in view the field and community requirements and programme approach. Quarterly plan will be circulated among all agencies and Field Units and will form the basis for the monthly plans and schedules at all levels as well as the monthly progress reporting and review at DCU and PCU level. Field Units of social mobilization agency will furnish monthly progress reports to DCU and PCU on the basis of these monthly plans.

Programme Communication Strategy and Plans

ETI will develop a comprehensive communication strategy to proactively inform and engage the target beneficiaries and interested stakeholders in terms of programme objectives, targeting mechanism, poverty and gender targeting aspects, apportionment of resources among districts and valleys, irrigation development principles and approach (rationale for 50% repayment), grievance redressal mechanisms etc. Programme will use appropriate media channels in print, telephony and audio-video to communicate. Adequate budget will be made available in AWP/B for this purpose.

5.9 Monitoring, Coordination and Reporting

PCU will be the main coordinating agency for all programme related planning, coordination, monitoring and reporting. At policy and plan approval level, PSC and P&D Department will have an oversight, facilitation/support and monitoring roles but no direct implementation role.

At the District level, planning, coordination and implementation of all village level activities will be the responsibility of the District Programme Coordinator who will be answerable to the PCU Coordinator in this regard. Close coordination with the implementing agencies and social mobilization agency will be the key to programme success and DCU Coordinators will ensure effective team-work and coordination with all partners.

All programme related communication by participating agencies and institutions at programme level, with outside offices and agencies, will be through PCU. This is necessary to ensure consistency and coherence. PCU will be authorised to communicate directly with other partners at project level and with IFAD. All correspondence with federal Government will be through P&D Board.

PCU will report to Project Steering Committee in all matters related to project implementation including plans, progress, human resource, procurements and accounts/audits. All implementing agencies including social mobilization agency will report to the PCU on all matters related to project implementation.

Main reporting channels and formats in the programme will be:

(a) Monthly, quarterly and annual progress reports of the project;

(b) Procurement plans and technical approvals;

(c) Progress reports from DIUs and other implementing agencies;

(d) Working Papers for mid-year and annual review and work plan approval;

(e) Supervision Mission reports;

(f) Mid-term review report

(g) Project Completion report

(h) Baseline report, Monitoring reports, ad-hoc project studies and impact assessments

The matrix for implementation responsibilities is at Appendix 4.

6. **Monitoring and Evaluation:** PCU, ETI will design a comprehensive monitoring and evaluation system, based on IFAD guidelines for Results based Management. Deputy Programme Coordinator/Incharge M&E PCU will be responsible for the operation and management of M&E system, supported by dedicated staff at the district level. An M&E plan will be prepared every year to guide the M&E activities and required resources for the plan will be listed and approved as part of programme's AWP/B. Appropriate electronic reporting formats will be developed for all levels of implementation and the requisite training will be imparted to the concerned staff at the start of the programme. The reporting formats will report progress on inputs, outputs and outcomes. Gender segregated reporting will be adopted to the maximum possible extent for all levels. Impacts will be assessed through ad-hoc and regular evaluation exercises for key programme interventions.

6.1 Objectives and Indicators: Main objective of the M&E system would be to inform in comprehensive and timely manner all the key stakeholders about programme progress, outcomes and impacts so as make appropriate decisions in terms of approach, resource allocation, implementation strategies and corrective actions. Main indicators for the M&E system progress would be: Programme M&E strategy and staffing; annual M&E plans and resource allocation; gender sensitive reporting formats covering inputs, outputs and outcomes; monthly, quarterly and annual progress reports; baseline survey report; Mid-term review report; programme completion report, and ad-hoc surveys and studies for impact assessment.

6.2 Progress Reports: Monthly, quarterly and annual physical and financial progress reports from all implementation partners and implementation levels will be the main input for programme reporting. Reports will be submitted on prescribed formats, with necessary degree of detail, to PCU where they will be consolidated to prepare a Programme Progress Report for the information of financing partners and other stakeholders. Maximum use of electronic means will be ensured in report preparation and transmission.

6.3 Baseline Survey: A baseline survey will be conducted at the start of the programme, in collaboration with the social mobilization partner, to establish measurable baselines for all key programme results and impacts indicators. The baseline indicators will provide the basis to assess the changes in areas of ETI interventions and beneficiaries over the life of the programme. Baseline will also identify an appropriate number of representative "control communities" in different agro-ecological zones to serve as a counterpoint for comparison of programme impacts.

6.4 Mid-Term Review: a mid-term review of the programme will be jointly conducted by IFAD and Government of GB at about half-way point of programme implementation to carry out a comprehensive assessment of appropriateness of programmes' approach, progress and initial results/impacts. The exercise will include qualitative and quantitative assessment. MTR will identify issues and challenges in existing approach and progress and recommend corrective measures in terms of approach, coverage, activities, and revised resource allocation for various components in view of their progress and needs. If need be, the programme financing agreement and PC-I would be amended in the light of MTR findings and recommendations to ensure enhanced programme impacts.

6.5 Programme Completion Report: PCU/Government of GB will prepare a Programme Completion Report in the last six months of programme implementation. PCR will comprehensively assess the overall programme progress and effectiveness against

targets, progress against results indicators, initial programme impacts against baseline indicators and lessons learnt.

6.6 Evaluation Surveys and Studies: PCU will organize interim evaluations and assessments for key areas of programme activities, approaches and methodologies so as to inform the management about the suitability or otherwise of the same. These surveys and studies would be conducted either in-house (if capacity allows) or outsourced to other competent agencies. Such studies will be identified by M&E Wing and/or Supervision Missions.

7. **Financial Management:** The fundamental aim of this section is to ensure adequate financial management of the programme and to promote compliance with Operational Policies and IFAD Procedures on Financial Management. The programme financial management should provide:

- Essential financial information needed by those who manage, implement and supervise programme;
- The comfort needed by the borrower country and lending agency that funds have been used efficiently and for the purposes intended; and
- A deterrent to fraud and corruption, since it provides internal controls and the ability to quickly identify unusual occurrences and deviations.

The borrower is responsible for implementing the programme according to the financing agreement and other agreements while IFAD monitors the programme and reviews its progress to ensure that the loan proceeds are spent as agreed upon.

Structure of Finance Unit of the Project

Finance Unit is headed by the Finance Manager, and assisted by Accounts Officers at PCU level. Finance Manager reports to Programme Coordinator, ETI. While PC is Principal Accounting Officer for government purposes, FM has the overall responsibility of financial management function of ETI, for both government and IFAD funds. The minimum requirements for professional qualifications and experience for these positions are covered in Annex 5.

At district level, in each DCU, there will be Administration & Finance Officer, reporting administratively to District Coordinator, and functionally to Finance Manager in the PCU. These 4 Finance Managers will be BPS-17 equivalent officers, hired through a competitive process.

Both IFAD and counterpart funds would be managed by Finance Unit with completely separate systems of funds flow, budgeting and accounting, as detailed below. In case of social mobilization agency, its district and regional offices would employ sufficient staff with suitable accounting qualifications and experience, for financial management, accounting and reporting of funds advanced to them quarterly.

Budgeting and Forecasting Process for ETI

Annual Budgeting at District and Provincial Levels and preparation of Annual Workplan & Budget

The overall process of preparation of annual workplan and budget would be bottom-up and participatory, with sufficient participation of implementing agencies, SMPs, communities and beneficiaries through participatory workshops, resulting in preparation of annual workplans for the districts. The district workplans shall be finalized by programme teams at District level and coordinated by DCU. The workplans would then be costed, through estimates of costs based on latest available market prices etc., jointly by program team and Finance Managers.

During programme start-up mission, IFAD will address issues related to all financial, administrative, technical and other matters, including arrangements required to begin programme activities. In addition, the mission, together with programme staff, will review the first proposed AWP/B (along with other documents), and provide recommendations. Similar reviews of AWP/Bs for future years shall be performed by supervision missions.

The AWP/B would clearly identify IFAD share of eligible expenditures.

Forecasting for IFAD Funds Transfers
ETI would operate on "Imprest Advance mechanism" as detailed in the IFAD Loan Disbursement Handbook. Initially, an estimate of six months expenditure would be made, based on year-wise budget approved for the Programme, to set the Imprest Advance ceiling.

In case of districts, similar forecasting would be performed for IFAD share of financing, to determine initial advances to be transferred from DA to sub-Accounts/Programme Accounts. Expenditures reported against these advances shall subsequently be claimed in Withdrawal Applications from IFAD, for replenishment/ recoupment of advance. Further details of funds flow are mentioned in Funds Flow section.

Forecasting of Fund requirements for Social Mobilization Agency

For the social mobilization agency, funds would be released as advances on the basis of agreed Quarterly Plans. Each quarterly advance will be dependent upon accounting of at least 70% of the previous quarter's advance by the implementing agency. Subsequent quarter's advance to be released to the social mobilization agency would be equal to the next quarter's forecast, as reduced by outstanding advance from the previous quarter.

Budgeting for Counterpart Funds for ETI

Initial Budgeting for Government Funding

Detailed procedures for the preparation, appraisal and approval of development project proposals are set out in the 'Manual for Development Projects' issued by the Planning Commission and are applicable to all spending entities.

When the spending entity, in this case being PCU, ETI, would submit its proposals to the P&D Department for the Annual Development Programme, a copy of this submission would be forwarded to the Finance Department. This will include detailed estimates for the programme's annual targets.

Estimates of development expenditure for the year would be furnished by PCU to the Finance Department no later than 1st December each year. The following information for each programme/scheme must be provided:

- name of project/scheme
- expected date of completion
- physical targets to be achieved in the project
- accumulated expenditure and percentage of completion up to the end of the previous year
- revised budget estimate and physical targets for the current financial year
- budget estimate for next financial year
- targets proposed for next financial year and basis for determining target.

PCU, ETI/P&D Department GB will provide details of physical targets to be achieved by the project, along with budget estimates.

In the first year of budgeting, when the programme is new, and budget estimate would be submitted for the first time, it would be accompanied by copies of the relevant PCI.

In case of ETI, the following rules would apply:

- all foreign aid, from IFAD, would be incorporated into estimates of development projects. Such estimates would first be cleared by the Economic Affairs Division;
- the foreign currency component of a development project estimate would be shown distinctly with the sources and types of aid (e.g. Foreign aid, loan or grant). This information shall be provided in a separate statement to the Finance Department;
- the estimated Rupee equivalent of foreign currency loans to be repaid, would be retained by the Finance Department to cover such payments. This is referred to as 'Rupee cover'.

Once satisfied with these estimates, the Finance Department would obtain approval from the Principal Accounting Officer, who will sign off the budgets.

Annual Budgeting for Counterpart Funding - Approval Mechanism

Subsequently the estimates of development expenditure would be annually submitted to the Budget Wing of the Finance Department. The new item statement, countersigned by the delegated technical authority in P&D Department, should include distinct information for the foreign currency component of each development project as to its source and type of aid (i.e. foreign aid, loan or grant). This information would be shown in the budget book.

The GB Annual Development Program (ADP), consisting of scheme-wise budget allocation, by sector, to each department, would, upon its preparation, include the allocations for ETI. This document would be eventually submitted to the Annual Plan Co-ordination Committee for review and final approval by the National Economic Council. ADP incorporates provincial program and provincial foreign aid requirements and forms the basis for the compilation of the development portion of the Federal Budget.

Annual release of counterpart funds

After budget estimates have been reviewed by the Finance Department, and approved by the Programme Coordinator/PAO, the demands for grants pertaining to Livestock Department would be prepared and submitted, (along with the supporting Budget Orders and New Item Statements) to the Budget Wing of the Finance Department.

The Finance Department would review and consolidate the demands for grants submitted by the respective departments. Computerized budget management systems would be used to capture, verify and consolidate the budget data.

The Finance Department would review the consolidated estimates to ensure the overall budget policy and objectives have been met, and would make adjustments in consultation with PCU and P&D Department where required.

Upon completion of the consolidation and review process, the final budget documents will be produced, for tabling before the Provincial Assembly. Budgets approved in procedures as detailed earlier must be subsequently tabled before the Provincial Assembly for authorization. The IFAD credit for ETI will be reflected in ADP of P&D Department as notional provisions.

Authorised budgets would be recorded in the Schedule of Authorised Expenditure, with subsidiary information contained in the Details of Demands for Grants and Appropriations annual publication (current and development expenditure).

After the budget is passed by the legislature, together with sums tabled for charged expenditure, the Finance Department would formally communicate the budgets, as set out in the Schedule of Authorized Expenditure, to Accountant General for GB.

A separate release letter would be sent by the Finance Department to P&D Department/PCU, with copies to the Accountant General, to advise on the funds made available against these budgets. An appropriation ledger would be maintained by the Finance Department to record the initial distributions of budgets made to spending entities and any subsequent adjustments made throughout the year.

An annual statement of expenditures against budget (appropriation), referred to as the Annual Appropriation Accounts, would be prepared and published by the GB Accountant General. This report would provide, for the whole financial year just completed:

- a comparison of actual expenditure with original and supplementary budget.
- details of excesses and surrenders and supporting explanatory notes (as provided by spending divisions and departments)
- a comparison of actual expenditure with previous year actual.

Programme Budgets are attached as Appendix 6 for reference purpose. In case of any deviation between PIM budgets and Financing Agreement Budget, the Financing Agreement Budgets should be treated as correct and final.

7.1 **Programme Accounts/Actions to be Taken by Borrower:**

As soon as the loan has become effective, and to expedite the disbursement, the borrower will:

a) recruit qualified accountants and establish sound internal control and accounting systems in executing and implementing agencies;

b) review Schedule 2 of the loan agreement. The Schedule provides details of IFAD financing such as amount, percentages, items of financing, and applicable conditions of financing; and

c) maintain records for all signed contracts in a contract ledger for reference;

B. The first withdrawal from the loan account requires that:

a) IFAD has declared the loan effective;

b) the borrower has submitted to IFAD sufficient evidence of the authority of the person(s) who will sign withdrawal applications on behalf of the borrower, together with the authenticated specimen signature of each authorized person. (Any subsequent change in the list of authorized representatives must be reported immediately and authenticated specimen signatures of new representatives must also be provided);

c) the borrower is required to open, for the exclusive use of the programme, a separate bank account for depositing advances. The currency of the Account is agreed upon during loan negotiations and must be indicated in the loan agreement; and

d) disbursement conditions as specified in the loan agreements are met.

Preparation of withdrawal application for final disbursement(s) of programme loan should be closely coordinated between IFAD and borrower/EA especially if the remaining unutilized balance is expected to be fully utilized.

Preparation of Withdrawal Applications should be fully compliant with detailed IFAD requirements stipulated in IFAD LDH. This includes use of correct forms, and submission of all necessary supporting documents along with different types of WA's.

7.2 **Flow of Funds:** IFAD and counterpart funds shall have completely segregated fund flows and dedicated accounts at both provincial and district levels, to ensure clear, verifiable audit trail. IFAD funds would be disbursed to IFAD Designated Account at PCU level, opened in National Bank of Pakistan, after routing through State Bank of Pakistan, in compliance with GOP OM No. F.2(1)BR-II/2007-1618 dated 27, 2011, relating to "New procedure for the maintenance and operation of Revolving fund accounts opened for IDA, IBRD, and ADB Credits/ Loans". These procedures are applicable on DAs of all IFIs' ongoing public sector projects in Pakistan, including IFAD's public sector projects. IFAD share of all PCU level expenditures would be paid out of this account. For opening this account, an administrative approval from the Finance Department of GB would be obtained. Once the approval is received, a request would be lodged with its Loan Wing for the opening of Imprest/ Assignment Account in the National Bank of Pakistan.

The nature of this Imprest Account ensures allocation and retention of funds in USD, though all payments are made in Pak rupees. The transactions are recorded by NBP as per exchange rate applicable on the date of transaction/ payment. The bank statement also mentions USD receipts and payments. Any differences in the exchange rates applicable on the dates of receipts and payments would result in Pak rupee exchange gains/ losses. However, all such exchange gains/ losses would be borne by Government as per the applicable procedures, and no exchange gain/ loss would be charged to IFAD.

There would be one sub-Account/ Project Account, opened in each of the four districts of project implementation, which would be Pak-rupee denominated. This would be a dedicated IFAD bank account, outside government accounting and fund flow mechanism. Funds would be transferred from Designated Account to sub-Accounts in Pak rupees. All expenses by DCUs at district level would be paid out of these sub-Accounts, and would be recorded and reported to IFAD at exchange rate applicable on the date of fund transfer from DA to sub-Account. In case of more than a single fund transfer, weighted average exchange rate calculated from fund transfer dates, would be used for this reporting. This would ensure there would be no exchange gain/ loss on these fund transfers.

IFAD share of revolving fund (potato seed multiplication under Agriculture Research), transferred to revolving funds, would be recorded and reported at the (weighted average) exchange rate applicable on date of fund(s) transfer from DA to sub-Accounts, to avoid exchange gains/ losses. IFAD share of expenses would be claimed for justification from IFAD only once. Subsequent fund revolutions, i.e. collections from communities against services, and their re-utilization for procurement of further items for community services, and so on, would be not be claimed for justification/ replenishment against IFAD Imprest advances.

Strict monitoring of exchange rates between the currency of denomination and the local currency at the time of transfer from the designated account should be made by the programme to avoid discrepancies. This will ensure that the amount of the WA submitted to replenish the designated account is the exact value of the amount(s) withdrawn and transferred in local currency to the sub-Accounts/ district revolving fund accounts.

IFAD share of funds for social mobilization would be transferred to head-offices of the social agency, from IFAD sub-Account/ programme account. Social mobilization agency would manage onward transfer of funds to their regional offices. These advances would be in the nature of advances, and adjustments thereon would be reported by social mobilization agency on a quarterly basis.

7.3 Replenishment of Special ETI Account:

Initial Disbursement: After signing of Loan Agreement, PCU Coordinator will arrange immediate opening of the Designated/ Imprest Accounts at National Bank of Pakistan with special instruction for operation of the Accounts, if any, and prepare Withdrawal Applications requesting IFAD to pay the amount of initial deposits/subsequent funding to the Federal Reserve Bank New York for credit to State Bank of Pakistan's account and simultaneous credit to Designated Account in Dollars at concerned branch of National Bank of Pakistan.

The initial/ advance disbursement shall not exceed a ceiling amount as specified in the Financing Agreement. The ceiling amount will be equal to amount sufficient to cover average projected eligible expenditures under the financing for a period of six months. Minimum amount of Withdrawal applications should be USD 200,000. Any WA's below USD 200,000 will be rejected.

Subsequent Disbursements

Supporting documents would be required to be furnished (one copy only) in support of each WA, with details provided in IFAD Disbursement Handbook. It is not necessary to furnish original documents, a photocopy will suffice. This should be addressed to the Country Program Manager for Pakistan, and copied to IFAD Financial Management Specialist in Pakistan, and IFAD Controller & Financial Services Department in IFAD HQ. However, all original documentation shall be retained by the programme/borrower and securely filed to enable inspection by IFAD representatives and auditors for a period of at least 10 years after the PCD, in accordance with article VIII of the General Conditions.

Together with each WA received for replenishment to the designated account, the programme must submit Form 104 (A or B) - Designated Account Reconciliation Statement for the same reporting period in which the eligible expenditures are being claimed. This form shall be accompanied by bank statement(s) of the designated account, and that of any other operating/district/project accounts, ensuring that the closing bank balances for all these accounts correspond to the balances at the end of the same reporting period as indicated in the WA period. Other details are covered in IFAD LDH.

Efforts shall be made to minimize any cash expenditures in districts of operation. In case cash expenditures are imperative, receipts/ recipient acknowledgement/ other supporting documentation shall be obtained and retained by the Finance Officer. Regular periodic expenditure and progress reports shall be submitted, at least once every quarter, to PCU, by the DCUs, and implementing agencies providing details of all revenues and expenses.

The funds flow chart is also presented at Appendix 7.

7.4 **Accounting Standards and Software:**

Financial Manual: PCU will prepare a Financial Manual, as part of finzliation of PIM to guide all fiduciary aspects of the programme implementation.

Accounting Software- ETI will install prescribed/standardized accounting software for computerized management of programme accounts at all levels of expenditure.

The software would have at least 3 users' access, would be licensed, and would have sufficient data entry, chronological and double-entry related controls.

- All computer-based accounting controls shall be provided by the software, including the following:
- Authorization for making entries in the General Ledger and financial statements;
- Ensuring double entry for all accounting entries;
- Ensuring budget allocation for expenditures;
- Ensuring automatic, error-free compilation of reports based on General Ledger entries;
- Providing controls of access on deletion or removal of entries.

Safeguard of Programme Assets

The following asset management controls shall be applicable on assets:

(1.) Maintenance of a register of contracts (a compulsory requirement of IFAD);

(2.) Maintenance of an asset register, treating all items of procurement with useful life of more than one year, and value in excess of USD 5,000, as assets. This record would be updated regularly, and would identify the source of funding separately. The record would also be reconciled with claims from IFAD against different categories of expenditure which pertain to assets, e.g. vehicles and equipment;

(3.) All requirements of government and IFAD regulations would be stringently applied relating to assets, including assets' physical verification procedures, asset coding procedures, assignment of custodians, and avoidance of use other than for project purposes etc.;
(4.) Assets' disposals or scrapping would only be carried out in compliance with all applicable policies, and with all necessary approvals;
(5.) All transfers of assets, procured through IFAD loan, would be utilized for the purposes of furthering the objectives of ETI, and IFAD would be duly informed of all such transfers, and envisaged use of assets after project life;
(6.) The audit scope would include review of overall asset management function of ETI applicable on assets financed through the grant. The audit TORs would also include requirement of reporting on all gaps identified in the asset management function.

Accounting and Internal Control systems- ETI financial systems are required to be compliant with public sector accounting and financial reporting framework of NAM, GB/GoP Financial Rules and various other related regulations.

Additionally, all IFAD requirements for financial management, accounting, reporting, disbursement and auditing shall also be complied with in ETI utilization of IFAD funds.

FINANCIAL REPORTING IN ETI

7.5 **Types of Financial Reports to be prepared by ETI**

The following reports, with proposed contents, would be prepared in ETI implementation, to ensure sufficient financial reporting for information and decision-making, including reports to IFAD:

- Financial Expenditures and Variance report
  This report would be prepared by PCU and would include the following:

  – actual expenditures for the quarter (or other agreed reporting period), for the year to date, and cumulative to date (from the beginning of the project);

  – planned (or budgeted) expenditures for the quarter, for the year to date, and cumulative to date;

  – variances between actual and planned expenditures for the quarter, for the year to date, and cumulative to date; and

  – the expenditure figures appearing in the PDR for the life of the project, updated to reflect project changes including agreed revisions, and loan agreement amendments. The figures to be presented will be in local currency units.

Procurement Management Reports

These reports (Report for goods and works and Report for consultants' services) provide details on the status of procurement for the major steps in the bidding/proposal process for contracts above the prior review threshold.

Contract Expenditure Report

These reports provide details on amounts invoiced and paid for contracts above the prior review threshold. In addition to use as project management/monitoring information, this data can also be used to report expenditure by source of supply in the IFAD's Annual Report.

Annual Financial Statements

These statements should include annual budgetary provisions and allotments; supplementary budget provisions and allotments; and actual expenditures under each budget head and subhead. The budget heads and subheads of expenditures for which IFAD financing is furnished and the actual expenditures and amounts of IFAD disbursements claimed should be indicated.

The statements may take the following forms and may be produced in the local budgetary and accounting formats for the programme and, where applicable, for the EA concerned:

- Statement of Income (or Cash Receipts);
- Statement of Expenses (or Cash Payments);
- Imprest Fund Account/Special Account;
- Statements of Expenditure (SOE);
- Balance Sheet; and
- Notes to the Financial Statements.

Statement of Income (or Cash Receipts)

It shows the year's complete financial information and cumulative data from project start-up to date. The opening and closing cash balances should be shown.

Statement of Expenses (or Cash Payments)

It Shows the year's financial information, and cumulative totals from project start-up to the current date.

Cash Flow Statement

The Cash Flow (or project funds) Statement should include:

- sources of project financing (for example, IFAD, Government contribution, etc.);
- uses of funds summarized under project disbursement categories as per the loan agreement (for example: equipment, civil works, consultant services and training, and "Other" which may be further subdivided following start of project implementation); and
- the opening and closing cash balances.

Special Account Statement

This statement summarizes IFAD's advances and replenishments, less amounts withdrawn by the project entity, showing the remaining cash balance in the Special Account duly supported by the Bank statements.

Statement of Expenditures (SOE)

The Statement of Expenditures (SOE) procedure is an IFAD reimbursement procedure that does not require submission of supporting documentation. The SOE form should include certification, confirming existence of registration for mobilization and secured advances/deposits. The ADB Loan Disbursement Handbook describes the use of this method and associated reporting and auditing procedures.

Balance Sheet

Details of the financial position may be provided in a form of balance sheet, at the opening and closing of each fiscal year, to show the accumulated totals of transactions over the project period. Its preparation can take the form of an accumulation of data from income and expenditure statements for completed years, with adjustments to show closing balances of inventories and cash etc.

Notes to Financial Statements

The EA should provide Notes to the financial statements. These should be explanatory notes and/or supplementary financial statements that analyze or qualify important heads of account, or that present the information in conformity with generally accepted accounting practices of the country.

7.6 Programme Management Report (PMR) – Interim Financial Statements of the Programme

The information in the PMR should be provided in respect of: (i) the most recent completed financial period (normally a quarter or semester of a year); (ii) the totals for the year to date; and (iii) cumulative totals to date from the beginning of the project.

The PMR should also show, for each line item, the planned/budgeted amounts for comparison with the actual reported information, with variances shown between actual and the plan. Explanations should be attached to the PMR with respect to significant variances.

7.7 Audited Programme Financial Statement

IFAD requires the borrower and the programme EA to have the required financial statements for each year audited by an independent auditor acceptable to IFAD, and in accordance with standards on auditing that are also acceptable to IFAD. Under the Constitution of Pakistan, the Auditor General of Pakistan is the supreme body which is responsible for conducting the audit of public funds.

Annual Financial Audits

The audit of financial statements includes:

(i) an assessment of the adequacy of accounting and internal control systems with respect to programme expenditures and other financial transactions, and to ensure safe custody of programme financed assets;

(ii) a determination as to whether the borrower and programme implementing entities have maintained adequate documentation on all relevant transactions;

(iii) a confirmation that expenditures submitted to IFAD are eligible for financing and identification of any ineligible expenditures; and

(iv) a compliance with loan covenants and IFAD's requirements for programme management.

An auditor will need to examine, and where necessary, test:

- the procedures for making financial decisions, budgeting and authorizing expenditures;
- the design, management, and operation of the accounting system;

- the effectiveness of related systems and procedures such as inventory control and data processing;
- the efficiency of the systems of internal control;
- all financial transactions, and verify year end balances, including an appropriate degree of physical verification;
- compliance with IASs and any other applicable accounting standards, including the adequacy of disclosures;
- events and their possible effect on the financial statements;
- overall comparators of actual costs and achievements subsequent against budgets and planned indicators, obtaining and reporting adequate explanations for significant variations;
- the timeliness and accuracy of the recording of assets and liabilities and of the methods of their valuation;
- test compliance with loan covenants and IFAD's requirements for programme management; and
- adequacy and competence of accounting staff.

In the light of their findings, auditors will test the financial transactions of the programme against such documentary or other evidence as maybe necessary to enable them to be satisfied as to the authenticity and correctness of the transactions, their complete and proper entry in the books of account, and their effect on financial performance and status.

The audit of SOEs should be included as a part of the overall audit of the programme. It requires that particular attention be paid to the internal control systems and the verification of documents relating to SOE expenditures, not only to ascertain proper financial accountability, but also those expenditures are eligible for inclusion in the programme. It requires a special reference in the auditor's opinion with respect to the SOE portion of the audit.

Time of Performance of Audit and submission of audit report

Audit reports are required to be issued within 6 months from the end of fiscal year, i.e. by 31st December every year.

8. **Procurement:** Programme annual procurement plan will guide all the procurements of goods and services in a given year. IFAD procurement guidelines will be observed for the entire process of procurements. The limits for Local Shopping, National Competitive Bidding and International Competitive Bidding will be observed as per IFAD Guidelines. All procurements above US$ 50,000 will be subject to prior review of IFAD. Following specific principles will be applicable to all procurements:

- Procurement is to be carried out in accordance with the loan agreement and any duly agreed amendments thereto;
- Procurement is to be conducted within the project implementation period;
- The cost of the procurement is not to exceed the availability of duly allocated funds as per the loan agreement;
- Procurement is to be consistent with the duly approved annual workplan and budget (AWP/B) and procurement plan; and
- Procurement is to result in the best value for money.

The appropriate method for procurement of goods and services would be adopted as per provisions of Loan Agreement. The Procurement Officer will work in close coordination

with Finance Manager to ensure that there is a proper internal control system for ensuring that:

- contracts and all other significant aspects of procurement are properly approved and monitored (this is to ensure that goods and services have been provided in accordance with the terms of procurement, and properly managed and reported).

- contract amounts are recorded from the agreed contracts and that subsequent changes are both in accordance with the contract provisions and properly approved and adjusted to the amounts in the contract records (where there are several contracts, a contract register noting important information such as retentions withheld etc. for each contract will be needed);

- amounts invoiced and approved are noted showing date of approval including amounts payable, paid and deferred for future payment; and

- payments against contracts are noted beside the relative contract showing date of payment (explanations should be made where payments have been delayed).

8.1 **Types of Procurement and Methodology:** Specific methodologies that are to be applicable on major on some of the main envisaged procurements under ETI are listed below:

Hiring of NGO for organizing communities: The hiring shall be made through Quality and Cost Based Selection process (QCBS), to reflect adequate weightage to quality of service provider, relevant experience and past performance on similar projects for other donors. The hiring shall be performed against detailed, well-defined criteria for technical qualification and scoring, developed before the bidding process, and included in the bidding document. Indicative draft criteria is attached at Appendix 3.

However, in cases there are no other suitable service providers identified in the proposed geographical area of operation, Direct Contracting would be considered, if satisfactory justification for such hiring is available, as required by IFAD Procurement Guidelines. Such hiring would be in line with Section 79b. of IFAD Procurement Guidelines.

Procurement of Equipment, Vehicles, furniture and fixtures: Procurements of these items shall be performed centrally by PCU, through a competitive bidding process. The appropriateness of type of bidding (e.g. ICB, LCB, NCB) shall be assessed before initiating the procurement process. The procured items would then be transferred to concerned designated agencies for use but recorded in the PCU Assets Register as Programme property.

Procurement for Civil Works: Procurement for civil works will be led by PCU Infrastructure Specialist with the participation of concerned implementing agency. All procurements for roads and bridges will be on competitive basis among prequalified contractors. Contracting for any irrigation works will be done with concerned community's participation whereby the concerned agency (WMD or PWD) would assist the community in following a transparent and competitive process and get good value for money.

Procurement of Equipment for Tissue Culture Labs and Soil testing Labs: All procurements for Tissue Culture Labs, including imported potato seed, will be led by PCU with the participation of Directorate of Agriculture Research and shall be effected through competitive bidding process. The appropriateness of type of bidding (e.g. ICB, LCB, NCB) shall be assessed before initiating the procurement process.

Procurement of Community related equipment: This would include equipment for Youth Construction Teams, processing equipment for Village/Valley producer Groups, labour saving equipment for women etc. PCU would establish the specifications for such equipment and VPGs/VPAs will do the procurement themselves. Once a procurement order has been placed by a VPG/VPA or a partner processor, the payment will be made to the supplier directly by the PCU.

8.2 **Procurement Responsibilities:** A Procurement Committee would be formed for all procurements of PCU and DCUs, including competitive selection of service providers. For procurements carried out by PCU for vehicles, equipment and fixtures, this Committee shall comprise of the following:

- Programme Coordinator;
- Head of VCTAT;
- Finance Manager PCU
- Infrastructure Specialist
- Two provincial heads of implementing agencies

For civil works related procurements, the committee shall be headed by Infrastructure Specialist and will include provincial focal person of concerned implementing agency, Finance Manager of PCU, focal person of SMP and one Resident Engineer of PCU.

8.3 **Procurement Records:** Two conformed copies of each and all awarded contracts to be financed – in part or in full – from IFAD financing must be submitted to IFAD upon signing of contract or before disbursement of financing proceeds is made (whether for reimbursement, direct payment, special commitment or replenishment to the designated account) in respect of such contract. In order to verify that conformed copies of each awarded contract have been received by IFAD, the following monthly reporting procedure will be applicable. A record of the contracts awarded within a calendar month that are to be financed – in part or in full – by the proceeds of the financing closing date must be submitted to IFAD using a duly completed Form C-10 - Register of Contracts. When a contract is amended, the amendment will be recorded in the register of contracts for the reporting calendar month in which the amendment occurred, by indicating 'AM-1' after the contract serial number (in column 1) if it is the first amendment, or 'AM-2' if it is the second amendment, and so forth. The information requested in columns 2 to 11 of the register pertinent to the amendment is also to be recorded as may be applicable (i.e. revised contract amount in column 9, date of amendment in column 4, etc.). If a contract is cancelled or declared ineligible for financing by IFAD, this information should be included in the register of contracts for the reporting calendar month in which the cancellation or financing ineligibility was declared, by indicating: (i) the contract serial number in column 1; (ii) the date of cancellation or financing ineligibility in column 4; and (iii) 'cancelled' or 'ineligible for financing', as the case may be, in the 'remarks' column. If no contract award has taken place during a calendar month, the register for that month will be submitted to IFAD indicating 'NIL' in column 1. For contracts against which several payments will be made, Form C-11 - Contract Payment Monitoring Form must be kept by the project to record and keep track of summary payments. This form is submitted with each WA for which payments against the contract are being made to enable the Fund to determine the payment status of each contract.

Appendix 1.

Value Chain Support Fund – Indicative Allocations and Matching Grant Mechanism

1. Purpose: A Value Chain Support Fund will be established in ETI which will be deployed on matching grants basis to assist different players engaged in value chains of selected products of GB to develop their businesses for better production, productivity and economic returns.

2. Management: The fund will be managed by a PCU based Committee headed by Programme Coordinator. Other members of committee will include VCTAT, concerned line departments, private sector members, FEG/VPG representatives (2) and SMP. Eligible entities include farmer organizations, local processors and service providers, transporters, packaging enterprises, value adders and aggregators etc. A feasible business plan will be essential for applying for the matching grants from the fund. Fund will be accessible either through direct applications by farmer organizations and other actors already engaged with the programme or in response to periodic advertisements by PCU/VCTAT inviting proposals for access to funds in support of local value chains. The approved funds will be transferred based on phasing and terms and conditions agreed in the individual agreements with the recipient. The disbursements invariably will be linked to evidence of progress by recipient and evidence of deployment of his share of matching funds.

3. Allocation: Indicative allocation and purposes are summarised as following (VCTAT will fully develop these allocations and matching mechanisms at the start of the programme along with development of value chain development strategy):

a. On farm grants: These will be a total of 2,950 grants with a maximum ceiling of US$ 2,500. These will be for organized FEGs and VPGs for enhancing their production, productivity, product quality etc.

b. Off-farm Grants: These will be 500 grants with a maximum ceiling of US% 5,000 and aimed at improving off-farm facilities like grading and packing facilities, oil extraction, by-product preparation, crushing, aggregation, grading facility etc.

c. Trade Promotion Grants: These will be a total of 275 grants aimed at helping local traders and aggregators to improve market access for local products

d. Service Improvement Grants: These will be for the entrepreneurs providing various services including input supply, aggregation, transport, collection etc.

e. Non-Farm Grants: These will be 143 grants ranging from a max of US$ 30,000 to US$ 175,000 for private sector and farmer groups engaged in various segments of value chain. These include packaging, transport, input supply and seeds; dairy marketing, fruits and nuts marketing, apiculture development etc; Innovative initiatives by farmer groups for improved marketing of their products; Collecting, grading, sorting, polishing, branding, packaging etc.

f. Miscellaneous: A lump sum provision will be set aside to respond to any unforeseen feasible idea.

Appendix 2

Value Chain Technical Assistance Team Composition and TOR

1. Purpose: The purpose to deploy a Value Chain Technical Assistance Team (VCTAT) is to create in house capacity in the ETI Programme to provide quality advice to all players involved in the development of value chains of priority products on on-going basis.

2. **Duration:** VCTAT will consist of long term experts as well as short-term experts engaged for a limited period for specific aspects of value chains. The long term experts will be for the full duration of the programme.

3. **Long-term Experts – Team Composition and TOR:** Long-term experts and their TOR is as following:

(a) Technical Lead Expert (TLE): TLE will be engaged for full seven years of the programme. He will be overall responsible for the VCTAT performance as per TOR and agreed annual plans and phasing. He will also for developing a comprehensive strategy and plan for value chain development of priority products in consultation with other implementing agencies, private sector entities and farmer groups. He will deploy the component resources on the basis of agreed strategy and phasing. He will also assist the PCU in selection of other long and short-term expertise under the component. He will also be responsible for performance assessment of long and short-term experts working in the component and their further retention for the programme. He will report to Programme Coordinator.

(b) Value Chain Specialists: Programme will engage four value chain specialists, one for each of the selected value chains. Initially two specialists will be engaged for Potato and Apricot. They will, under the guidance of TLE, develop comprehensive strategies and plans for the value chain assigned to them with measurable progress indicators in value and volume terms. They will primarily be responsible for engaging all relevant actors in contract based relationships from producer to end user.

4. **Short-Term Experts:** Programme will engage a number of short-term experts – some for short periods every year and others for one off delivery of specific services. These experts and their duration will be as following:

a. Capacity Building and Gender Specialist: For one person month during year one to develop a gender strategy for the component and deliver related training to concerned staff of PCU and implementing agencies

b. Market Information Specialist: For one person month during year one to assist the VCTAT in mapping the market information sources for the priority value chains and design and establish a system for market information sourcing by producers and other actors involved in the value chain to make knowledge based marketing decisions in respect of their crops and activities.

c. Value Chain Analysis Consultant: For one person month during year 1 to assist the VCTAT in comprehensive analysis of the target value chains, identification of missing links and weaknesses and develop appropriate strategies for addressing the gaps.

d. Trainer for Value Chains: For one person month during year one to develop training modules for value chain players.

e. Financial Analyst: For two person month each year to prepare modules for financial analysis of value chains, carry out financial analysis of the projects selected by ETI for support and train VCTAT and other relevant partners in value chain's financial analysis.

f. Assistant Contract Manager: One person month during year 1 to prepare draft contracts for different value chain segments and players for use during the programme implementation

g. Grant Support Fund Specialist: For 6 person months during year 1 to prepare comprehensive guidelines, selection criteria, matching fund ceilings and conditions etc. for the deployment of matching funds from Value Chain Support Fund

h. Grant Product Designer: One person month during year 1 to assist PCU and VCTAT in designing different grant funding products for promising projects within different value chains.

Appendix 3

Selection Criteria, Draft Agreement, and TOR for Social Mobilization Partner/NGO

I. Selection Criteria and Guiding Principles

1. Selection Criteria: A RSP/NGO will be selected through competitive process following IFAD procurement guidelines for social mobilization activities of ETI. A selection committee will be constituted with the approval of PSC to conduct the process including TOR, advertisement, proposal evaluation and recommendations for the government and IFAD. TOR and final selection and agreement will be subject to IFAD No Objection. Following are the suggested key elements of criteria for the selection of a social mobilization partner (SMP)/NGO for the four target districts. PCU may further refine them in terms of criteria and allocation of marks for various aspects :

Experience & capacity (50 marks)

i. Overall experience in similar projects in partnership with government and foreign funding agencies (10)
ii. Size of existing portfolio of projects with amount (10)
iii. Total number of community organizations formed and total number of active Cos within target districts, province and outside(10)
iv. Total number of professional staff in employment (10)
v. Number of vehicles and offices within and outside province (10)

Presence in the project area (50)

vi. Number of ETI target districts currently being covered through active presence and programmes (20)
vii. Number of active COs in the covered districts (10)
viii. Number of offices in the target districts (10)
ix. Number of professional social mobilization, engineering and other technical staff in the target districts ((10)

Technical Proposal (70 marks)

x. Understanding of the task and approach (10)
xi. Quality of methodology proposed to undertake the task (20)
xii. Qualification, quality and efficacy of staff proposed (20)
xiii. Value addition in terms of additional assistance to the farmer Organizations (10)
xiv. Methodology proposed for effective coordination with programme implementation bodies (10)

Financial Proposal (30 marks)

xv. Appropriateness of proposed salary and non-salary budget for social mobilization and other related activities as compared to other competitors

2. Selection Process: PCU will get the detailed TOR and selection processed approved from PSC and advertise the same for the invitation of applications from interested social mobilization organizations. A Committee will be constituted with the approval of PSC to evaluate the technical and financial proposals and select the best candidate. The final selection will be subject to prior review of IFAD and approval of PSC.

3. Pointers for Evaluation of proposals: The evaluation committee should keep the following in view while evaluating the proposals:

a. Preference should be given to organizations with ongoing programme in large part of the target area to take advantage of their existing village level knowledge and contacts and savings in terms of establishment.
b. Post programme sustainability of the organization within the programme districts should be given weightage. The organizations likely to continue should be preferred.
c. Selection of different partners for different districts could be considered in case one SMP has considerable advantage in one or more of the target districts but not all
d. For proposals from organizations with existing presence in the project area, the organization should be paid only for the incremental work load of their staff and not for the entire establishment
e. No new vehicles or equipment should be considered for such organizations; instead they should be paid a lumpsum operational budget

II. Draft CONTRACT FOR SMP/NGO SERVICES

BETWEEN

The Programme Coordinator, Economic Transformation Initiative, P&D Department, GB, acting on behalf of the Government of GB, and ????? SMP/NGO, agree to the following contract together with the ??? appendices attached hereto:

Whereas*:*

The Programme has selected through a competitive process the ??SMP for provision of specific community mobilization and development related services (hereinafter called the Services) necessary for the effective implementation of ETI in 4 Districts of GB (Diamer, Astore, Ghizer and Ghanche).

??SMP has agreed to provide the Services on the terms and conditions set forth in this contract.

Now, therefore, the parties hereto hereby agree as follows:

Article 1
Services

1.1 SMP shall perform the services under this contract in accordance with the terms of reference set forth in appendix – A, and in accordance with the attached Appendices which are integral part of the contract.

1.2 SMP will commence the services as soon as possible but not later than fifteen days after signing the contract.

Article 2

Responsibilities of SMP

2.1 SMP shall be responsible to the PCU for the services as specified in the attached Terms of Reference as Appendices – A, B, and C and for other requirements under the loan/financing agreement between IFAD and Government of Pakistan. The terms and conditions set out in the agreement are to be applied inter alia in conjunction with the following documents:

a. Loan/Financing Agreement between the GoP and IFAD,

b. Approved PC-1 Form of LAMP

c. Project Design Report of IFAD

d. Project Implementation Manual

In case of any contradiction in provisions of any two documents, the loan agreement shall be the final reference.

2.2 The SMP shall draw up its work plan for first year, in consultation with DCUs, and submit the same to the PCU within one month of signing the contract. Thereafter, the SMP shall provide draft quarterly and annual work-plans, formulated in collaboration with DCUs, for discussions and agreement with PMU at least one month and two months respectively before their effectiveness.

2.3 SMP shall establish a District Office in each of the four target districts and deploy appropriate number of suitable male and female staff to effectively carry out activities assigned to it under this contract. Such office locations, name of District program Manager and staff names and designations will be duly notified to the PCU and respective DCU, not later than one month of the signing of this contract.

2.4 SMP shall assign its specified representatives for the PSC, PCU Coordination Meetings and DCU Coordination meetings.

2.5 SMP shall carry out programme specified mobilization activities in villages and valleys prioritized by the PCU in consultation with all implementing agencies and use and deploy programme resources only in such valleys and villages.

2.8 SMP shall mainstream gender aspects in project activities and work proactively in terms of gender sensitization

2.9 The SMP shall provide quarterly and annual progress reports as per format prescribed by PCU

2.10 The SMP shall maintain financial accounts and render financial reports in such form and frequency as prescribed by PCU Finance Manager and visiting IFAD supervision missions. SMP shall provide annual audit reports of its accounts carried out by 'A' class chartered accountant firm.

Article 3

Responsibilities of the Programme

3.1 The total amount for the contracted services to be made available to the SMP under this Agreement shall be Rs.??? millions for carrying out its contracted responsibilities. This amount shall cover SMP's salary and operational costs related to services rendered for ETI implementation. The amount shall be paid as advance on quarterly basis against each year approved annual budget for salary and operational cost. Funds for next quarter will be released on rendering of at least 70% of expenditure account for the previous advance.

3.2 In addition, the programme will provide funding for the any additional specific activities assigned to SMP for implementation and all other training activities assigned to SMP on the basis of approved schemes, costs agreed and phasing.

3.3 PCU shall ensure timely provision of all agreed operational and investment funds.

3.4 PCU shall ensure conducive working environment for the SMP including effective and efficient implementation of corresponding activities assigned to the DCUs and implementing agencies.

3.5 PCU and DCUs will ensure effective and regular communication with SMP counterparts and inform them timely of any changes in working conditions or project components that may have any impact on SMP working environment.

Article 4

Duration of Agreement

4.1 The agreement will become effective from the date first advance disbursement is made to SMP.

4.2 This Agreement shall remain valid for seven (7) years or till the closing of the programme (whichever is later) from the date of its signing unless otherwise modified, altered, or amended at any time by mutual consent of the parties in writing. It may be terminated at any time by giving not less than sixty (60) days prior written notice from either party and after settling the accounts but not before showing due cause by the Programme Coordinator of such notice which is endorsed by the donor agency or its representative.

4.3 If any of the following events shall have happened and be continuing, the PCU may by 60 (sixty) days prior written notice to the SMP suspend in whole or in part payments due thereafter to the SMP under the contract:

4.3.1 IFAD shall have suspended disbursements from the Loan;

4.3.2 A default shall have occurred on the part of the SMP in the execution of the contract;

4.3.3 Any other conditions which shall have arisen, and which in the opinion of the PCU and agreed by SMP and IFAD, interferes, or threatens to interfere, with the successful carrying out of the Project or the accomplishment of the purposes of the contract.

4.4 If any of the following events shall have happened and be continuing, the PCU may by written communiqués to the SMP terminate the contract:

4.4.1 Any of the conditions referred to in section 4.3 continuing for a period of 60 (sixty) days after suspension of payments under the contract; the Loan Agreement shall have been terminated.

Article 5

Other Relevant Conditions

5.1 The SMP indemnifies and protects the Programme against any claims from third parties or members of the SMP's staff relating to loss or damage to property or injury or death caused by actions or negligence of the SMP whilst undertaking the works and services specified in this Agreement.

5.2 The SMP shall, at its own cost and expense, upon request of the PCU, re-perform the services in the event of outputs referred in Appendix-A which are not accepted by the PCU.

5.3 All reports and relevant data such as maps, diagrams, plans, statistics and supporting records or materials compiled or prepared in the course of the services shall be confidential and shall be the joint property of ETI and SMP. The SMP agrees to deliver all these materials to the PCU during and upon completion of this contract, respectively. SMP may retain a copy of such data but shall not use the same for the purposes unrelated to this contract without prior written approval of the PCU. However, sharing of progress reports with other development agencies will not require prior permission.

5.4 All leaflets, brochures, sign boards, advertisement printed matter etc. related to ETI activities performed by SMP shall have the logo of the Programme and Government of the GB in addition to SMP except training material and instructions.

5.5 It shall be an output based agreement. SMP shall maintain its accounts and get them audited on its own, as per companies' ordinance 1984, and provide a copy of the annual audited report to PCU and IFAD, whenever required.

5.6 The SMP shall enable programme and IFAD representatives to inspect sites, works, property and equipment, and the goods financed out of the proceeds of the loan and relevant records and documents.

5.7 If the two parties are unable to amicably settle any dispute arising out of or in connection with this Agreement within 10 days of the occurrence of the dispute, they shall seek an amicable settlement through Chief Secretary, Government of Gilgit-Baltistan, whose decision shall be binding on both parties.

5.8 In case the SMP is obstructed in the commencement or completion of its work by any Force Majeure agreed to be as such by both parties, (riot, insurrection, war, blockage, civil commotion, epidemics, act of public authorities, natural calamities, or other abnormal conditions) time for completion of the works will be extended to accommodate the lost time on account of the Force Majeure.

5.9 In the event that the circumstances causing Force Majeure shall continue for a period of more than one hundred and twenty days then either party shall have the right to terminate the Agreement and the amount payable shall be limited to that corresponding to the works and services completed prior to Force Majeure taking effect or as may otherwise be mutually agreed. The SMP shall immediately advise the PCU in writing of any circumstances causing Force Majeure.

Article 6

In witness whereof, the parties thereto have hereunder subscribed their names and put their signature as agreed.

Signature:……..……

Name: ----------,

Programme Coordinator, Economic Transformation Initiative, Gilgit-Baltistan

Signature: ……

Name: ……

Chief Executive Officer, SMP

Signature: ……

Name: ----------,

Secretary,

Planning &Development Department,

Government of Gilgit-Baltistan

Witnesses:

1. …… 2. ……

Attachment - A

TERMS OF REFERENCES (TORs)

1. Economic Transformation Initiative (ETI) is an initiative of Government of Gilgit-Baltistan to improve incomes of the smallholder farmers in Gilgit-Baltistan through strategic investments in value chain development of main agriculture products of the region. The programme will be implemented over a span of 7 years commencing from 01 July 2015. A SMP/NGO is to be contracted to implement the community mobilization and organization component of the programme in four districts/200 villages. Main activities include community mobilization, training, facilitation of interface with value chain technical assistance team, irrigation development agencies and road improvement agencies. It would also call for facilitation in village development planning, irrigation development and recovery of 50% of irrigation investment cost and its reinvestment in village development priorities. The assignment also calls for facilitation in conducting farmer training in value chain development, field days, selection of poor women, youth and landless for participation in programme generated benefits.

   The detailed activities, unit cost and performance indicators will be agreed with SMP on receipt of work plan within a month after signing an agreement. However, SMP will carry out the following main tasks:-

   a) **Support social mobilization process in the programme area.**

      Assign staff for social mobilization process in target villages and valleys as per agreed phasing and establish Village production Groups in target villages. The detail of process is given at Appendix-C. The SMP will accomplish the following essential deliverables:-

      - ✓ Village wise profile containing baseline information regarding prevailing poverty incidence, available opportunities, and prioritized need assessment by the community.
      - ✓ Development plan at village level with focus on smallholder farmers including women and youth including identification of priority social and economic development needs
      - ✓ Trainings and activities under taken for the administration, strengthening and maturity of village producer group.
      - ✓ Identification of land and beneficiaries for the development of new irrigated areas and facilitation in securing water source and right of way
      - ✓ Development and implementation of Gender action plan to ensure the equitable and full participation of women in programme activities.

      .

   b) **Engaging the Village with VCTAT and Facilitation of Development Plan formulation for key products for value chain development:**

      Identify the product for value chain development and engage the village with VCTAT for development of a Value Chain plan. Facilitate all other actions identified in the plan and ensure adherence by the village

   c) **Identification of land for irrigation development:**

      Identify the cultivable waste lands available for irrigation development in the village/valley, identify the beneficiaries, educate beneficiaries on programme's terms and conditions, link up beneficiaries with the concerned implementing agency for design and cost estimation, facilitate dialogue with the community for agreement on programme terms and conditions including equitable distribution of developed land, 50% cost recovery for reinvestment in the village, scheme O&M.

d) **Support to other programme components wherever Village/Community participation is involved**

- ✓ SMP will work in close collaboration with the DCUs and and other implementing agencies and render assistance in other activities involving communities.
- ✓ SMP will assist DCUs and PWD in identifying sites, beneficiaries etc. and help in securing land access/right of way for road upgrading component
- ✓ Support DCUs and VCTAT in promoting private sector marketing and support services linkages with the communities
- ✓ Facilitate extension and research related activities at the community level including potato seed multiplication, product certification, establishment of privately operated fruit nurseries, seed storage facilities

2. The SMP Management and Staffing Requirements

The SMP will assign regional programme support staff at programme level and field units at district level, staffing it with experienced personnel

The SMP will be responsible for supplying group members with technical information related to programme support and benefits and will help to arrange for such inputs to be provided by the appropriate specialist technical agencies. Groups will ultimately be expected to be able to make such arrangements on their own as a consequence of the SMPs training.

The SMP during second last year of the project implementation shall submit a detailed plan on its future strategy in order to ensure sustainability of various activities after the programme completion.

Attachment - B

PAYMENT PROCEDURE

Total cost of the contract	Rs. ???? millions
✓ **Social mobilization**	Rs. ????? millions
✓ **Training and capacity Building**	Rs. ???? millions

2. Regular Payments: SMP will prepare annual plans and budgets for the activities assigned to it in close consultation with DCUs. These plans and budets will be approved by PSC as part of overall programme budget and will be subject to IFAD 'No objection". Advance Quarterly payments will be made by PCU for social mobilization related salary and operational expenditure. Training and capacity building costs shall be paid as per agreed quarterly targets and unit costs again as advance for the quarter and rendering expenditure account at the end of quarter.

3. Conditions & Procedure for Release of Installments:

3.1 SMP will prepare annual and quarterly work plans that will be used for monitoring as well as measurement of progress by the PCU. These work plans will clearly specify the various outputs and targets, to be assessed for payment. Performance indictors given at appendix – B will also help in this regards. The annual plan will form part of programme's consolidated plan and submitted to PSC for approval.

3.2 Every quarterly report of the SMP will clearly present the measurement of current progress along with cumulative achievement. These reports on receipt at PCU will be subject to field verification by the M&E staff.

3.3 The payment for SMP services will not be based on the costs of the inputs procured or provided by the SMP; it will rather be contingent on the timely and satisfactory completion of a number of specified outputs in a given period as specified in the AWP/B prepared each year by the SMP.

3.4 The first quarter shall begin on the date when cheque for first advance is issued to the SMP.

3.5 SMP shall open separate accounts for receiving funds for ETI assigned activities.

3.6 Each installment shall be released on submission of previous quarter physical and financial reports by the SMP to PCU

Attachment – C

COMMUNITY MOBILIZATION PROCESS AND IMPLEMENTATION

The RSP will use the tried and tested principles of social mobilization to organize ETI's target communities into functional and responsible grass-root farmer organizations. Typical community mobilization process and project implementation will go through following stages:

1- **Selection of target Valleys and Villages:** Based on programme selection criteria, SMP will assist the DCUs and PCU in selection of priority valleys and villages keeping in view potential for value chain development, relative number of poor and potential for additional irrigation development.

2- **Formation of Village Producer Groups and Need Assessment:** Initiate dialogue with the target villages for formation of village producer groups, identify poor households and landless for priority targeting, establish village baseline and poverty ranking/status, explain programme objectives and purpose, assist VPG in electing office bearers and enter into mutually responsible agreement for programme activities .

3- **Village Development Plan:** Based on identified needs and in line with programme provisions and objectives, establish a village development plan covering both programme related needs and other social and economic development needs. This would include value chain development needs, extension support, irrigation development, road linkages, market linkage development and formation of marketing groups etc. Identify inputs required from other programme partners and facilitate their interaction with VPG and delivery of inputs.

4- **Implementation:** Prepare an implementation plan in consultation with VPG and other partners in order to have clear timelines and responsibilities and coordinated implementation. Assist other implementing agencies in survey and cost estimation designs preparation for all identified infrastructure.

5- **VPG capacity Building for operations and Infrastructure O&M:** Assist VPGs and implementing agencies in community capacity building activities for infrastructure O&M and management of value chain related infrastructure and facilities.

6- **Activists/Managers Conferences:** Organize regular Activists/Managers Conferences and Workshops at district/sub-district level involving implementing agencies staff, private sector and other relevant actors enabling the VPG' Managers and other partners to share their experiences of value chain development initiatives, emerging issues and challenges and way forward.

7- **Post Programme sustainability of CO:** During implementation, concurrently develop a post-programme sustainability strategy for the VPGs. The strategy should be finalized by 5th year of the programme implementation.

Appendix 4

Matrix of Programme Implementation Responsibilities in ETI

Component/Sub component and Activities	**Inputs**	**Responsibility**
1. **Economic Infrastructure**		
1.1 ***Irrigation Development***	Valley and village selection	PCU in consultation with SMP and implementing agencies
	Community mobilization, listing of beneficiaries and water source and land status	Social mobilization partner (SMP) and WMD/PWD
	Survey, design and cost estimates	WMD and PWD (as per assignment of scheme)
	Agreement with community including 50% cost recovery, O&M and contractor engagement (if needed)	Social Mobilization partner in collaboration with WMD/PWD
	Scheme Construction	Community supervised by department and facilitated by SMP
	Land distribution and titling	District Revenue Agency facilitated by SMP and WMD/PWD
	Land Development	Community facilitated by WMD/PWD and SMP
	Cropping plan for new land and farmer training	Agriculture Extension supported by SMP and Research
	50% recovery of cost over three cropping seasons and reinvestment in community identified priorities	SMP and DCUs
	AI service delivery	SAs and DIU registered AI technicians
	Scheme O&M, user fee recovery and management etc.	Community supervised by WMD and SMP
	Provincial Water Policy	WMD and PCU
1.2 Farm to Market Roads	Notification of provincial and district staff	PWD
	Identification of roads as per criteria	PCU in consultation with PWD, VCTAT, SMP and line agencies
	Engagement of consultant for design, cost estimates and supervision	PCU in collaboration with PWD
	Pre-qualification of contractors	PCU Infrastructure Specialist with PWD and Consultant
	Bidding	PCU Infrastructure Specialist and PWD
	Right of way and land availability	Communities, SMP, PWD
	Scheme O&M	PWD
	Machinery Pool Procurements	PCU and PWD
	Provincial Roads O&M Policy and Plan	PWD/Provincial Government
2. Support for Value Chain Development		
2.1 Value Chain Development	Recruitment of VCTAT	PCU Procurement Management and

		PC
	Establishment of Value Chain Fund Management Committee	PC and Team Leader VCTAT
	VC Development plans for FEGs and Village Producer Groups	VCTAT and SMP
	Training in Value Chain for members of FEG, VPGs and private sector partners	VCTAT
	Private sector linkages and match-making including market surveys and diagnostics	VCTAT
	Promotion development of local processing and service provision facilities by private sector	VCTAT
	Pre & post-harvest management training for farmers	VCTAT and Agriculture Extension
2.2 Social Mobilization	Identification of priority valleys and villages	PCU Selection Committee
	Initiation of dialogue with communities and formation of village producer groups	SMP
	Engagement with existing FEGs and agreements on programme terms and conditions	SMP and VCTAT
	Scheme Management Team formation for identified irrigation development schemes	SMP, WMD/PWD
	Land development of new irrigation schemes	SMP and concerned implementing agency
	Agreements with irrigation beneficiaries on scheme terms and 50% repayment	SMP and concerned implementing agency
	50% cost recovery and management of bank account for recovered amounts	SMP and PCU
	Village development plans and utilization of recovered amounts	SMP and PCU
	Training of VPG, women and youth	SMP and PCU
2.3 Agriculture Extension	Notification of assigned staff at provincial and district levels	Agriculture Department
	Farmer training as identified in VC development plans of VPG and FEG	Agriculture Extension and VCTAT
	Identification of farmer groups for private sector nurseries, training and delivery of inputs	Agriculture Extension
	Soil testing labs activation and soil testing services to VPGs	Agriculture Extension
	Training of staff in value chain development	Agriculture Extension and PCU
2.4 Agriculture Research	Rehabilitation of TCLs	Agri Research and PCU
	Production of pre-basic seed at TCL for supply to contract growers for multiplication	Agriculture Research Directorate

	Identification of suitable areas for seed multiplication and contracts with the farmers/growers	Agriculture Research Directorate
	Multiplication of 25,000 tons of basic/certified potato seed	Agriculture Research Directorate
	Establishment of 8 seed stores	Agriculture Research Directorate
	Farmer training in improved seed production	Agriculture Research Directorate
	Establishment and operation of revolving fund along with covering rules for potato seed multiplication	Agriculture Research Directorate
	Activation and strengthening of seed certification establishment	Agriculture Research Directorate
	Staff training	Agriculture Research Directorate
2.5 Land Titling		
	Notification of provincial focal person and district focal persons	Chief Secretary/Provincial Land Commissioner
	Recruitment of District incremental staff	PCU and Focal Person
	Procurement of computing equipment and software	PCU and Focal Person
	Training of staff and exposure visits	PCU and focal person
	Title and ownership confirmation of land identified for irrigation development	District Revenue Staff and Focal Person
	Issuance of land titles to beneficiaries	District Revenue Staff and Focal Person
	Provincial Law formulation for land titling	Provincial Focal person and PCU
	Interim regulation for ETI funded irrigation and land development	Provincial Focal Person and PCU
3. ***Programme Management***	Establishment of PSC and regular meetings and reviews	Chief Secretary, GB and PCU
	Selection of Programme Coordinator and District Coordinators and Establishment of PCU and DCUs	Chief Secretary GB/P&D Department
	Recruitment of PCU and DCU Staff	Chief Secretary/Provincial Selection Committee/P&D Department
	Recruitment of Value Chain Technical Assistance Team	PCU/P&D Department/Provincial Selection Committee
	Engagement of Social Mobilization Partner (s)	PCU & P&D Department
	Procurement plan and procurements of goods and services	Procurement Officer. PCU for all standardized equipment and vehicles and central consultancy contracts Local procurements by DMUs and SMP as clearly assigned
	Programme coordination, annual plans and budgets	PCU
	Progress reporting, studies and evaluations	PCU, DCUs and SMP

	Project financial management and audits	PCU

Appendix 5

Qualifications and TOR for Financial Management Staff

Finance Manager

Introduction: The principal role of the Finance Manager will be to ensure that all programme accounts are correctly maintained and operated in accordance with the rules and regulations of the Government of Pakistan and are in line with the procedures of IFAD. He/she will report directly to the Programme Coordinator.

Qualifications: CA Finalist/ ACCA, with at least 7 years of experience in financial management, preferably including experience of public sector accounting in maintaining financial accounts and preparing financial reports. Experience of working in donor-assisted projects would be an added advantage.

Duties and Responsibilities:

- Prepare and monitor the Project Budget and AWP/B as per IFAD requirements
- Prepare the summary sheets of re-imbursement and liquidation.
- Prepare on a timely basis withdrawal applications as per provisions of the loan agreement.
- Prepare quarterly consolidated statements of project accounts.
- Prepare separate account of expenditure of all implementing agencies involved in the project with regard to their activities under taken with the project.
- Review of all financial transactions, and verify year end balances, including an appropriate degree of physical verification.
- Arrange annual audit of expenditure incurred by all the components and obtain reports from the Auditors for submission to IFAD as soon as possible but not later than 6 months after the completion of each fiscal year.
- Assist PCU in preparing finance and accounts related summaries for the project progress reports.
- Prepare working paper of audit paragraphs and arrange meetings for settlement of audit paragraphs etc.
- To check and verify the entries recorded in the Programme stock register.
- To process cases for sanction of the authority.
- Assist the PCU in the procurement processes in compliance with IFAD Procurement guidelines.
- To deal with GP Funds and pension contribution.
- Any other tasks assigned by the Programme Coordinator

Accounts Officer

Introduction: The principal role of the Accounts Officer will be to assist Finance Manager in ensuring that all programme accounts are correctly maintained and operated in accordance with the rules and

regulations of the Government of Pakistan and are in line with the procedures of IFAD. He/she will report directly to the Finance Manager.

Qualifications: ACCA Finalist, with at least 5 years of experience in financial management, preferably including experience of public sector accounting, preferably including experience of public sector accounting in maintaining financial accounts and preparing financial reports. Experience of working in donor assisted projects would be an added advantage.

Duties and Responsibilities:

- Collect data for preparing and monitor the Programme Budget and AWP/B as per IFAD requirements
- Prepare the summary sheets of re-imbursement and liquidation.
- Collect information and prepare on a timely basis withdrawal applications as per provisions of the loan agreement, for final review by Finance Manager
- Assist Finance Manager in preparing quarterly consolidated statements of project accounts.
- Prepare separate account of expenditure of all implementing agencies involved in the project with regard to their activities under taken with the project.
- Make ledger entries for all expenses incurred at PCU level
- Prepare vouchers, and maintain financial filing, for all ETI financial record at PCU level
- Assist in annual audit of expenditure incurred by all the components
- Review DCU and implementing/spending agencies on a regular periodic basis, through field visits, and assist DCUs in preparing finance and accounts related summaries for the programme progress reports.
- To check and verify the entries recorded in the Project stock register.
- Any other tasks assigned by the Finance Manager

District Finance and Administration Officer

Introduction: The principal role of the District Finance and Administration Officer will be in ensuring that all district level accounts are correctly maintained and operated in accordance with the rules and regulations of the Government of Pakistan and are in line with the procedures of IFAD. He/she will report directly to the Director Finance PCU.

Qualifications: B.Com./ MBA/ any other financial or accounting qualification, with minimum 5 years of government sector accounting and financial reporting, preferably including experience of public sector accounting in maintaining financial accounts and preparing financial reports. Experience of working in donor-assisted projects would be an added advantage.

Duties and Responsibilities:

- Collect data for preparing and monitor the District Budget and AWP/B as per IFAD requirements
- Prepare the summary sheets of re-imbursement and liquidation for assigned district and submit to PCU

- Prepare quarterly financial statements of assigned district.
- Prepare separate account of expenditure of all implementing agencies involved in the project with regard to their activities under taken with the project.
- Make ledger entries for all expenses incurred at DCU level, and submitting quarterly ledger, along with financial statements, to PCU
- Prepare vouchers, and maintain financial filing, for all ETI financial record at DCU level
- Assist in annual audit of expenditure incurred by all the components
- To check and verify the entries recorded in the District stock register.
- Any other tasks assigned by the Finance Manager/ Officer

Appendix 6

Programme Budgets

Economic Transformation Initiative Gilgit-Baltista																			Parameters (in %)		
Table 1.1. Irrigation & Land Development																			Phy.		
Detailed Costs		Quantities								Unit Cost	Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																					
A. Works																					
1. Design & Supervision Consultancy																					
Mapping of Cultivable lands through GIS	LS	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	5.0	0.0	0.0
Design & Supervision Cosultancy /a	schemes	5	-	-	-	-	-	-	5	10,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Lift Irrigation pilots	No	2	2	3	-	-	-	-	7	50,000	0.10	0.10	0.15	-	-	-	-	0.35	5.0	10.0	17.0
Provincial Water Policy & O&M Regulatic	LS	0.5	0.5	-	-	-	-	-	1	100,000	0.05	0.05	-	-	-	-	-	0.10	5.0	10.0	17.0
Subtotal Design & Supervision Consu											0.20	0.15	0.15	-	-	-	-	0.50			
2. Construction																					
Construction/ Rehab. of channels	acres	2,500	12,500	17,500	17,500	-	-	-	50,000	570	1.43	7.13	9.98	9.98	-	-	-	28.50	5.0	10.0	17.0
Land levelling/ De-stoning etc	acres	-	10,000	10,000	10,000	10,000	10,000	-	50,000	100	-	1.00	1.00	1.00	1.00	1.00	-	5.00	0.0	10.0	0.0
Cost of land /b	acres	19	56	56	56	-	-	-	187	40,000	0.76	2.24	2.24	2.24	-	-	-	7.48	5.0	10.0	17.0
Subtotal Construction											2.19	10.37	13.22	13.22	1.00	1.00	-	40.98			
Subtotal Works											2.39	10.52	13.37	13.22	1.00	1.00	-	41.48			
B. Equipment & Materials /c																					
Desktop Computer w ith Printer	No	5	-	-	-	-	-	-	5	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laptops/ Note Books	No	5	-	-	-	-	-	-	5	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Multimedia projector	No	5	-	-	-	-	-	-	5	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital Cameras	No	5	-	-	-	-	-	-	5	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Subtotal Equipment & Materials											0.01	-	-	-	-	-	-	0.01			
C. Vehicles for WMD																					
Pick up 2500 CC	No	4	-	-	-	-	-	-	4	22,000	0.09	-	-	-	-	-	-	0.09	5.0	50.0	45.0
Car 1300 CC	No	1	-	-	-	-	-	-	1	23,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Motorcycles 125 CC	No	10	-	-	-	-	-	-	10	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles for WMD											0.12	-	-	-	-	-	-	0.12			
D. Trainings																					
Youth Construction teams /d	groups	40	-	-	-	-	-	-	40	8,500	0.34	-	-	-	-	-	-	0.34	5.0	3.0	0.0
Farmer training in Scheme construction /e	groups	12	22	22	22	22	-	-	100	200	0.00	0.00	0.00	0.00	0.00	-	-	0.02	5.0	3.0	0.0
Staff training	N0	30	30	30	-	-	-	-	90	1,000	0.03	0.03	0.03	-	-	-	-	0.09	5.0	3.0	0.0
Subtotal Trainings											0.37	0.03	0.03	0.00	0.00	-	-	0.45			
Total Investment Costs											2.90	10.55	13.40	13.22	1.00	1.00	-	42.07			
II. Recurrent Costs																					
A. Salaries & Allowances																					
Deputy Director Irrigation -BS-18	years	1	1	1	1	1	1	1	7	10,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.08	0.0	1.0	0.0
Assistant Director Finance/Admin (BS-17)	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Design Engineer (BS-17)	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Assistant Engineer -BS-17	years	5	5	5	5	5	5	5	35	8,400	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Assistant Accounts Officer -BS-17	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Computer Operator (BS-16)	years	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Assistant (BS-14)	years	5	5	5	5	5	5	5	35	5,400	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.19	0.0	1.0	0.0
Sub-Engineer -BS-11	years	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.0	1.0	0.0
Assistant Quantity Surveyor -BS-11	years	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.0	1.0	0.0
Drivers	years	5	5	5	5	5	5	5	35	1,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Rodman -BS-2	years	5	5	5	5	5	5	5	35	2,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.09	0.0	1.0	0.0
Naib Qasid/ Chow kidar -BS-1	years	5	5	5	5	5	5	5	35	1,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
TA/DA /f	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Subtotal Salaries & Allowances											0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.72			
B. Operating costs																					
POL & Vehicle O&M /g	No	5	5	5	5	5	5	5	35	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	5.0	0.0	17.0
Equipment & O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office Supplies	offices	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office running cost	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Subtotal Operating costs											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.58			
Total Recurrent Costs											0.33	0.33	0.33	0.33	0.33	0.33	0.33	2.30			
Total											3.22	10.88	13.73	13.55	1.33	1.33	0.33	44.36			

\a Consultancy for initial 5 schemes to establish design, quality, process & material parameters for WMD
\b 5.47 km per channel, 10 ft w ide, @ Rs 4 million per acre
\c for Head office & 4 Field offices
\d Training & equipment for land levelling & scheme construction, each group of 10 youth
\e 10 member Scheme management group for each scheme
\f includes vehicle POL, O&M, Utilities & Office consumables
\g inclues POL for Motor cycles

Economic Transformation Initiative Gilgit-Baltistan (ETI)																				Parameters (in %)		
Table 1.2. Farm to Market roads																				Phy.		
Detailed Costs		Quantities								Unit Cost	Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																						
A. Works																						
1. Design & Supervision Consultancy																						
GIS Mapping & Baseline Survey /a	Nil	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	5.0	0.0	0.0
Consultancy for Survey Design & Supervision	Km	100	100	100	100	-	-	-	400	1,650	0.17	0.17	0.17	0.17	-	-	-	0.66	5.0	10.0	17.0
Provincial Road Master Plan & O&M Policy	.000 LS	0.5	0.5	-	-	-	-	-	1	800/LS	0.40	0.40	-	-	-	-	-	0.80	5.0	10.0	17.0
Subtotal Design & Supervision Consultancy											0.57	0.57	0.17	0.17	-	-	-	1.46			
2. Construction																						
Construction of existing Jeepable roads to Truc	km	-	60	60	60	60	-	-	240	32,000	-	1.92	1.92	1.92	1.92	-	-	7.68	5.0	10.0	17.0
Construction of existing tracks to Jeepable roa	km	-	40	40	40	40	-	-	160	31,000	-	1.24	1.24	1.24	1.24	-	-	4.96	5.0	10.0	17.0
Construction of Bridges /b	meters	-	50	50	60	60	-	-	220	10,000	-	0.50	0.50	0.60	0.60	-	-	2.20	5.0	10.0	17.0
Subtotal Construction											-	3.66	3.66	3.76	3.76	-	-	14.84			
Subtotal Works											0.57	4.23	3.83	3.93	3.76	-	-	16.30			
B. Equipment & Materials																						
1. Office Equipment & Materials /c	LS	1	-	-	-	-	-	-	1	75,000	0.08	-	-	-	-	-	-	0.08	5.0	10.0	17.0
C. Vehicles																						
Single Cabin 2500 CC	No	5	-	-	-	-	-	-	5	22,000	0.11	-	-	-	-	-	-	0.11	5.0	50.0	45.0
Road Maintenance Machinery Pool	LS	-	-	1	-	-	-	-	1	20,000	-	-	0.02	-	-	-	-	0.02	5.0	50.0	45.0
Subtotal Vehicles											0.11	-	0.02	-	-	-	-	0.13			
Total Investment Costs											0.75	4.23	3.85	3.93	3.76	-	-	16.51			
II. Recurrent Costs																						
A. Operating costs																						
Vehicle O&M	No	5	5	5	5	5	5	5	35	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	5.0	0.0	17.0
Equipment & O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office Supplies	offices	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office running cost	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Total Recurrent Costs											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.58			
Total											0.83	4.31	3.93	4.01	3.84	0.08	0.08	17.08			

\a to be conducted prior to Project start through a separate Grant
\b 22 sq. meter wide each Bridge
\c Survey & Office equipment including field offices

Economic Transformation Initiative Gilgit-Baltistan (ETI)																			Parameters (in %)		
Table 2.1. Value Chains																			Phy.		
Detailed Costs					Quantities					Unit Cost				Base Cost (US$ Million)					Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																					
A. Grants & Subsidies - Value Chain Fund																					
1. On-Farm Grants /a	No	250	600	600	600	600	300	-	2,950	2,500	0.63	1.50	1.50	1.50	1.50	0.75	-	7.38	0.0	5.0	0.0
2. Off-farm Grants /b	No	50	100	100	100	75	75	-	500	5,000	0.25	0.50	0.50	0.50	0.38	0.38	-	2.50	0.0	5.0	0.0
3. Trade Promotion Grants /c	No	25	50	50	50	50	50	-	275	5,000	0.13	0.25	0.25	0.25	0.25	0.25	-	1.38	0.0	5.0	0.0
4. Service improvement Grants /d	No	10	15	15	15	15	15	15	100	5,000	0.05	0.08	0.08	0.08	0.08	0.08	0.08	0.50	0.0	5.0	0.0
5. Non-Farm Grants																					
for packaging, transport, input supply, seeds, e	No	2	5	10	15	8	-	-	40	30,000	0.06	0.15	0.30	0.45	0.24	-	-	1.20	0.0	5.0	0.0
for Dairy, Fruits (Cherry, Nuts), Apiculture	No	5	10	15	10	5	-	-	45	25,000	0.13	0.25	0.38	0.25	0.13	-	-	1.13	0.0	5.0	0.0
Innovative initiatives by farmers & Enterpreneu	No	5	10	10	10	10	-	-	45	15,000	0.08	0.15	0.15	0.15	0.15	-	-	0.68	0.0	5.0	0.0
Collecting/ Branding/ Sorting Centres /h	No	3	3	3	3	-	-	-	12	175,000	0.53	0.53	0.53	0.53	-	-	-	2.10	0.0	5.0	0.0
Miscellaneous /i	LS	1	-	-	-	-	-	-	1	50,000	0.05	-	-	-	-	-	-	0.05	0.0	5.0	0.0
Subtotal Non-Farm Grants											0.84	1.08	1.35	1.38	0.52	-	-	5.15			
Subtotal Grants & Subsidies - Value Chain Fun											1.89	3.40	3.68	3.70	2.72	1.45	0.08	16.90			
B. Equipment & Materials																					
Furniture & Fixture	Sets	1	-	-	-	-	-	-	1	15,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Desktop Computers with printers	No	2	-	-	-	-	-	-	2	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Notebooks	No	4	-	-	-	-	-	-	4	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital camera	No	1	-	-	-	-	-	-	1	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Air Conditioner	No	3	-	-	-	-	-	-	3	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Misc.	LS	1	-	-	-	-	-	-	1	3,000	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Subtotal Equipment & Materials											0.03	-	-	-	-	-	-	0.03			
C. Vehicles																					
vehicles - double cabin	No	2	-	-	-	-	-	-	2	39,000	0.08	-	-	-	-	-	-	0.08	0.0	5.0	0.0
Cars- 1000 CC	No	2	-	-	-	-	-	-	2	13,000	0.03	-	-	-	-	-	-	0.03	0.0	5.0	0.0
Subtotal Vehicles											0.10	-	-	-	-	-	-	0.10			
D. Trainings																					
1. Trainings																					
Trainer for VC staff and VC stake holder repres	month	1	1	-	1	-	-	-	3	10,000	0.01	0.01	-	0.01	-	-	-	0.03	5.0	3.0	0.0
Trainer for VC staff and VC stake holder repres	month	1	1	1	1	1	1	1	7	1,500	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	5.0	3.0	0.0
Training of Trainers /j	ersons	50	125	125	125	-	-	-	425	1,000	0.05	0.13	0.13	0.13	-	-	-	0.43	5.0	3.0	0.0
Training of Farmers in Value Chain /k	armers	1,000	4,500	10,500	19,000	-	-	-	35,000	10	0.01	0.05	0.11	0.19	-	-	-	0.35	5.0	3.0	0.0
Exposure visits for farmers /l	ersons	-	10	10	10	10	-	-	40	5,000	-	0.05	0.05	0.05	0.05	-	-	0.20	5.0	3.0	0.0
Value Chain Appraisal Panel Meetings /m	No	5	5	5	5	5	-	-	25	6,000	0.03	0.03	0.03	0.03	0.03	-	-	0.15	5.0	3.0	0.0
Subtotal Trainings											0.10	0.26	0.31	0.41	0.08	0.00	0.00	1.17			
Total Investment Costs											2.12	3.66	3.99	4.11	2.80	1.45	0.08	18.19			

Table 2.1. Value Chains - continued																			Phy.		
		Quantities							Unit Cost		Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	2015	2016	2017	2018	2019	2020	2021	Total	(US$)	2015	2016	2017	2018	2019	2020	2021	Total	Rate	Exch.	ax Rat
II. Recurrent Costs																					
A. Salaries & Allowances																					
1. Value Chain staff																					
Technical Lead	No	1	1	1	1	1	1	1	7	42,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Value Chain Specialist	No	4	4	4	4	4	4	4	28	27,000	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.76	0.0	1.0	0.0
Capacity Building/ Gender Specialist	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02	0.0	1.0	0.0
Market Information Specialist	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02	0.0	1.0	0.0
Consultant for VC analysis	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02	0.0	1.0	0.0
Implementation Trainer for Value Chains	No	1	-	-	-	-	-	-	1	18,000	0.02	-	-	-	-	-	-	0.02	0.0	1.0	0.0
Technical Experts for VC - short terms /l	months	10	10	10	10	10	10	10	70	2,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	0.0	1.0	0.0
Financial Analyst	No	2	2	2	2	2	2	2	14	18,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.0	1.0	0.0
Assistant Contract Manager	No	1	-	-	-	-	-	-	1	12,000	0.01	-	-	-	-	-	-	0.01	0.0	1.0	0.0
Grant Support Fund Specialist	months	6	-	-	-	-	-	-	6	1,000	0.01	-	-	-	-	-	-	0.01	0.0	1.0	0.0
Grant Product designer	No	1	-	-	-	-	-	-	1	12,000	0.01	-	-	-	-	-	-	0.01	0.0	1.0	0.0
Subtotal Value Chain staff											0.31	0.21	0.21	0.21	0.21	0.21	0.21	1.54			
B. Operating costs																					
Vehicle O&M /m	No	4	4	4	4	4	4	4	28	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Equipment & O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office Supplies	offices	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office running cost	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Subtotal Operating costs											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.55			
Total Recurrent Costs											0.39	0.28	0.28	0.28	0.28	0.28	0.28	2.09			
Total											2.50	3.95	4.27	4.39	3.08	1.74	0.36	20.29			

\a average unit cost with maximum value of US$ 5,000. Guarantee contribution no less than 30%.
\b average unit cost with maximum value of US$ 10,000. Guarantee contribution no less than 50%.
\c average unit cost with maximum value of US$ 10,000. Guarantee contribution no less than 50%.
\d average unit cost with maximum value of US$ 10,000. Guarantee contribution no less than 50%.
\e in all districts
\f impvoved technology/ competitiveness of VC, Branding, new packaging, value added products etc
\g 1000 Sq. meter covereed place, with amenities
\h for packaging, transport, input supply, seeds, etc
\i TOTs from all the 7 districts of GB, to be trained over 4 year period
\j 20 farmers to be trained by every TOT (accumulated No)
\k 7 day visit to importing countries
\l various
\m includes POL for Motor cycles

Economic Transformation Initiative Gilgit-Baltistan (ETI)																			Parameters (in %)		
Table 2.2. Social Mobilization																			Phy.		
Detailed Costs		Quantities								Unit Cost	Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**ax Rat**
I. Investment Costs																					
A. Trainings																					
1. Farmer Organizations																					
Village Producer Organizations - Male	No	20	45	45	45	45	-	-	200	12,500	0.25	0.56	0.56	0.56	0.56	-	-	2.50	0.0	3.0	0.0
Village Producer Organizations - Female	No	3	5	5	5	2	-	-	20	12,500	0.04	0.06	0.06	0.06	0.03	-	-	0.25	0.0	3.0	0.0
Subtotal Farmer Organizations											0.29	0.63	0.63	0.63	0.59	-	-	2.75			
2. Valley Marketing Associations																					
Potato Marketing Associations	No	2	4	4	-	-	-	-	10	5,000	0.01	0.02	0.02	-	-	-	-	0.05	5.0	3.0	0.0
Apricot Marketing Organizations	No	2	2	1	1	1	-	-	7	5,000	0.01	0.01	0.01	0.01	0.01	-	-	0.04	5.0	3.0	0.0
Dry Fruit Associations	No	1	1	1	1	-	-	-	4	5,000	0.01	0.01	0.01	0.01	-	-	-	0.02	5.0	3.0	0.0
Other Fruits Associations - Cherry, Apple, Nuts etc	No	1	1	1	1	1	-	-	5	5,000	0.01	0.01	0.01	0.01	0.01	-	-	0.03	5.0	3.0	0.0
Vegetables Associations- Tomato, Capsicum, Green peas etc	No	1	1	1	1	-	-	-	4	5,000	0.01	0.01	0.01	0.01	-	-	-	0.02	5.0	3.0	0.0
Subtotal Valley Marketing Associations											0.04	0.05	0.04	0.02	0.01	-	-	0.15			
3. Regional Producer Assciations	No	-	-	-	1	1	1	1	4	5,000	-	-	-	0.01	0.01	0.01	0.01	0.02	5.0	3.0	0.0
4. Other trainings																					
Village/Valley Producer Groups	No	55	55	70	70	50	-	-	300	1,000	0.06	0.06	0.07	0.07	0.05	-	-	0.30	5.0	3.0	0.0
Regional Associations	No	-	1	1	1	1	-	-	4	3,000	-	0.00	0.00	0.00	0.00	-	-	0.01	5.0	3.0	0.0
Annual Conferences	No	6	6	6	6	6	6	-	36	20,000	0.12	0.12	0.12	0.12	0.12	0.12	-	0.72	5.0	3.0	0.0
Training for Social Mobilization staff	No	150	150	-	-	-	-	-	300	200	0.03	0.03	-	-	-	-	-	0.06	5.0	3.0	0.0
Subtotal Other trainings											0.21	0.21	0.19	0.19	0.17	0.12	-	1.09			
Total											0.53	0.88	0.86	0.84	0.78	0.13	0.01	4.01			

Economic Transformation Initiative Gilgit-Baltistan																			Parameters (in %)		
Table 2.3. Agri. Extension																			Phy.		Sur
Detailed Costs					Quantities					Unit Cost				Base Cost (US$ Million)					Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																					
A. Construction																					
1. installation of plastic tunnels for Seedl	No	12	13	-	-	-	-	-	25	1,000	0.01	0.01	-	-	-	-	-	0.03	5.0	10.0	17.0
2. Establishment of Private Nurseries - Ti	No	12	13	-	-	-	-	-	25	1,000	0.01	0.01	-	-	-	-	-	0.03	5.0	10.0	17.0
Subtotal Construction											0.02	0.03	-	-	-	-	-	0.05			
B. Equipment & Materials																					
Desktop Computer with Printer	No	5	-	-	-	-	-	-	5	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laptops/ Note Books	No	5	-	-	-	-	-	-	5	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Multimedia projector	No	2	-	-	-	-	-	-	2	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital Cameras	No	5	-	-	-	-	-	-	5	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Spray machines - Wheel Borrow	No	15	-	-	-	-	-	-	15	1,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Fogging machines	No	6	-	-	-	-	-	-	6	3,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Equipment for Human Resource Center	LS	30	-	-	-	-	-	-	30	1,000	0.03	-	-	-	-	-	-	0.03	5.0	10.0	17.0
Introduction of improved germ plasm /c	No	20	20	10	-	-	-	-	50	1,000	0.02	0.02	0.01	-	-	-	-	0.05	5.0	10.0	17.0
Subtotal Equipment & Materials											0.09	0.02	0.01	-	-	-	-	0.12			
C. Vehicles																					
Single cabin - 2500 CC	No	2	-	-	-	-	-	-	2	22,000	0.04	-	-	-	-	-	-	0.04	5.0	50.0	45.0
Car - 1300 CC	No	1	-	-	-	-	-	-	1	23,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Motor cycles 125 CC /d	No	7	-	-	-	-	-	-	7	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles											0.08	-	-	-	-	-	-	0.08			
D. Trainings																					
Soil survey, sampling & analysis training	p/days	100	100	100	100	-	-	-	400	40	0.00	0.00	0.00	0.00	-	-	-	0.02	5.0	3.0	0.0
Technical training for Agri. staff	p/days	15	15	15	15	-	-	-	60	70	0.00	0.00	0.00	0.00	-	-	-	0.00	5.0	3.0	0.0
Exposure visits Agri. staff - local	ersons	10	10	10	10	-	-	-	40	300	0.00	0.00	0.00	0.00	-	-	-	0.01	5.0	3.0	0.0
Training of Trainers	ersons	6	6	6	-	-	-	-	18	1,000	0.01	0.01	0.01	-	-	-	-	0.02	5.0	3.0	0.0
Production & post-harvesting training for	ersons	100	200	200	200	200	-	-	900	40	0.00	0.01	0.01	0.01	0.01	-	-	0.04	5.0	3.0	0.0
Production & post-harvesting training for	ersons	50	150	150	150	150	-	-	650	40	0.00	0.01	0.01	0.01	0.01	-	-	0.03	5.0	3.0	0.0
Farmer Field days - male	LS	8	8	8	8	8	-	-	40	2,000	0.02	0.02	0.02	0.02	0.02	-	-	0.08	5.0	3.0	0.0
Farmer Field days - females /g	LS	8	8	8	8	8	-	-	40	2,000	0.02	0.02	0.02	0.02	0.02	-	-	0.08	5.0	3.0	0.0
Subtotal Trainings											0.05	0.06	0.06	0.05	0.05	-	-	0.27			
Total Investment Costs											0.25	0.11	0.07	0.05	0.05	-	-	0.52			

Table 2.3. Agri. Extension - continued					Quantities					Unit Cost		Base Cost (US$ Million)							Phy. Cont.	For. Exch.	Gross Tax Rat
	Unit	2015	2016	2017	2018	2019	2020	2021	Total	(US$)	2015	2016	2017	2018	2019	2020	2021	Total	Rate		
II. Recurrent Costs																					
A. Salary & Allowances																					
Agri. Officers - BS 17	years	5	5	5	5	5	5	5	35	8,400	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Computer operator -BS 16	years	1	1	1	1	1	1	1	7	6,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Agri. Technical Associates - BS 14	years	5	5	5	5	5	5	5	35	5,400	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.19	0.0	1.0	0.0
Account Assistants - BS 14	years	1	1	1	1	1	1	1	7	5,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Field Assistants - BS 6	years	5	5	5	5	5	5	5	35	4,200	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.15	0.0	1.0	0.0
Drivers -BS 4	years	1	1	1	1	1	1	1	7	3,000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.0	1.0	0.0
Mali -BS 1	years	5	5	5	5	5	5	5	35	1,800	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Chow kidar - BS 1	years	2	2	2	2	2	2	2	14	1,800	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.0	1.0	0.0
TA/DA /h	offices	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Subtotal Salary & Allowances											0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.03			
B. Operating cost																					
POL & Vehicle O&M /i	No	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	5.0	0.0	17.0
Equipment O&M	LS	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Consumables/ Office supplies	office	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Office maintenance	LS	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	5.0	0.0	17.0
Subtotal Operating cost											0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.58			
Total Recurrent Costs											0.23	0.23	0.23	0.23	0.23	0.23	0.23	1.61			
Total											0.48	0.34	0.30	0.28	0.28	0.23	0.23	2.13			

\a entire Project period
\b entire Project period
\c entire Project period
\d on Lease/ Purchase basis
\e 2 day training by TOTs
\f 2 day training by TOTs
\h 7 District + 1 Head Office, for notified staff seconded to ETI
\i includes POL for Motorcycles

Economic Transformation Initiative Gilgit-Baltistan (ETI																		Parameters (in %)		
Table 2.4. Agri. Research, Tissue Culture/ Labs																		Phy.		
Detailed Costs					Quantities					Unit Cost				Base Cost (US$ Million)				Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rate**
I. Investment Costs																				
A. Construction																				
1. Installation of Greenhouse	No	4	-	-	-	-	-	-	4	30,000	0.12	-	-	-	-	-	-	0.12	5.0	10.0	17.0
2. Aphid proof Screen houses	Units	7	-	-	-	-	-	-	7	8,000	0.06	-	-	-	-	-	-	0.06	5.0	10.0	17.0
3. Plastic & Mesh for existing Green/ Screen ho	LS	1	-	-	-	-	-	-	1	40,000	0.04	-	-	-	-	-	-	0.04	5.0	10.0	17.0
4. Construction of 50 mt capacity Seed stores	No	2	2	3	-	-	-	-	7	30,000	0.06	0.06	0.09	-	-	-	-	0.21	5.0	10.0	17.0
Subtotal Construction											0.28	0.06	0.09	-	-	-	-	0.43			
B. Equipment & Materials																				
Desktop Computer w ith Printer	No	2	-	-	-	-	-	-	2	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laptops/ Note Books	No	2	-	-	-	-	-	-	2	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Multimedia projector	No	2	-	-	-	-	-	-	2	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital Cameras	No	1	-	-	-	-	-	-	1	500	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Equipment, Machinery & Chemicals for TCL	TC Labs	3	-	-	-	-	-	-	3	15,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Adaptive trials	No	20	20	20	20	20	-	-	100	180	0.00	0.00	0.00	0.00	0.00	-	-	0.02	5.0	10.0	17.0
Subtotal Equipment & Materials											0.05	0.00	0.00	0.00	0.00	-	-	0.07			
C. Vehicles																				
Single cabin - 2500 CC	No	1	-	-	-	-	-	-	1	22,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Car - 1300 CC	No	1	-	-	-	-	-	-	1	23,000	0.02	-	-	-	-	-	-	0.02	5.0	50.0	45.0
Car - 1000 CC	No	1	-	-	-	-	-	-	1	13,000	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Petrol Jeep (4x4) - 1300 CC	No	2	-	-	-	-	-	-	2	22,000	0.04	-	-	-	-	-	-	0.04	5.0	50.0	45.0
Motor cycles 125 CC /a	No	6	-	-	-	-	-	-	6	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles											0.11	-	-	-	-	-	-	0.11			
D. Training																				
Scientists & Support staff training	p/days	75	75	75	-	-	-	-	225	300	0.02	0.02	0.02	-	-	-	-	0.07	5.0	3.0	0.0
Contract Grow er training	p/days	500	500	1,000	1,000	1,000	-	-	4,000	10	0.01	0.01	0.01	0.01	0.01	-	-	0.04	5.0	3.0	0.0
Subtotal Training											0.03	0.03	0.03	0.01	0.01	-	-	0.11			
E. Grants																				
Revolving fund for Seed multiplication /b	LS	5	6	4	4	4	-	-	23	12,500	0.06	0.08	0.05	0.05	0.05	-	-	0.29	0.0	5.0	0.0
Total Investment Costs											0.53	0.17	0.18	0.06	0.06	-	-	1.00			
II. Recurrent Costs																				
A. Salary & Allowances																				
Scientific Officer/Agri. Officers - BS 17	years	5	5	5	5	5	5	5	35	8,400	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Seed Certification Officer - BS 17	years	1	1	1	1	1	1	1	7	8,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.06	0.0	1.0	0.0
Office Assistant - BS 14	years	1	1	1	1	1	1	1	7	5,400	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Lab Assistant - BS 6	years	1	2	2	2	2	2	2	13	4,200	0.00	0.01	0.01	0.01	0.01	0.01	0.01	0.05	0.0	1.0	0.0
Field Assistants BS 6	years	2	4	4	4	4	4	4	26	4,200	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.0	1.0	0.0
Driver -BS 1	years	2	2	2	2	2	2	2	14	3,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Mali Green House	years	10	10	10	10	10	10	10	70	1,800	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
TA/DA	office	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	0.0	1.0	0.0
Subtotal Salary & Allowances											0.12	0.13	0.13	0.13	0.13	0.13	0.13	0.90			
B. Operating costs																				
POL & Vehicle O&M /c	No	5	5	5	5	5	5	5	35	4,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.14	5.0	0.0	17.0
Transportation charges for inputs/ Outputs	Stations	5	5	5	5	5	5	5	35	4,200	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.15	5.0	0.0	17.0
Daily paid Labour	p/days	2,000	2,000	2,000	2,000	2,000	2,000	2,000	14,000	5	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07	5.0	0.0	17.0
Equipment O&M	office	5	5	5	5	5	5	5	35	3,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	5.0	0.0	17.0
Office running costs	Office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Consumables/ Office supplies	office	5	5	5	5	5	5	5	35	3,500	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.12	5.0	0.0	17.0
Subtotal Operating costs											0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.79			
Total Recurrent Costs											0.23	0.24	0.24	0.24	0.24	0.24	0.24	1.69			
Total											0.76	0.41	0.42	0.31	0.31	0.24	0.24	2.69			

\a on Lease/ Purchase basis
\b to be released in instalments as per annual requirements, considering TCL production
\c including Federal Seed Certification office. Also ncludes POL for Motor cycles

Economic Transformation Initiative Gllgit-Baltistan (ETI)																			Parameters (in %)		
Table 2.5. Land Titling & Record system																			Phy.		
Detailed Costs					Quantities				Unit Cost				Base Cost (US$ Million)						Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**Tax Rat**
I. Investment Costs																					
A. Design & Supervision Consultancy																					
1. Consultancy/T.A for New Legislation & Rules	LS	1	-	-	-	-	-	-	1	20,000	0.02	-	-	-	-	-	-	0.02	5.0	3.0	10.0
B. Equipment & Materials																					
Servers. Computing equipment & Softw are	No	1	-	-	-	-	-	-	1	00,000	0.10	-	-	-	-	-	-	0.10	5.0	10.0	17.0
Furniture & fixture for Provincial & District offices	No	1	-	-	-	-	-	-	1	50,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Subtotal Equipment & Materials											0.15	-	-	-	-	-	-	0.15			
C. Trainings																					
1. Staff training	LS	-	1	-	-	-	-	-	1	25,000	-	0.03	-	-	-	-	-	0.03	5.0	3.0	0.0
Total Investment Costs											0.17	0.03	-	-	-	-	-	0.20			
II. Recurrent Costs																					
A. Salary & Allowances																					
Provincial Cell Incharge	No	1	1	1	1	1	1	1	7	35,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.0	1.0	0.0
District Cell Incharge - BS 17	years	5	5	5	5	5	5	5	35	22,500	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.79	0.0	1.0	0.0
Data Entry Operator - BS 14	years	5	5	5	5	5	5	5	35	12,500	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.44	0.0	1.0	0.0
TA/DA	office	5	-	-	-	-	-	-	5	5,000	0.03	-	-	-	-	-	-	0.03	0.0	1.0	0.0
Subtotal Salary & Allowances											0.24	0.21	0.21	0.21	0.21	0.21	0.21	1.50			
B. Operating costs																					
Equipment O&M	office	5	5	5	5	5	5	5	35	5,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.18	5.0	0.0	17.0
Office running costs	office	5	5	5	5	5	5	5	35	6,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	5.0	0.0	17.0
Misc	office	5	5	5	5	5	5	5	35	1,500	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.05	5.0	0.0	17.0
Subtotal Operating costs											0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.44			
Total Recurrent Costs											0.30	0.27	0.27	0.27	0.27	0.27	0.27	1.93			
Total											0.47	0.30	0.27	0.27	0.27	0.27	0.27	2.13			

Economic Transformation Initiative Gilgit-B																			Parameters (in %)		
Table 3. Programme Coordination Unit																			Phy.		
Detailed Costs		Quantities								Unit Cost	Base Cost (US$ Million)								Cont.	For.	Gross
	Unit	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**(US$)**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**	**Rate**	**Exch.**	**ax Rat**
I. Investment Costs																					
A. Consultancies																					
Baseline Survey	No	1	-	-	-	-	-	-	1	75,000	0.08	-	-	-	-	-	-	0.08	5.0	3.0	10.0
Adhoc Sudies	No	-	1	1	-	1	-	1	4	50,000	-	0.05	0.05	-	0.05	-	0.05	0.20	5.0	3.0	10.0
Subtotal Consultancies											0.08	0.05	0.05	-	0.05	-	0.05	0.28			
B. Equipment & Materials																					
Furniture & Fixture for PCU	Sets	1	-	-	-	-	-	-	1	25,000	0.03	-	-	-	-	-	-	0.03	5.0	10.0	17.0
Furniture & Fixture for RCUs	Sets	3	-	-	-	-	-	-	3	15,000	0.05	-	-	-	-	-	-	0.05	5.0	10.0	17.0
Scanner /a	No	4	-	-	-	-	-	-	4	250	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Desktop Computers /b	No	4	-	-	-	-	-	-	4	800	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Notebooks /c	No	6	-	-	-	-	-	-	6	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Laser Printer /d	No	4	-	-	-	-	-	-	4	300	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Netw ork printer /e	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Mutimedia projector /f	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Telephone Exchange /g	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Digital camera /h	No	4	-	-	-	-	-	-	4	700	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Air Conditioner /i	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Generators - 20 KVA /j	No	4	-	-	-	-	-	-	4	2,000	0.01	-	-	-	-	-	-	0.01	5.0	10.0	17.0
Refrigerators /k	No	4	-	-	-	-	-	-	4	750	0.00	-	-	-	-	-	-	0.00	5.0	10.0	17.0
Accounting softw are /l	No	1	-	-	-	-	-	-	1	15,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Misc. /m	LS	1	-	-	-	-	-	-	1	20,000	0.02	-	-	-	-	-	-	0.02	5.0	10.0	17.0
Subtotal Equipment & Materials											0.14	-	-	-	-	-	-	0.14			
C. Vehicles & Equipment																					
vehicles - double cabin	No	2	-	-	-	-	-	-	2	39,000	0.08	-	-	-	-	-	-	0.08	5.0	50.0	45.0
Cars- 1000 CC	No	6	-	-	-	-	-	-	6	13,000	0.08	-	-	-	-	-	-	0.08	5.0	50.0	45.0
Petrol Jeep 4x4 - 1300 CC	No	5	-	-	-	-	-	-	5	23,000	0.12	-	-	-	-	-	-	0.12	5.0	50.0	45.0
Motor cycles 125 CC	No	10	-	-	-	-	-	-	10	1,300	0.01	-	-	-	-	-	-	0.01	5.0	50.0	45.0
Subtotal Vehicles & Equipment											0.28	-	-	-	-	-	-	0.28			
D. Trainings																					
PCU/RCUs staff training	p/days	100	100	100	-	-	-	-	300	500	0.05	0.05	0.05	-	-	-	-	0.15	5.0	3.0	0.0
Total Investment Costs											0.55	0.10	0.10	-	0.05	-	0.05	0.85			
II. Recurrent Costs																					
A. Salary & allowances - PC Unit																					
1. PCU																					
Programme Coordinator	years	1	1	1	1	1	1	1	7	42,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.29	0.0	1.0	0.0
Deputy Programme Coordinator /n	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Admn Officer	years	1	1	1	1	1	1	1	7	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
Admn Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Finance Manager	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Accounts officer	years	2	2	2	2	2	2	2	14	18,000	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.25	0.0	1.0	0.0
Account Assistants	years	2	2	2	2	2	2	2	14	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.07	0.0	1.0	0.0
Procurement Officer	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
Procurement Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Value Chain Fund Officer	years	1	1	1	1	1	1	1	7	18,000	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.13	0.0	1.0	0.0
Value Chain Fund Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0
Gender & Poverty Manager	years	1	1	1	1	1	1	1	7	30,000	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.21	0.0	1.0	0.0
GPM Assistant	years	1	1	1	1	1	1	1	7	5,000	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.0	1.0	0.0

Appendix 7

(Flow of Funds – See Annex 5)

Annex 12: Compliance with IFAD policies

This annex reviews the adherence of Programme design to the following IFAD policies and strategies:

- Gender sensitive design
- Targeting policy
- Climate change strategy
- Good governance

Pre-requisites for gender sensitive design[94]

	Yes	No	Partial	Issues and Recommendations
1. Programme document contains poverty and gender analysis data.	X			
2. Based on the above, the Programme articulates a gender strategy that aims to:				
• Expand women's access to and control over fundamental assets – capital, land, knowledge and technologies;	X			The Programme will expand access to land through its irrigation infrastructure component which will substantially increase the amount of agricultural land in the region; as well as improved agricultural technologies through support to extension services.
• Strengthen their agency – thus their decision-making role in community affairs and representation in local institutions;	X			Working with local organisations to improve participation in value chains, including women's organisations that are maturing through AKRSP support, the Programme will strengthen women's agency. 20 women exclusive women producer groups will be supported in addition to 200 mixed producer groups
• Improve well-being and ease workloads by facilitating access to basic rural services and infrastructures.	X			The Programme improves infrastructure through irrigation investments, feeder roads and the cost-recovery for irrigation works will be re-invested in community infrastructure addressing basic social and economic needs. Farmer organizations promoted through SMPs provide entry points to community engagement and support to social services. Finally, by ensuring gainful self-employment in rural areas, the Programme prospectively diminishes the migration of labour to peri-urban areas as unskilled workers- thereby increasing agricultural labour at community level reducing women's agriculture labour burden. Programme will also promote use of labour saving equipment for product processing and harvesting
3. The Programme identifies operational measures to ensure gender-equitable participation in, and benefit from, planned activities, and in particular:				
Sets specific targets in terms of proportion of women participants in different Programme activities and components;	X			Benefits from infrastructure are inclusive of men, women and youth. Overall membership

[94] Adapted from: "Mainstreaming a gender perspective in IFAD's operations – Plan of Action, 2003-2006"

				of producer organisations will aim to be 30% female on average, and employment in agricultural processing is targeted at 50%. 20 women exclusive production groups will be established.
Ensures women's participation in Programme-related decision-making bodies; and			X	Women's organisations are an important pillar of local development in GB as pioneered by AKRSP. With SMP partners help, women will continue to be engaged in local decision-making bodies.
Clearly reflects actions identified in the gender strategy in the cost tables;			X	Women specific activities reflected in cost tables.
Ensures that the Terms of Reference of Programme coordinating unit or Programme management unit (PMU) include responsibilities for gender mainstreaming, especially at level of Programme director, M&E officer, extension officer and microfinance officer;	X			TORs will include these responsibilities and will also be reflected in PIM.
Explicitly addresses the issue of present and likely availability of field staff to ensure outreach to women, and designs activities accordingly;	X			In some areas of GB, Programme staff have some problem in reaching women. To address this, a significant proportion of partner NGO staff will be women.
Establishes experience working with women and marginalized groups and willingness to work with these groups as a criterion for NGO selection.	n/a			This has been defined as a criteria for the selection of social mobilization partners
4. The Programme logframe and suggested monitoring system specify sex-disaggregated performance and impact indicators.	X			Details provided in pogframe and in the M&E annex
5. The Programme provides opportunities for policy dialogue on issues related to gender equality and empowerment of women.	X			Will be part of Programme knowledge management.

Compliance with IFAD targeting policy

	Key policy principals	Degree of compliance	Comments and observations
1	Focus on rural people who are living in poverty and experiencing food insecurity, and who are able to take advantage of the opportunities to be offered (sometimes referred to as "the productive poor" or "active poor");	Full	A major thrust will be to improve food security and income generation for smallholders and productive poor.
2	Expand outreach to proactively include those who have fewer assets and opportunities, in particular extremely poor people as referred to in MDG 1;	Yes	The Programme phasing will expand benefits starting with the productive poor and gradually moving to the most vulnerable. All communities in GB adopt similar agricultural practices and in particular are involved with key commodities envisaged for support by the Programme.
3	Include marginalized groups, such as minorities and indigenous peoples, and address their specific needs;	Yes	All groups in the region are indigenous people. There are small groups of people like "soniwal" and "doms" and some "gujjar" clans who are not land-owners, mostly live away from main settlements and won't have right to even newly developed lands. Specific skills training suited for services to value chains would be tailored for them during programme implementation
4	Address gender differences and have a special focus on women within all identified target groups – for reasons of equity, effectiveness and impact – with particular attention to women heads of household, who are often especially	Partial	Women-headed households will receive land titles for newly irrigated lands. Women cooperatives in milk and apricot processing will be a primary focus. 20 women specific producer and marketing groups will be

	disadvantaged;		promoted. In some areas women do not participate in sales and purchases. AKRSP has experimented with women's markets and these may be replicated though they seem to operate more successfully in peri-urban areas.
5	Recognize that relative wealth or poverty can change rapidly due to external shocks and that this vulnerability needs to be addressed;	Full	Improved access to water and land will help address external shocks. IFAD is preparing a separate grant for hazards and vulnerability mapping with WFP to guide additional activities.
6	Clearly identify at the programme or Programme design stage who the intended target groups are and why, and consistently apply these categories, during implementation, in monitoring and evaluation (internal and external) of targeting performance. There will be cases when better-off people may need to be included – because of economic and market interdependencies, to avoid conflict, or to engage them as leaders and innovators. In such cases, the rationale and justification should be provided, and risks of excessive benefit capture carefully monitored;	Full	Design clearly establishes the target groups. Monitoring, including annual outcome surveys, will establish the degree to which people participating on Programme activities are from the poorer categories of the population. There is only limited variance in incomes and assets in Programme areas.
7	Identify and work with like-minded partners at local, country, regional and international levels to develop a shared understanding of both the dynamics of rural poverty in different contexts and successful targeted approaches;	Full	Partnerships developed with AKRSP, WFP, USAID and private sector actors with social responsibilities. Other partnerships will be identified and promoted as part of programme implementation strategy
8	Pilot and share learning on successful approaches to targeting hard-to-reach groups; and	Yes	Knowledge management will disseminate lessons – especially regarding livelihoods, and access to markets
9	Build innovative and complementary partnerships with actors that can reach target groups that IFAD cannot reach with the instruments at its disposal.	Full	AKRSP, DPAP and donors who can address health, education and other needs are established in the area and will be actively engaged as partners. In addition community-driven investments are supported for such needs.

Compliance with IFAD climate change strategy
(Detailed ESRN is attached as Appendix 1)

Goal: To maximize IFAD's impact on rural poverty in a changing climate	
Statements of purpose:	ETI response
1. To support innovative approaches to helping smallholder producers build their resilience to climate change.	Climate resilient livelihoods – including improved food crop production with irrigation and improved (road) access to services and markets. ETI supported infrastructure will incorporate climate resilient design features in roads and irrigation. Appropriate seeds and plants that are more suitable for changing weather patterns in the area would be promoted.
2. To help smallholder farmers take advantage of available mitigation incentives and funding.	No specific plans in Programme design to mobilise additional funds for mitigation, but opportunities may arise during implementation
3. To inform a more coherent dialogue on climate change, rural development, agriculture and food security.	M&E systems will generate information on the outcomes of Programme activities focused on climate resilience. Lessons will be disseminated via knowledge management activities.

Good Governance Framework

ETI Good Governance Framework is based on the following key principals:

- Transparency is the foundation for accountability and participation. Information in the public domain and an open & visible decision-making processes signals that there is nothing to hide.
- Accountability implies probity in how resources are mobilized and used, and for what ends.
- Participation (or inclusion) represents the "demand side" of good governance, and implies that people should have a voice in the decisions that may affect them. The involvement of affected communities in all stages of Programmes can simultaneously improve development outcomes and reduce the scope for fraud and corruption.

Programme processes	Actions to be taken	Accountability and transparency	Participation and inclusion	Guidelines/regulations to be followed
Targeting	▪ Ensure inclusion of disadvantaged groups in Programme activities. This requires targeting policies and monitoring of composition of Producer Groups etc.	▪ Progress reports ▪ Outcome surveys ▪ IFAD supervision reports	▪ Report back to Implementing Partners and Govt on composition of PGs and other Programme groups	▪ IFAD appraisal report ▪ Social Mobilization Partner group formation guidelines
Planning (Programme level)	▪ Annual plans for Programme activities need to conform to GoP processes and IFAD appraisal, and be approved by PSC and IFAD	▪ PCU report to PSC ▪ IFAD & GoP approval of AWPB ▪ Progress reports on implementation of AWPB	▪ PRA at design stage got feedback from local people. ▪ Disclosure of AWPB	▪ GoP procedure for annual budget ▪ IFAD AWPB guidelines
Planning (local level)	▪ Participation in plans at local level by Community Organisations and Producer Groups	▪ MOUs with local communities on irrigation and land reclamation investments based on rapid participatory appraisals ▪ Progress reports with information on participation ▪ Business plans submitted for funding	▪ Progress reports feedback to Govt and Union Councils	▪ Participatory planning guidelines
Procurement	▪ Transparent and efficient procurement process to ensure best quality/price. ▪ IFAD implementation support to train staff in procurement processes. ▪ IFAD prior reviews ▪ Dedicated procurement staff and annual procurement plans ▪ Adherence with IFAD procurement guidelines, financing agreement and Government PPRA rules ▪ All procurements for community led infrastructure like irrigation and land development done through community participation	▪ External audits cover procurement processes ▪ IFAD supervision missions spot check procurements ▪ IFAD technical audits if needed to check value for money and leakages. ▪ Prior review by IFAD for procurements above defined threshold	▪ PSC and IFAD receive audit report ▪ IFAD supervision reports and any technical audits to IFAD & GoP. ▪ Communities involved in checking/certifying procurement for irrigation infrastructure.	▪ GoP Procurement Regulations ▪ IFAD procurement guidelines ▪ Annual procurement plan
Physical activities and outputs	▪ Need to monitor progress in terms of quantity and quality.	▪ Outcome surveys check on outputs delivered to benef. hh. ▪ Progress reports of implementing agencies ▪ KAP studies on training quality ▪ Programme website ▪ IFAD supervision reports assess progress	▪ Internal coordination workshops ▪ Programme progress reports to DoA, IFAD & PSC ▪ Reports to local government	▪ Government budget ▪ IFAD appraisal report ▪ Road master plans ▪ Producer Group business plans

Financial management	▪ Minimise cash transactions ▪ Training of group leaders and members in accounts. ▪ IFAD implementation support will train staff in Programme accounting and financial processes. ▪ Computerised accounting ▪ Qualified and autonomous finance wing of PCU	▪ Consolidated financial statements ▪ Internal audit ▪ External audit ▪ IFAD supervision mission reports will check financial statements & accounting system	▪ Producer Groups accounts discussed and agreed with all members. ▪ Rotation of group leaders and regular elections. ▪ Audit report to PMC & IFAD ▪ Consolidated financial statements to IFAD ▪ IFAD supervision reports to IFAD & GoP.	▪ IFAD financial reporting guidelines ▪ Government accounting systems ▪ ToR for internal and external audit
Results and impact	▪ Reporting of outcomes and results ▪ Knowledge management to utilise information generated	▪ IFAD supervision reports ▪ IFAD RIMS indicator reporting ▪ Outcome and KAP surveys collect evidence on how well Programme outputs are delivered.	▪ Programme website with results of M&E ▪ Experience sharing publications and workshops.	▪ Programme M&E guidelines ▪ IFAD RIMS guidelines ▪ Programme KM strategy
Complaints remedies	▪ Complaints procedure ▪ Ethical code for staff to avoid conflicts of interest and including sanctions for fraudulent and corrupt practices ▪ Focal points and addresses/points of contact for grievance registration ▪ Redressal and feedback mechanism	▪ Investigative processes ▪ Written response to complainants and record keeping	▪ Reports to SMPs and implementing agencies ▪ Feedback to GoP if needed ▪ Phone numbers of leaders of Programme groups & Programme managers circulated to relevant persons.	▪ GoP Complaints guidelines ▪ Staff ethical code
Communication	▪ Programme communication strategy for all stakeholders ▪ Annual Communication plans ▪ Dedicated communication manager in PCU ▪ Bulletins, brochures, leaflets, electronic and print media use to disseminate programme targets, intended beneficiaries, processes etc.	▪ Budgets for communication and communication strategy ▪ Communication annual plans and budgets ▪ Communication software and materials ▪ Adhoc surveys to assess potential beneficiaries awareness about programme	▪ Beneficiary feedback ▪ Inclusion of vulnerable and women ▪ PME reports on community awareness and impacts	▪ Programme Communication Strategy

Appendix 1

Environmental and Social Review Note

Introduction:

1. Economic Transformation Initiative (ETI) will be implemented in the four districts of Gilgit-Baltistan, a highly mountainous area at the northern tip of Pakistan. The overall goal of the programme is to reduce poverty and improve incomes of poor people in Gilgit-Baltistan region through a value chain approach. Programme initial focus will be on two main cash crops of significance for the smallholder farmers i.e. apricot and potato in four out of seven districts in the region. The programme will follow an incremental approach to value chain development and depending on progress and results, the programme will be expanded to cover additional value chains and districts. The proposed four districts of Diamer, Astore, Ghizer and Ghanche are the poorest in terms of social and economic attainment in the region with considerable potential for irrigation and roads development. Value Chain Component however will cover five districts in view of the vertical and horizontal linkages and crosscutting nature of activities for the two priority crops chains selected (apricot and potato). Programme will benefit around 100,000 smallholder poor and women-headed households.

2. ***Phasing and Approach*****:** ETI will implemented over a seven-year period and will address both production and productivity aspects with a holistic value chain approach covering pre-harvest phase, post-harvest management, aggregation and standardization of products, access to markets and fair returns from end clients to farmers. In doing so, the programme will follow a participatory approach starting from villages/farmers. The programme will establish 200 Village Producer Groups and 20 exclusive Female Village Producer Groups (with women encouraged to be part of rest of the 200 groups as well) and working its way up through the value chain and engaging other actors along the value chain. The programme will, to the extent possible, make use of existing social capital and organizational capacities available in the shape of VOs/WOs established by AKRSP and previous IFAD funded NADP.

3. ***Components and activities*****:** ETI has three components with an overall cost of US$ 110.89 million. Component 1: Economic Infrastructure for Value Chain Component (US$ 63 million/57% of Programme Cost is aimed at providing support infrastructure for expansion of irrigated area and provision of critical farm to market linkages for the existing and new production areas. ETI will develop irrigation infrastructure for 50,000 acres of new land benefitting around 50,000 households. US$ 100/acre will be provided to the beneficiaries to enable them to quickly develop the new irrigated areas for crop production. The sub-component will inject around US$ 30 million into rural economy through full payment of labour and local materials for irrigation schemes. 50% of the cost of schemes will be recovered from beneficiaries and reinvested in their own villages for development activities identified by them. This will inject as additional US$ 20 million in local development in rural areas. ETI will also finance upgrading of 400 kms of farm to market roads in four districts. The road selection will closely aligned with the selected existing production areas and areas selected for new irrigation development. Around 160 kms will be existing pony tracks upgraded to jeep-able standard roads (40% of the total) and 240 kms would be existing jeep-able roads upgraded to truck-able roads (60% of the total). A total of 220 meters of small bridges would be provided where necessary. Component 2: Support Services/PPPP for Value Chain Development – (US$ 34.5 Million is aimed at providing a comprehensive solution for the current value chain development constraints from farmer field to end client in partnership with farmers, public sector, service providers and private sector entrepreneurs. This will include contracts based engagement between the producers/farmers and private sector buyers, promotion of local aggregation and value addition platforms, quality and productivity enhancement for better returns for farmers, promotion of local processing activities at village and regional level etc. A Value Chain Development Fund, administered with the help of along terms value chain technical assistance team, will meet the capital needs of farmers and private sector through a matching grant mechanism. Availability of improved seeds and planting materials be ensured and the areas status of organic producer will be developed and protected. Component 3: Programme Management and Policy Support Component will cover an effective programme steering and management structure for efficient programme implementation. For effective implementation of programmes participatory community centered approach, qualified social mobilization partners will be

engaged through a competitive process. (see Annex 4 and Annex 5 for detailed component description and institutional arrangements).

Social and Natural Profile of Gilgit-Baltistan:

4. Gilgit-Baltistan is a highly mountainous area in the north of Pakistan and borders China, India and Khyber Pakhtunkhwa province of Pakistan. It's a land where three major mountain ranges, Himalaya, Hindukush and Karakorum meet. The region holds twelve of thirty highest peaks in the world. It's primarily a land of trans-Himalayan character with no monsoon rains and entire agriculture is dependent on irrigation. The region also contains some of the largest glaciers outside the polar region and almost 12 percent of the region is occupied by glaciers. The area is also passage for major rivers like Indus, Shyok and Gilgit though none of them is physically conducive for any irrigation being at lower elevations than surrounding lands. This physical feature has forced people to stick to narrow side valleys where the glacial melt streams offer more conducive access to irrigation waters.

5. Gilgit Baltistan's geographic location has produced a unique flora and fauna. There are four main ecological zones. The alpine scrub zone which is located at upper most reaches of the entire region, contains Dawrf Juniper, Salix, Ephedra Berberis and platable grass forests. In the sub Alpine forest zone the Betula, Salix, Juniper, Bebris, Lonicera, Ephedra, Vibernum, Anthopogon Ribes are found (Walter, 2006, April 27). In temperate forest zones covering upper Muskin, Astore valley, Nagar, Bagrot, Naltar and Haramosh there are Deodar, chalgoza, Juniper, Ash, Hippophea, Artimesia, Blue pine, Spruce and Rosa forests. In the sub-tropical mountain zone, along the main Indus river upto Raikot and Bunji are Montane subtropical forest, the capris, spinosa, pistacha, Artimesia, Seceharum, Dodonia, Rosa muschata and Daphneoloodes. Among the agro-ecological zones, Barsat, Misghar, Hispar, Rondu, Fairy Meadow and Chapurson are known for wheat, millet, potato, peas, vegetable, alfala, pear, cherries, peach, apple, plum mulberry and long grass pastures (Enderson, 1998: 39-40). In the areas of Babusar, Hopar, Tarishing, Phandar, Yasin, Karumbar, Shigar, Khaplu, Skardu,Dashkin and Sost, the production of maize, apricot, almond, grapes, white poplar, pomegranate, pulses, clover and chalgoza are found on a vast scale. Beyond Astore going right up to Skardu is the world renowned Deosai Plain which is around 60 km long and over 20 km wide alpine pasture with unique flora and fauna and a summer pasture not only for the locals but also for herds brought from Punjab. The area abounds with number of wild animal species including Snow Leopard, Lynx, Wolf, Brown Bear, Black Bear, Fox, Marmot, Ibex, Markhor, Urial, Marcopolo Sheep, Blue Sheep, Musk Deer, Chakor, Ram Chakor, Monal Pheasant etc. (Ghazali, 2005, December 2). There are two large conservation parks and wild-life protection is enforced quite rigourously mostly with community participation. Trophy hunting for Markhor is allowed in some areas under strict regulations and the realized amount from hunters is apportioned between community (80%) and Forest Department (20%).

6. ***Ehtno-Linguistic Profile:*** The area is a mix of many ethnicities, languages and sects. Ghizer District has a large Ismailis (87 percent) population who belong to Brusho tribe and speak Shina, Khowar and Brushashki (Ameer, 2002). Gilgit and Hunza have a heterogeneous population with Imamia Isna Ashriya Shias (54 percent) having Brusho, Shin and Yashkun identities and they speak Shina, Brushashki and Wakhi languages. In Gilgit there is a mixing of culture due to internal and external migration. While Shias are in majority, Ismailis (27 percent) and Sunnis (19 percent) also live numbers in Gilgit. Diamar and Astore are almost entirely Sunnis (90 percent) and Shia (10 percent) comprising of Shin, Yashkun and Kohistani population who speak Shina as their major language (Hilali, 1995: 87-89). In Skardu, Imamia Shias (87 percent) coexist with Nurbakhshis (10 percent) and Sunnis (3 percent) who belong to Mongol tribes in majority with Balti as a major language. While in Ghangche, Nurbakhshis (96 percent, a minority sect within Shias) are predominant with Balti as their language and belong to Mongol, Mon and Hor tribes. (Frembgen, 1964).

Economy, Poverty and Vulnerability:

7. The total population of the Gilgit-Baltistan is estimated to be **1.3 million** consisting of over 200,000, which is 86% rural and only 14% urban population. The average household size is **7.2** per

households which is higher than the national average (6.4[95]). There are around **609 villages** and around 5000 male and female village organizations established under various programs including AKRSP. GB is largely an agrarian economy with little in terms of industry and manufacturing. Outside agriculture, the main sources of income for most families are government employment and seasonal migration of males to large urban centers for daily wage or short term employment.

8. PSLM 2004/05 indicates that average monthly consumption in GB is about 90 percent of the national, which translates into a substantially higher incidence of poverty of about 29 percent in GB, compared with 24 percent for the rest of Pakistan. However it is worth noting that rural areas of GB, comprising 86 percent of the population are broadly at par with the national average for rural areas. The incidence of poverty across different districts of GB ranged from about 14 percent in Gilgit to 33 percent in Ghanchae district in 2005. [2] There is very high ownership rate of agricultural assets in GB compared to the four provinces. More than 90 percent of households in GB own agricultural lands and similarly ownership rates of cattle, goats, sheep and poultry that are at least 30% higher than other provinces. However, in three districts, more than 70 percent of households are marginal landlords, comprising less than 2.5 acres and in the remaining two districts, such landlords accounted for at least 40% of the total. The society and culture markedly differs from other regions/ provinces of Pakistan. There are no big landlords and the society is largely tribal, agrarian and egalitarian in character.

9. Empirical evidence on indicators of vulnerability is scarce, but participatory assessments conducted at various locations in GB are instructive. Food insecurity, as measured by a composite of food deficit, food absorption and food access, suggests that four out of five districts in GB were "extremely insecure" and the remaining district Gilgit was categorized as "very insecure"[96]. The percentage of children who are either stunted, wasted or are underweight is lower in GB as compared to other provinces. Children under the age of 5 who are underweight in GB is 13% while in case of Punjab it is 26%,Sindh 42%, KPK 26% and ICT 14%.[97] Similarly the children under 5 years who are stunted in GB is 36% as compared to Punjab 40%, Sindh 57%, KPK 42% and ICT 22%.[98] Anecdotal evidence suggests that there is an element of chronic poverty. Some households remain in a state of poverty for extended period of time, triggered by a shock due to the death of the sole income earning member of a household or loss of landholding due to a natural disaster. The full extent of the chronically poor in GB is unknown. Anecdotal accounts suggest that chronically poor families tend share similar characteristics such as limited natural resource endowments, a prevalence of physical disabilities and the absence of young workers in the family.

Gender

10. Women in rural Pakistan have been described[99] as being the most socially excluded but have heavy workloads in agriculture, livestock rearing and off-farm activities. Studies show that a rural woman in Pakistan works 15.50 hours a day, spending 5.50 hours in caring for livestock, but can provide only 50 minutes for the care of her own children.[100] The migration of men to urban areas has further exacerbated their workload. Rural women are also the most deprived in terms of access to basic social services, livelihood opportunities and vulnerability to violence. For example, 65 per cent of the women in urban areas are literate in contrast to 30 per cent in the rural areas of Pakistan.[101] Similarly, the overall incidence of home deliveries in Pakistan is significantly higher in rural areas (78 per cent) compared to urban areas (68 per cent).[102] Gender disparities are also more pronounced in rural areas: men's literacy rate (60 per cent) is twice as high as that of women (30 per cent). Gender

[95] PSLM 2011-12, Pakistan Bureau of Statistics
[96] FAO Food Security Survey. 2014
[97] Pakistan Demographic and Health Survey 2012-13
[98] World Bank, GB Economic Report 2011
[99] Gazdar, Haris, and Shandana K. Mohmand. Social Structures in Rural Pakistan, Determinants and Drivers of Poverty Reduction and ADB'S Contribution in Rural Pakistan,. Rep. no. TA4319-PAK. 2007. Asian Development Bank. <http://www.adb.org/documents/reports/consultant/37711-pak/socialstructures-rural-pak.pdf>.
[100] http://www.fao.org/sd/wpdirect/WPre0111.htm
[101] Government of Pakistan, (2007) Pakistan Social & Living Standard Measurement Survey (2006-2007), Federal Bureau of Statistics ,Islamabad
[102] ibid

situation in GB region is highly varied depending upon the particular area, tribe and sect. Among the ETI target districts, Diamer district is the most conservative with lowest literacy rates among men and less than 5% literacy rate among women. While women are engaged in all agriculture related activities, however their mobility and role in household decision-making is considerably restricted as compared to their sisters in other three target districts. The situation is however changing since the previous IFAD project, NADP and now more and more female schools are being opened up in the valleys with English medium education. Next door Astore district is considerably better off both in terms of female mobility and literacy levels and there are considerable number of women organizations and female activists, thanks to years of work by AKRSP. Ghizer district fares the best in terms of female literacy, women's organizations and women's empowerment and mobility. Ghanche district falls somewhere in between Astore and Ghizer in terms of women participation and literacy levels. Among the females, most vulnerable are the women headed households as far as poverty is concerned.

Land and Water:

11. Slightly over 1% of the total area of GB is cultivated while around 2% of the area is cultivable waste that can be brought under plough if required investments in irrigation are managed. Being outside the monsoon zone, irrigation is a must for any agriculture to take place. Over half of the cultivated area is located at 6,000 asl or more and single cropped. Rest of the area is double cropped. Land types range between sandy shale to loamy and loamy sandy and suitable for number of crops. Land ownership/tenure varies from one area to another. In settled three districts, the Land Revenue Act prevails with formal land records and titles. In rest of the area, the local customary practices are applied. In both cases, the new irrigated lands are divided equally among the households living in the area. The area has a natural seasonal advantage due to elevation and most of the down country vegetable crops are grown in GB during summers and fetch premium prices when marketed in the down country markets. Water is abundant in GB being the passage and watershed for number of important rivers like Indus, Shyok, Gilgit and Hunza. However river water is of little use for agriculture/irrigation as almost along entire length the rivers are much lower than the surrounding land surface. So entire dependence for irrigation is on glacial melt carried by streams in the valleys and that's where most of the agriculture activities take place. These glacial streams are subject to huge seasonal variations and in some cases it is as much as 35 times. So the streams of plenty during summers reduce to mere trickle during autumn, winter and early spring. So the water efficiency and water distribution assume huge importance in such areas and all communities have customary regulations and enforcement mechanisms for this purpose.

Natural Resource Management:

12. GB is a land of smallholders (average 0.8 acres per hh) eking livelihoods from a small arable land base. There is little attention to real large commercial scale production and each farm practice mixed crop agriculture with flat parts used for cereals and forages and field boundaries and sloping lands used for fruit trees. Marginal lands and outer boundaries are used for fast growing tree specified for harsh winters' fuel-wood. Livestock ownership at an average of 18 is much higher than rest of the country and most of such stock is small ruminants. Livestock is stall-fed during winters and early summer but moved to high altitude alpine pastures during the summers. Except for 5,500 sq km Deosai plain that is a reserve area managed by Forest Department, rest of the pastures on in traditional communal ownership and open to all the community members. However, outside the community herders need community permission and have to pay the specified fees in cash or kind for summer time grazing. There is no provincial policy or regulation to regulate the number of cattle/animal that could be grazed in a pasture area and early signs of pasture stress are visible in more accessible areas like Deosai. According to FAO Statistics of 2009, around 6% of the total area in Pakistan was under forest. However, only 2% of it was natural forest and rest were plantations of various types. Of the total area of Gilgit-Baltistan, around 13% is classified as forest of which the largest proportion is in Diamer District. While in all other districts of GB forest is Government controlled, in GB it is community owned but harvesting is theoretically Government regulated with income shared between the government and community at 40:60 ratio. Forests in GB are under pressure due to a mixture of lax cutting and smuggling controls, population and grazing pressure and

fuel-wood demand. In the government controlled areas, there is one Forest Guard for around 500 sq km of forest area.

Climate and Climate Change:

13. Climate of GB is variable but fluctuates between extremes during summers and winters in most habitable areas. While winter temperatures plummet to -20C in Skardu during summers and minus 10C in Gilgit, the summer time temperatures rise above 40 C. The uninhabited areas in the three mountain ranges that traverse the region, Himalaya, Karakoram and Hindukush, have snowfall even during summers. However, even during hot summers, the night time temperatures are quite cool.

14. There is now increasing discussion on effects of climate change on the climate, weather patterns and snow-melt/glaciers in regions like Gilgit-Baltistan. In 2007, the "Fourth Assessment Report of the United Nation's Intergovernmental Panel on Climate Change (IPCC) stated that "glaciers in the Himalayas are receding faster than in any other part of the world and, if the present rate continues, the likelihood of them disappearing by the year 2035 and perhaps sooner is very high if the earth keeps warming at the current rate…The receding and thinning of Himalayan glaciers can be attributed primarily to the global warming due to increase in anthropogenic emission of greenhouse gases."[103] However this notion has been challenged by recent research and by Indian Environment Minister as overly alarmist. The research shows that while some glaciers may have receded over the years but most of the glaciers are quite stable in the Haimalayan range while in the Karakoram region (including GB region) the glaciers aren't melting. If anything, some are expanding[104]. The current research draws distinction between the Himalayan region and Karakorm region on the basis of sources of their precipitation and its timing. The Himalayan range gets most of its moisture and precipitation from the monsoon season and with higher temperatures during the summer most of this precipitation now falls as rain and not as snow. However, in case of Karakoram range, the precipitation comes through westerly wave during winters, and with more moisture now coming in due to global warming, more of this moisture comes and converts into snow and ice.

15. GLOF or Glacial Lakes Outburst Flooding is also being cited as an increasing danger for the region. During a GLOF, the V-shaped canyons of a normally small mountain stream can suddenly develop into an extremely turbulent and fast-moving torrent, some 50 meters deep. According to a study conducted by ICIMOD (2007), 5218 glaciers (15040 sq km) and 2420 lakes were identified and mapped in Northern Pakistan. Among the identified lakes, 52 lakes have been classified as potentially hazardous, and likely to cause GLOFs over the next few years to decades. A total of 35 destructive outburst floods have been recorded in the Karakoram region in the past 200 years and at least 11 surges of exceptional scale have been recorded so far in the Upper Indus Basin. The issue with this prognosis is that it is also based on the same IPCC study which is now being increasingly questioned.

16. Differences of opinions among researchers apart, the fact remains that the weather patterns in the region have changed and GB region has witnessed increasing frequency of late snows, sudden rise in temperatures in spring and consequent flash floods and more and more damages to irrigation infrastructure and lands along the streams. So any future agriculture or infrastructure development will have to be mindful of these developments and potential dangers and hazards and mainstream practices and design features that are helpful in mitigating the potential dangers from this phenomenon.

Social and Environmental Challenges and Risks for ETI:

17. The potential social and environmental challenges and risks for ETI programme implementation can be summarized as following:

Social:

[103] http://www.ipcc.ch/publications_and_data/ar4/wg2/en/ch10s10-6-2.html
[104] http://www.livescience.com/48256-asia-karakoram-glaciers-stability.html

a. Inequitable distribution of programme resources among districts may lead to inter-district and inter-tribal tensions and hostility
b. Women participation, Empowerment and targeting in conservative parts of programme area
c. More irrigated lands and active value chain promotion may result in increasing the burden of women

Environmental:

a. There is insufficient detail and data on climate change challenges and risks in the programme area
b. Development of a large new irrigated area of 50,000 acres would lead to extraction of water at the cost of lower riparians
c. Flood irrigation practices on large new areas may lead to soil run-off and land deterioration
d. Destabilization of slopes due to new Construction:
e. Vulnerability of New Irrigation infrastructure to Flash-Floods/Glacier Movement:
f. High intensity/market led Agriculture leading to use of harmful chemicals and pesticides:

Features Built in Programme Design to Address Risks:

18. A number of safe guards have been built in the design and programme approach to mitigate/address the identified social and environmental risks. These features are:

a. Programme will use a weighted criteria linked to population, total district area, population/households, existing irrigated land, potential land available for irrigation, production of priority crops etc. to divide the resources among the districts on an equitable manner. Within the district, the valleys selection will be on the basis of total population, ratio of poor households, potential for new land development, potential for new road linkages and total production of prioritized crops. One valley will not be eligible for more than 20% of the total district allocation.

b. A strong social mobilization and community participation approach will be adopted through a professional social mobilization partner to ensure active participation of all target community members and equitable sharing of the benefits of programme investments across gender divide.

c. The operative norm of equal distribution of developed irrigated land among all community members will be further strengthened and formalized through the engagement of Land Revenue Agency and issuance of proper land titles ensuring that each household gets equal share in the newly developed land.

d. Programme will adopt culturally appropriate strategy to ensure full participation of women in the overall development and agriculture value chain development planning and implementation. Female staff will be employed by Social Mobilization Partner to get direct access to women where mixed gatherings are not culturally possible while in other areas all key meetings will require participation of men and women for all major decisions. Women-headed households will be a priority in all programme activities and in all new developed irrigated land, women headed households will have an equal share. 20 dedicated Women Producer Groups will be established to encourage women entrepreneurship in the region.

e. Programme will introduce appropriate labour saving technologies in the course of value chain development activities to ensure that the women's burden in agriculture activities is lessened and not increased.

f. Specific provisions will be made to enable the poor, landless and youth to benefit from programme generated income generation activities. 40 youth groups will be formed, trained and equipped to participate in irrigation and land development activities as well as road construction works. Through full payment of all irrigation development costs, the local poor and landless will get full paid daily wage opportunities. All landless will be entitled for equal share in the newly developed irrigated land.

g. An IFAD grant funding for WWF will provide more accurate mapping of the potential climate related hazards in the four districts and the mapping will provide a sound basis for building in mitigation measures in the design of programme funded infrastructure, value chain development practices and educating programme beneficiaries and district and provincial governments.

h. The total extraction of water for 50,000 acres of new land will be not more than 0.6 MAF during the year. This is a miniscule proportion of 103 MAF system flow calculated in Provincial Water Accord (1991) of Pakistan. That too for an area which is now giving up on thousands of hectares of land for the construction of new Diamer-Bhasha Dam that would be the largest water reservoir for the down-stream irrigation users in Pakistan.

i. Provincial Government will be supported to develop and adopt a provincial water policy covering issues of water allocation rights, water usage including water efficiency, water user fees and management, irrigation schemes management etc. The policy will also cover introduction and gradual adoption of efficient irrigation practices and help government funnel resources and manpower for introduction and implementation of water efficient practices and technologies.

j. Appropriate safeguard features will be built in the design and construction of the irrigation channels and roads along the slopes, including support structures like breast walls, retaining walls, use of HDP pipes in unstable zones, cross drainage etc. to reduce to minimum the possibilities of destabilizing the slopes and starting any slides. Engagement of independent consultants for irrigation and roads will ensure quality designs and construction.

k. Irrigation off-take structures will be designed to mitigate the effects of flash-floods and glacial movement. Where appropriate, flexible structures, instead of rigid structures, will be provided to enable the community to adjust them each watering season as per ground conditions.

l. GB is traditionally an area known for organic production and that's where it gets the most premium for its products. Programme will build on this strength and provide support to local marketing companies and groups of producers to obtain organic certification through adoption of full organic practices and thereby minimizing the chances of resort to chemical fertilizers and pesticides.

Environmental Category:

19. Based on the foregoing, ETI Programme is fit to be assigned a category "B" status as per IFAD ESRN Guidelines. No additional study in this regard is required at this stage

Annex 13: Contents of the Programme Life File

PROGRAMME DESIGN TEAM COMPOSITION

1) Rab Nawaz (Institutions, Management & Community Development) Team Leader, Consultant.
2) Dr. Patrick Nugawela. Value Chain Development Expert
3) Mr. Asif Khan (Programme Financing & Budgets) Consultant.
4) Mr. Fida Muhammad (Financial and Economic Analyst) Consultant
5) Abdul Karim, (Natural Resource Management) Programme Implementation Specialist, IFAD.
6) Hubert Boirard, CPM, IFAD and Mission Leader, joined the Mission from 22 January to 27 January at Islamabad.

PROGRAMME GENERATED KNOWLEDGE

1. Programme Concept Paper approved by CDWP.
2. Programme formulation report November 2014 (Main Report and Working Papers)
3. Programme Design Report, Annexes and Working Papers (Jan 2015)
4. CPME and QE Minutes

KNOWLEDGE BASE

1. IFAD COSOP.
2. PCR, Northern Areas Development Programme (IFAD & UNDP), 2009.
3. Pakistan-Gilgit-Baltistan Economic Report - Broadening the Transformation - March 2011 (GoGB, WB, ADB).
4. Pakistan Economic Survey, 2013-14. Finance Division, Government of Pakistan.
5. IFAD Agriculture Value Chain Finance Strategy and Design – Technical Note. Nov 2012
5. Presentation and reports by Government Departments of Agriculture & Water Management, Livestock & Diary, Forests, GBPWD, LG&RD, AKRSP, DPAP, WWF, USAID.
6. Pakistan 2025 – One Nation-One Vision. Planning Commission, Government of Pakistan May, 2014.
7. Year Book 2012-13, Ministry of Kashmir Affairs and Gilgit-Baltistan, Government of Pakistan.

LESSONS LEARNED FROM SIMILAR PROGRAMMES

1. Efficient road network in remote areas is a pre-requisite for improved productivity, market/demand driven production and improved returns for farmers;
2. Organization of rural poor and women into effective groups\fora improves their social bargaining power and access to productive resources;
3. Multi-sectoral and integrated approach to rural poverty alleviation is much more effective because it provides multiple options to address various types of deprivations;
4. Participatory development planning and development delivery results in more relevant need prioritization, efficient delivery and sustainable O&M.

Appendix 1

ETI Design Completion Mission (10-29 January 2015)
Mission Schedule/Itinerary

Date	Activity	Responsibility	Remarks
10 January	830: Mission arrives in Gilgit by PIA 1100: Kick off meeting with Provincial Working Group 1430: Meeting with WMD on irrigation component – discussion on development costs, O&M practices and conventions, allocation rules and practices for newly developed land 1530: Meeting with AKRSP on social mobilization and irrigation components	Provincial Liaison Person (PLP) Provincial Working Group PLP and WMD PLP and AKRSP	 Briefing on ETI Design Report and CPT-Comments, schedule of activities etc.
11 January	0830: Visit to two representative areas for irrigation development and meetings with beneficiary communities	PLP, WMD, AKRSP and Land Commissioner	Local revenue staff to be present to brief on land ownership status and governing rules and practices
12 January	0830: Value Chain Expert and NRM expert arrive 1000: Meeting with Agriculture Extension and Agriculture Research on Value Chain Development aspects and role of departments (VC Expert and NRM expert continue with them for rest of day) 1300: RN and EFA Expert meeting with PWD on roads component	PLP	 Road selection criteria – road costing; bidding and imp. arrangements
13 January	0830: VC Expert and EFA meetings with Munafa and development of a Draft MOU terms for programme support 0830: RN and NRM expert meeting with AKRSP to discuss process and structure for social mobilization aspects	PLP, Munafa Cooperative	

	and SMP structures and budgets 11.30: VC Expert Meeting with Milk Cooperative and development of a draft MOU terms for programme support 14.30: VC Expert meeting with Mountain Fruits and Development of a draft MOU terms for programme support	 PLP/ Milk Cooperative PLP, Mountain Fruits	
14 January	0830: RN and NRM meeting with DPAP on its role, structure budgets and approach for social mobilization 0830: VC Expert and EFA Expert meetings with Tissue Culture Labs/Agriculture Research to finalize model for seed and table potato development including modeling and budgets 1330: RN and NRM meeting with Land Commissioner, Secretary PWD, Director WMD, Secretary P&D & Finance on policy reform aspects 1500; Mission Visit to Gaba Fruit Processing Plant	DPAP, PLP PLP, Land Commissioner, DC Gilgit	
15 January	0830: Mission meets AKRSP/DPAP and other representative NGOs with Gender interests to discuss ideas and options for gender mainstreaming in project activities and outcomes 10.30: Mission meets with representative youth groups for clarifying potential for youth empowerment and engagement in ETI activities 13.30: Meeting with Chief Secretary, IG and Home Secretary on security assessment and implications for programme implementation	PLP, AKRSP, DPAP PLP, AKRSP, DPAP and youth representatives PLP, CS Office	

16 January	0830: Meeting with P&D on options for programme management, quality staff recruitment and retention (Mission) 0830: VC Expert and EFA Expert continue meetings with relevant entities to develop representative models for various value chains' development	PLP, P&D Deptt. Tissue Culture Labs; Private Sector Entities; Agriculture Extension; Transporters	
17 January	Follow up meetings by mission and internal mission meetings Preparation for Provincial Wrap-up		
18 January	AM: Provincial Wrap-up Meeting PM: Mission Report Writing	Secretary P&D Department	
19 January	Mission Departs for Islamabad		By air
20-21 January	Aide Memoir for EAD Meeting Follow up meetings in Islamabad	Mission Leader	
22 January	Meetings in Lahore Lays and Pepsico Zamindara Seeds DG (Extension) Punjab	Mission Leader, Value Chain Expert and Budget & Finance Expert	By road – Lahore
23 January	Tele-conference with Mr. Jan Muhammad, Regional Head Seed certification GB	Mission Leader	Islamabad
24-26 January	Report writing		Islamabad
27 January	Wrap Up Meeting	Additional Secretary, WB, ADB, UN	Islamabad
28-29 January	Report Writing		At Islamabad
29 January	Mission Departs		

EFA: Economic and Financial Analysis
PLP: Provincial Liaison Person
RN: Rab Nawaz
VC: Value Chain

Appendix 2

List of People Met During Programme Design

ETI Design Mission (October-November 2014)

a) Federal Government

1. Mr. Omer, Additional Secretary, EAD, Islamabad.
2. Mr. Mumtaz Shah, Deputy Secretary, EAD, Islamabad
3. Mr. Tahir Hussain, Additional Secretary, MO KA&GB, Islamabad.
4. Mr. Shahid Mahmood, Additional Secretary (External Finance), MO Finance, Islamabad.
5. Amjad Mehmood, Joint Secretary, MO Finance, Islamabad.

b) Gilgit-Baltistan Region

1. Mr. Raja Muhammad Jalal Sikander Sultan	Chief Secretary, GB
2. Mr. Jehanzeb Awan	Secretary P&D, GB
3. Mr. Jehangir Mushtaq Virk	Secretary Finance, GB
4. Mr. Muhammad Sibtain	Home Secretary, GB
5. Mr. Ahmad Malook	Deputy Chief, P&D, GB
6. Mr. Basharatullah	SE, PWD
7. Mr. Sher Jahan	Director, Water Management
8. Mr. Abdul Khabir	Deputy Director, Agri Research
9. Mr. Amin Beg	Regional Programme Officer, AKRSP
10. Mr. Muhammad Ashfaq	Programme Manager, DPAP
11. Mr. Muhammad Saleem	Programme Manager, AKRSP
12. Ms. Yasmin Karim	Program Manager Gender, AKRSP
13. Mr. Babar Khan	Sr. Manager, WWF, GB
14. Mr. Saeed Iqbal	Value Chain Lead, ASF, GB
15. Mr. Ghulam Ali	Manager, Market Development, AKRSP
16. Engineer M. Ghazi	Manager, Infrastructure, AKRSP
17. Mr. Ajmal Bhatti	D.C Gilgit/ Expert Land Records
18. Mr. Shahid Karim	Highland Gaba Foods Ltd. Gilgit
19. Mr. Sher Ghazi	Exec. Director, Mountain Fruits (Pvt.) Ltd.

c) Lahore

1. Mr. Zahid Saleem	Head of Agro, Pepsico
2. Dr. Obaid ur Rehman	Director Seeds, Zamindara Seeds
3. Dr. Anjum Rafiq	Director General (Ext.) Punjab
4. Mr. Asif Ali	Sr. Advisor Agri Services, Engro Fertilisers
5. Mr. Afzaal Haider Rizvi	Director, Farmers Association of Pakistan/Director Okara Potato Growers Co-operative (+92 300 8441132)
6. Mr. Muhammad Amjad	Agribusiness Development Manager, PEPSICO (03008690522) (Muhammad.amjad@pepsico.com)

d) Presentation of ETI to Donor Agencies Meeting in EAD on 10 Feb 2015

List of Participants

Minutes of Proceedings

Appendix 3

QE Comments and PDR Mission Response

QE Comments	PDR Response
a. Programme ambition, size and cost: Given some very ambitious quantitative (40 500 h irrigated, 700 km of roads, 80 000 new land titles) and qualitative targets (8 niche value chains, creation of new producer groups, 100% cost recovery for service provision), it was suggested to scale-down the project, and to structure it in subsequent phases. (also costs of irrigation development and civil works seem on the low side - it was recommended to also consider land-levelling, irrigation equipment, etc.). The first phase of the project should cover more in-depth land tenure assessments, irrigation (pre)feasibility studies, social mobilisation (starting the creation of producer groups) and infrastructure. Furthermore, due to the relative geophysical isolation of the area, some of the logistical costs of implementing ETI need to be further validated. Following such a pilot phase, the project could eventually be scaled up later on, with 'proof of concept' including real, proven costs.	Programme has been scaled down to 50,000 acres of new land (original 100,000), 400 km of road up-gradation (original 700 km new roads) and implementation in 4 districts (original 7). Cost has been reduced to US$ 120.15 million (original 174). Irrigation and roads costs have been reconfirmed and revalidated Land tenure system in GB is based on very strong traditional equity driven and community centered system. Four of the districts are yet to be settled and only customary system is in force. AKRSP and WMD have implemented hundreds of schemes on the basis of traditional land tenure system with no issue. Phase approach based on first piloting and then expansion has been found unnecessary as the main programme interventions are basically scaling up of already tried and tested pilots and activities by various national and international organizations.
b. Cost recovery for services and investments: In terms of cost recovery, it was agreed that it is extremely challenging, in the given economic context, to expect farmers to pay for extension services. These may be embedded with private sector contracts, but here too caution must be exercised as the enabling environment for contract farming may not be robust enough either. Regarding the paying back of 50 percent of investment costs over three cropping seasons (for irrigation a. o. infrastructure), a need was expressed to: 1) analytically describe the shortcomings of past arrangements (20 percent community contribution in kind and up front); 2) reconsider whether a one-off injection of cash into the local economy makes it worth setting up a Re-Investment Fund Mechanism, with governance and management arrangements, etc.; and 3) conceptually separate the funding of public/collective and private/collective goods to be financed through the repayments at community-level.	Revolving funds for extension services have been removed. Extension support needs will now be imbedded in the community business plans and paid out of funds approved from Value Chain Fund. 1. The short-comings of previous 20% community contribution based arrangement have been elaborated in Working Paper 1. 2. The one-off cash injection through cost recovery has been re-examined and found that communities are willing to pay that as it will help them maintaining the irrigation infrastructure, land development and other infrastructure needs for value chain dev. 3. Usage of recovered amounts has been now differentiated between public and private goods. These funds will be for collective good purposes
Value chains: The configuration and quality of	Relationships between various players along

relationships between different value chain players should be further described, and the political economy in which their transactions take place.	the value chain further described in Working Paper and PDR.
If a 4Ps Development Mechanism is put in place this should serve to define a structured and non-arbitrary way of interacting and engaging with, the private sector. **I**t was recommended that the PDR show more clearly how competitive the products are going to be, how to incentivize the private sector to work with small farmers, and the need to present clear business plans (including who finances what).	Methodology for interacting with the private sector explained in the Value Chain Working paper. Sample business plans included in Working Paper
The high number of value chains presented in the project should be reduced.	Priority value chains reduced to two during the initial two years (apricot and potato) with one pilot in milk marketing due to its importance for the existing women milk cooperatives. Expansion to other products will be considered from year 3.
With respect to value chain financing, it was noted that Pakistan has been developing innovative models of rural and agricultural finance and investment for many years (including Aga Khan's MFI networks). This experience deserves to be further capitalized in order to establish a financially viable mechanism and an institutionally sustainable option of access to credit for agricultural producers and actors downstream in the value chain	Possibility of access to institutionalized credit was considered but the current outreach of commercial and microfinance institutions in GB, in particular for agriculture credit, is very limited. The option can be further explored during MTR.
Irrigation and roads: Comments related to irrigation revolved mostly around the ambitiousness of planned development and the lack of detail of this development will be rolled out.	Targets revised to half of original and details on process/roll out included in PDR and working paper
Especially worrisome is the absence of information on what are summarily described as well-established community-based O&M systems. If governed under customary forms of authority and decision-making, there is a major risk that the vast (100-fold) upscaling of community-based O&M systems will not be achievable without running the risk of seriously compromising the customary norms underlying them and therefore their time-proven effectiveness and legitimacy.	Full details now provided in working paper on community based O&M systems and their efficacy. The original target was almost 100% increase over existing area and not "100 fold" increase.
The negotiation of way leave may be lengthy and should be planned well in advance. In broad terms, the same comments on ambition, quantitative targets and **costs, as well as O&M apply as for irrigation.**	A comprehensive survey was conducted by WMD in Nov/Dec to verify factors like availability of water source, availability of right of way, beneficiary households etc. And clean schemes have already been identified.
Land tenure issues: Issues were raised on the land and the extension that the project foresees to irrigate, suggesting to be cautious since most of the land, although ready to this purpose, could be under litigation or *de facto* controlled/owned by powerful individuals and/or families.	As responded above. There is a portfolio of already designed 43 schemes and over 100 additional schemes where all these factors have already been verified. The local social and tribal structure does not allow any powerful individual or family to occupy any unused common land or khalsa

The main text suggests that unused barren "shamilat" (communal) land and on "khalsa" (state) land is readily available for irrigation development, but more detail is needed on where exactly the 40 500 h are to be found. The process of land titling is usually challenging, and, especially, very time consuming and volatile. Although the number and nature of claims which are known so far may appear to be manageable, experience has shown that new land development tends to trigger a myriad of new and/or formerly "dormant" claims and litigations over land and water rights.	land at the cost of rest of the community. List of lands available for development along with name of village and community and source of water attached with working paper. ETI is concerned only with the titling of newly developed land. The process involves upfront certification of ownership rights on the land identified for development by land revenue agency who would also be responsible for issuing titles once land is developed.
Gender and Social Inclusion issues: It was noted that the actual role of women in agriculture is not clear in the project document, thus more details are required to be looked into. The position of the gender and poverty targeting expert should be reinstated in the project. Given the highly conservative social situation of the project geographical area, it is recommended that the final design mission prepare a project-wide Gender Mainstreaming Strategy. This should assess whether or not/how/where/when male agricultural extension staff can contact female farmers or whether female extension workers are needed to access women within household compounds for extension messages. Assess whether the district farmer training centres have separate dormitory facilities for females and males, and whether the women's dormitories offer adequate child care facilities or spaces for nannies. These efforts would contribute to come up with "locally adapted gender-specific delivery system adaptations" as per IFAD gender policy.	Clarified in final PDR (Annex on Poverty and Gender) Reinstated Gender has been mainstreamed in all aspects of programme activities and implementation in final design. In view of local cultural sensitivities, all women training will be in-situ by female trainers foreclosing the need for dormitories and spaces for nannies.
Livestock and dairy: The successful experience of IFAD in value chains in fruit and dairy already proven in Turkey a. o. similar mountainous areas, show that the project is relevant to the area it covers. Pakistan is the 5th producer in the world of apricots, dairy products and vegetables. Given its comparative advantage, these are the most important elements of the Gilgit Baltistan economy, producing 30% more than in any other area of the country, and at different times of the year. Moreover, there are already several enterprises present in the area that could be involved in value chain processes that could have a positive impact on women and youth in particular. It was noted that since in the project document neither dairy nor livestock was	In order to simplify the programme with sharper focus, as recommended by CPMT and WE, the Livestock and Dairy Development component was dropped.

given the relevant importance, it was agreed that Component 1 would be further reviewed. Free hand-outs in the form of transfers of productive assets (such as small livestock) to resource-poor persons, particularly women, tend to not work, unless accompanied rigorously.	
Climate change: Written comments by ECD pointed out that climate change issues were not mentioned in the document, stressing the importance of addressing the potential impacts and effect that the project may have on climate change, and that compliance with IFAD's Environmental and Social Assessment Procedures (ESAP) was not mentioned either. ECD recommends to develop the ESRN, giving attention to potential impacts and suitable design features, preventive actions or mitigation measures, and moreover, the PDR should identify climate-smart practices and technologies to be incorporated into the project. The project has been tentatively (pending the ESRN) categorized as falling under category B. During the Panel discussion, the unpredictability of glacier melting (often leading to floods damaging irrigation canals, landslides damaging roads, etc.) was mentioned as a specific risk worth assessing in greater detail.	Detailed ESRN included in PDR.
Implementation arrangements and policy dialogue: Agha Khan is a reliable implementing partner, which gives attention to poverty and gender issues, and is eager to participate in the project. It was recommended to show clearer its role and keep it as implementing partner also in consideration of its 30-year experience. The design document suggests an initial set of criteria to be used by government officials for selecting among possible irrigation schemes, roads, and high-value commodities for promotion. Whilst there is considerable scope for further refinement of the ranking criteria (see section x below), experience in northern areas of Pakistan suggests that local officials tend either to pay lip service to planning criteria without actually applying them or distort the criteria to serve individual or sectarian interests. In ETI there needs to be an agency which has the authority to ensure that the planners adhere to the stated planning criteria. Policy dialogue activities feature relatively prominently in the design, but not the budget; similarly, implementation responsibilities are not described	AKRSP's financial demand for partnership proved to be very costly. After considering all options including AKRSP, design mission has decided to recommend selection of SMP on competitive basis. Detailed TOR and selection process have been included in PDR and PIM. A representative selection committee consisting of PCU, implementing agencies, SMP(s), private sector members and civil society representatives has been constituted to finalize selection as per criteria. Final selection shall be subject to IFAD prior review.
Recommendations: Overall, it was agreed to scale the project down and to introduce phases, including for piloting purposes.	Scale of programme reduced and incremental approach to value chain and other interventions adopted

The Panel examined whether the project may be ready to be presented to the April 2015 Executive Board, and suggested to consider its submission to the September Session. **a.** Provide more information on irrigation investment planning and O&M as well as land tenure. **b.** The high number of value chains presented in the project should be reduced to 3: apricot, dairy and vegetables (potatoes), to reduce complexity, and as pilots. **c.** Prepare more background information and data allowing for a better understanding of the market dynamics, the private sector, the market channels and routes, and the links between the small isolated farmers and the new market channels and/or new highway to China. **d.** Carry out a rapid market assessment of the dairy sector to collect essential data and information. Build an economic model to assess the financial viability of investments to upgrade the existing dairy value chain. Drop the idea of free transfers of productive assets. **e.** Present lessons learned from matching grants in Papua New Guinea, describe governance and management mechanisms of the Value Chain Support Fund (including a semi-independent management body for transparency and to avoid the risk of politicization/élite capture), and outline the matching arrangements (such as equity capital, grant cum loan, etc.) as part of a draft implementation manual for this Fund. **f.** Reconsider cost recovery for extension a. o. services and provide more detail on the Re-Investment Fund Mechanism at community level, including who will oversee it. **g.** Prepare a ESRN. Assess the need for the potential retro-fitting of canals and roads against dramatic melt water increases ("climate proofing"). **h.** Describe policy dialogue implementation responsibilities and provide a budget for its activities.	Programme Documentation would be ready for submission by mid-Feb. a. Information provided b. Value chains reduced to two with one pilot for first two years o programme c. A full fledged value chain working paper explaining all these aspects added to PDR d. No free transfer of assets. Dairy value chain economic model prepared. e. Details provided in Value Chain Working paper and relevant portions of PDR f. Cost recovery of extension dropped. Details on re-investment fund mechanism added g. ESRN prepared. Design measures for mitigation explained h. Needful done

Annex 14

Good Governance Framework

1. "Corruption is a problem for all economies, requiring leading financial centres in the European Union and the US to act together with fast-growing economies to stop the corrupt from getting away with it… more than two-thirds of the 175 countries in the 2014 Corruption Perceptions Index score below 50, on a scale from 0 (perceived to be highly corrupt) to 100 (perceived to be very clean)….. Pakistan having scored 29 out of 100 in the CPI, ranked 126 out of 175 countries…….Although the report shows Pakistan having reduced corruption, it is still the 50th most corrupt country out of the 175 states assessed by Transparency International[105]."

2. At the heart of Pakistan's anti-corruption drive is the country's National Anti-Corruption Strategy (NACS) launched in 2002, the National Accountability Ordinance of 1999 (amended 2002) and the National Accountability Bureau - the agency charged with the implementation and overall coordination of the NACS and the Ordinance. These initiatives have made considerable headway for the removal of corruption from the offices and society. Over the last few years, some very high profile cases of corruption in high and mid-levels of political and bureaucratic officialdom have been successfully prosecuted and large sums of moneys recovered. However, the battle is far from being won.

3. The main features in anti-corruption and good governance framework in the country and GB region are following:

Anti-Corruption Watchdogs:

4. There are number of federal and provincial agencies tasked with the responsibility to check corruption in public and private sector, in particular abuse of public office for personal gain. At the federal level, two main agencies are National Accountability Bureau (established under NAB Ordinance 1999) and Federal Investigation Agency (established under FIA Act 1974). GB is under the purview of both these agencies. NAB has had its share of controversies over the years primarily because of the perception that it was only meant for harassment of politicians and bureaucrats as the act exempted judiciary and armed forces from its purview. However, NAB has been relatively more effective in prosecuting the corrupt elements since its inception as it has a 54% higher conviction rate compared to FIA. While NAB is an autonomous institution with a very powerful chairman, FIA is an attached department of Ministry of Interior. The investigation quality and conviction rate in cases handled by FIA is generally inferior compared to NAB.

Accountability Courts

5. Accountability Courts throughout the country decide cases under the National Accountability Bureau Ordinance. The Accountability Courts were established for speedy disposal of cases involving corruption and corrupt practices, misuse, abuse of power, misappropriation of property, kickbacks, commissions and connected matters. Despite judgments in several high profile corruption cases, the Accountability Courts been criticized for selective accountability and political motives. The National Accountability Bureau (NAB) and other parties have defended the integrity of the practices.

Public Procurement Regulatory Authority (PPRA).

6. Civil society and aid-agencies had for a long time been raising concerns about non-transparent procurement and contracting in public sector. Systemic weaknesses included the lack of a standardised procurement regime (sets of clear, transparent rules and legislation) as well as the absence of procurement expertise in the government. Grounds and opportunities for corruption were available at every stage of the procurement process (from preparation through contracting). To address this, Government established PPRA through a Presidential ordinance to regulate procurement of goods, services and works in the public sector and extended it to the

[105] Transparency International Global Report, 2014

whole of Pakistan. The PPRA comprises the Secretary, Finance Division (chair), and the secretaries of the Ministry of Industries and Production, Defence Production Division, Ministry of Water and Power, Ministry of Housing and Works, Ministry of Communications and three members from private sector nominated by the Federal Government. PRRA can take measures as necessary to improve governance, management, transparency, accountability and the quality of public procurement of goods, services and works in the public sector. Now every province has its own PPRAs with detailed rules and procedures governing all public procurements. All tender above certain limits are to be placed on PPRA website. Single sourcing and post-bid negotiations are not permissible without PPRA NOC.

Financial oversight bodies

7. **The Supreme Audit Institution of the country (the Auditor General's office)** is responsible for audit of all public sector expenditures including foreign funded projects. AG office over the years, with the help of many externally funded technical assistance programmes, has been consistently improving its working and oversight effectiveness through adopting international best practices, such as those of the International Organisation of Supreme Audit Institutions (INTOSAI). There has been some progress in reorganizing the department and adopting modern audit techniques and reporting formats. It is a capacity building program to improve Financial Reporting and Auditing (PIFRA) is now at quite an advanced stage. As part of reform, the Audit and Accounting functions have been completely separated with Government Accounting now under a Comptroller General of Accounts. Other reform efforts include the design of diagnostic tools, such as a "Financial Government Rating Index (FGRI)" and an "Internal Quality Rating (IQR) for its departments.
8.
9. **Public Accounts Committees (PAC)**: The Federal and Provincial Legislatures have Public Accounts Committees that examine the Audit Reports of all Government Agencies coming under their review and pass decisions. The Committees are headed by the leaders of opposition at both Federal and Provincial levels. A major challenge for all PACs is the backlog of years and the time-lag between an Audit and its presentation before the PAC.

10. **Independent Watchdogs, Civil society and Media**: Superior judiciary through its "suo motto" notices and actions on reported cases of mal-governance and corruption has become an important and effective check on corruption in public sector. Through these actions, the judiciary has over-turned many high profile privatization and other deals including one for the Pakistan Steel Mill. Civil society and non-governmental organisations are increasingly engaged in government's committees, task forces and other advisory and oversight roles. Federal and Provincial Ombudsmen are another important institution dealing with incidents of corruption or malfeance in public sector service delivery. Media, especially the electronic media, has become a very strong independent presence in Pakistan and exerts strong check and influence on working of government agencies and ministries.

Features in ETI Design to Ensure Good Governance

11. ETI design, its approach and management structures contain number of features to promote transparency and efficient and equitable use of programme resources. Economic Transformation Programme will have several inbuilt design features and processes to ensure that the programme resources are utilized in a transparent, equitable and effective manner for the intended purposes only. First, the programme requires a higher than norm counterpart fund commitment by the Government of Pakistan and Government of GB to project outcomes and impact, to ensure their commitment and buy-in for efficient use of resources. It is in Government interest that all goods and services are competitively procured and efficiently used. A high level Programme Steering Committee will meet on a regular basis to provide overall guidance and facilitate programme implementation. A well-resourced PCU will steer the programme with staff recruited through a transparent and competitive process. IFAD procurement guidelines and prior-review for all procurements above prescribed threshold will be strictly followed along with adherence to PPRA rules for all procurements. Key governance and management features of ETI are summarized as

following:

a. **Approach:** ETI will be implemented through a strong participatory approach with beneficiary communities engaged in all elements of need prioritization, planning and implementation. These 220 Village Producers Groups will operate on the basis of individual value chain development business plans that would provide the basis for all programme related releases and expenditures. These beneficiary groups will be part of all procurements for activities and infrastructure delivered at village level. Programme resources will be apportioned among the target districts and valleys within districts on the basis of a verifiable and transparent criteria.

b. **Valley and Village Targeting:** Valley and village targeting will be done on the basis of a detailed criteria as outlined in PDR and PIM. The criteria is based on population, number of poor households as per BISP database, Production of priority products for value chain development, potential for new irrigation development etc. The valleys/villages scoring the highest score will be selected for programme interventions thereby offering a transparent methodology safe from any manipulation or elite capture. The selection will be approved by a committee consisting of PCU, social mobilization partners, civil society and private sector members and line departments.

c. **Social Mobilization Partners:** All community related activities will be carried out with the help of social mobilization partners who would be independent agencies, selected through a competitive process, and working with the programme on the basis of output based agreements. They will also be independent oversight entities on behalf of the communities vis-à-vis delivery of services by the partner government agencies.

d. **Community led Irrigation Development:** ETI's irrigation development component would be built around the well-established community led development model whereby all the procurements and implementation would be in partnership with the benefitting communities. The developed land will be equitably distributed with proper land ownership titling by land revenue agency.

e. **Irrigation and VC Linked Roads Upgrading:** Selection of roads for upgrading is tied to valleys selected for value chain and irrigation development and therefore safe from any arbitrary or motivated selection. Engagement of an independent engineering consulting firm for design, bidding and construction supervision will ensure quality and transparency at each stage. Only prequalified contractors will be eligible for participation in bidding. Roads will be packaged in a manner to attract better capacity contractors with satisfactory track-record and credibility. Infrastructure Specialist in PCU will be overall incharge of all ETI civil works and all payments to contractors and communities will be made through cheques directly by PCU after certification from Infrastructure Specialist.

f. **Committee Supervised Value Chain Support Fund:** Value chain support fund will be managed by a broad based committee consisting of Programme Coordinator, Finance Manager, VCTAT Team Leader, concerned value chain expert, concerned line department, private sector members, social mobilization partner and representatives of farmers' organizations. Candidates for matching grants will be invited through press advertisements and examined under proper evaluation criteria and guidelines as provided in Value Chain Working paper and PIM. Release of funds will be tied to pre-agreed performance benchmarks for the recipient entity.

g. **Empowered PCU Finance Wing:** The Finance Wing at PCU level and finance managers at DCU level will be engaged through competitive process and as per qualification prescribed in PIM. They will be fully independent in their sphere of work and will be only accountable to the Programme Coordinator. They will ensure that all programme funds are expended in line with Financing Agreement, procurements guidelines and AWP/B provisions.

h. **Transparent and Competitive Procurement:** Annual procurement plans will guide all

procurements of ETI and a Procurement Manager at PCU level will be the focal person for this purpose to ensure timeliness, value for money and adherence to established procedures and processes. All standardized items for PCU and implementing partners (vehicles, office equipment, furniture fixtures etc.) will be packaged and centrally procured by PCU, under the oversight of a notified representative PCU procurement committee having representation from concerned implementing partners and finance wing with Procurement Manager as its Secretary.

i. **AWP/Budgets:** Annual Workplans and budgets will be the main instrument for financial management, expenditure control, reporting and fund release. Any deviation from the approved annual budgets and plans will require proper justification by the concerned entities and proper examination by PCU and recording of reasons, justifications and decisions. No deviation will be implemented without prior approval of PCU and post-approval endorsement of PSC.

j. **Centrality of PCU Control over all Procurements and Finances:** PCU will exercise direct control and oversight over all finances and procurements. Any procurements decentralized to an individual entity will have PCU representation in the procurement process. Payments for all major civil works and equipments will be directly made by PCU to the suppliers/contractors after necessary certification from concerned line department and endorsement by concerned wing of PCU.

k. **Quality of PCU Human Resource:** Recruitments against all PCU key positions will be made through competitive process by a high powered selection committee headed by Chief Secretary. The positions will be open to both public and private sector candidates. Quality human resource will enable the PCU to have quality management of ETI resources.

l. **PME:** Participatory monitoring and evaluation will be instituted for all community related programme interventions through simple reporting formats. A computerised system will be established with facility for multiple access interface for each of access by stakeholders.

m. **Communication and Dissemination:** ETI will develop a strong communication strategy aimed at keeping all stakeholders and civil society informed about programme purposes, targeting criteria, activities, progress and benefits. A communication officer in PCU will be responsible for developing and implementing programme communication strategy. The strategy will be closely linked to the programme M&E system to generate effective information and feedback channels.

n. **Audit:** All accounts including the Designated Account and statements of expenditures for each Fiscal Year will be audited by the Auditor General or if deemed necessary, by independent auditors selected by the Auditor General and acceptable to IFAD in accordance with International Standards on Auditing (ISAs). Audit will be conducted in accordance with TOR and template provided in ETI PIM. The Financial Statements will comply with International Public Sector Accounting Standards (IPSAS) Cash Basis. The Government will deliver a copy of the audit report together with the management letter and responses to IFAD within 6 months of the end of the fiscal year.

o. **Programme Supervision:** A bi-annual programme supervision will be carried out by IFAD to support implementation and identify areas for improvement. The programme finances and procurements will be examined by the mission's to verify their adherence to prescribed guidelines, rules and standards.